GROWING SUSTAINABLE BUSINESSES

Solutions for Tomorrow's Needs

Sembcorp Industries Annual Report 2011

sembcorp

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Sembcorp provides essential solutions that are indispensable to everyday life. As vital partners to industries and households, we are committed to growing businesses that are strong and lasting.

Our energy business supports industrialisation and powers households. Serving over five million people worldwide, our water and wastewater solutions enhance quality of life and limit environmental impact. Meanwhile, our marine business drives progress in the oil and gas and marine sectors with a full spectrum of integrated solutions. We also support sustainable urbanisation with integrated urban developments in emerging markets.

With businesses that provide essential solutions to serve the world's growing needs, Sembcorp is well-positioned with the resilience to deliver sustainable value today, tomorrow and beyond.

Sembcorp's combined power and desalination plant in Fujairah, UAE

PROVIDING ENERGY TO POWER LIVES

Sembcorp provides essential energy required in daily lives through efficient power and steam generation. With 5,600 megawatts of gross power capacity and a healthy pipeline of projects under development worldwide, our energy business supports industrialisation and urbanisation while providing a growing recurring income base.

The Sembcorp NEWater Plant, Singapore

MANAGING PRECIOUS WATER RESOURCES

Industries and households rely on Sembcorp's innovative and sustainable water solutions to support development and enhance the quality of life. Managing more than seven million cubic metres of water per day, we provide total water solutions that meet the growing needs of industries, communities and governments. Our water operations serve over five million people worldwide while contributing a stable revenue stream.

Sembcorp Marine's Jurong Shipyard, Singapore

OFFERING DIVERSIFIED MARINE AND OFFSHORE SOLUTIONS

From the building of jack-up and semi-submersible rigs and offshore platforms, to offshore conversion projects and ship repair, Sembcorp provides a wide spectrum of marine and offshore solutions. Our diversified portfolio serves the varied needs of international oil and gas players and ship operators, while our ship repair operations provide a steady baseload for our business and shareholders.

An artist's impression of the Sino-Singapore Nanjing Eco Hi-tech Island, China

SUPPORTING SUSTAINABLE URBAN DEVELOPMENT

Sembcorp develops and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space. Our projects in some of the world's fastest growing markets drive investments and support sustainable urbanisation, while providing a robust pipeline for growth.

In 2011, our Group delivered a robust operating performance and achieved significant milestones in the execution and development of more than S$5 billion worth of new projects.

Dear Shareholders,

Sembcorp delivered a strong performance in 2011. Our net profit attributable to shareholders (net profit) for the year grew 2% from S$792.9 million in 2010 to S$809.3 million, while turnover was up 3% from S$8.8 billion in the previous year to S$9.0 billion. Our main profit contributors continued to be our Utilities and Marine businesses, which accounted for 37% and 55% of Group net profit respectively. Our Utilities business delivered robust profit growth in 2011, with net profit growing 32% to S$304.4 million, while Marine's net profit was S$456.2 million compared to S$492.8 million in 2010.

The Group's return on equity was 20.4% and earnings per share amounted to 45.3 cents. Economic value added was a positive S$728.2 million, while cash and cash equivalents stood at S$3.0 billion.

For 2011, we are pleased to inform you that the Board of Directors is proposing a final tax exempt one-tier dividend of 17 cents per ordinary share, comprising an ordinary dividend of 15 cents and a bonus dividend of 2 cents.

Maintaining Momentum, Achieving Milestones

In a year marked by economic uncertainty, our Group delivered a robust operating performance. We also continued to position our businesses for sustainable growth with the achievement of significant milestones in the execution and development of more than S$5 billion worth of new projects.

Providing a growing recurring earnings base, our **Utilities** business delivered a strong performance. Record profits for the business were driven by good operating performance in Singapore, China and the Middle East & Africa. Our Singapore operations, underpinned by a solid performance from our existing combined cycle gas turbine cogeneration plant, remained the business' key contributor. During the year we also saw the commencement of the delivery of an additional 90 billion British thermal units per day of natural gas from West Natuna Sea in the fourth quarter of the year. This second gas sales agreement increases our existing supply by 26%. We also successfully integrated businesses we had acquired into the Group and made significant progress in executing our new projects in Singapore, Oman and India.

During the year, we integrated the operations of Cascal into the Sembcorp Group following our acquisition in 2010. Demonstrating our ability to execute and extract value from acquisitions, its municipal water and wastewater businesses in 18 operating locations across eight countries delivered a good performance. In Australia, our solid waste management associate, SembSITA Australia, is now the second largest waste management operator in the country with the successful acquisition and integration of WSN Environmental Solutions, a solid waste management service provider formerly owned by the New South Wales government.

We strengthened our market position as a global leader in the provision of energy, water and on-site logistics to industrial sites with our successful expansion into a new growth area on Jurong Island, Singapore. During the year, we commenced construction of facilities to provide the integrated supply of steam, water and industrial wastewater treatment as well as a new combined cycle gas turbine cogeneration plant in the Banyan and Angsana districts of the island. Our industrial

ANG KONG HUA, Chairman (right)
TANG KIN FEI, Group President & CEO (left)

The key to Sembcorp's long-term sustainability lies in the strength of our businesses.

wastewater treatment capacity will more than double when the new 9,600 cubic metres per day industrial wastewater treatment plant, capable of treating multiple streams of complex industrial wastewater, is operational in the second half of 2012. Meanwhile, our new cogeneration plant, our second on Jurong Island, will increase our generation capacity in the Singapore energy market by 50%. Complementing our existing facility with a capacity of 400 megawatts of power and 200 tonnes per hour of process steam, this initial phase is due for completion in the fourth quarter of 2013.

Key milestones were also achieved in Oman and India where we are actively building platforms for future growth. In Oman, we successfully met a tight timeline to complete the first phase of the US$1 billion Salalah Independent Water and Power Plant on schedule. With the completion of the first phase, the facility began dispatching 61 megawatts of net power to the Dhofar power grid in southern Oman in July 2011. Targeted to begin full commercial operations in the second quarter of 2012, the project is set to be the most energy-efficient power and water plant in Dhofar, with a total gross power capacity of 490 megawatts and water production capacity of 15 million imperial gallons (69,000 cubic metres) per day. Meanwhile, in India, we completed our acquisition of a 49% stake in Thermal Powertech Corporation India and commenced construction of the 1,320-megawatt coal-fired power plant applying high efficiency supercritical technology in Krishnapatnam, Nellore District in Andhra Pradesh. The S$1.9 billion plant, our first in the fast-growing Indian energy market, is expected to begin full commercial operations in 2014.

The year also saw international recognition for Sembcorp's capabilities as a leading global water player. Sembcorp was named the Water Company of the Year at the Global Water Intelligence's 2011 Global Water Awards. In addition to winning the top honour at the prestigious Global Water Awards, we also clinched the Desalination Deal of the Year award for our Salalah Independent Water and Power Plant.

In 2011, our **Marine** business continued to deliver satisfactory results underpinned by its rig building, ship conversion and offshore and ship repair sectors. During the year, we completed and delivered a record number of four semi-submersible rigs, three jack-up rigs and five ship conversion and offshore projects on schedule or ahead of schedule. This included the *Gajah Baru* platforms for Premier Oil Natuna Sea as well as the *West Elara*, a Gusto MSC CJ70 150A harsh-environment jack-up rig for Seadrill. Classed among the biggest and most advanced jack-up rigs in the world, the *West Elara* is our Marine business' first harsh-environment, high-specification jack-up newbuild and the largest of its kind constructed in Singapore. Sembcorp Marine has a net orderbook of S$6.3 billion as at February 2012, with completions and deliveries till 2015. This includes S$1.3 billion in contract orders secured since the start of 2012, excluding ship repair contracts. For ship repair, several long-term contracts were secured during the year which will provide a stable baseload for the business.

Over the course of the year, we also strengthened our Marine business' global network of shipyards. In Brazil, an important milestone was achieved with the groundbreaking of Sembcorp Marine's wholly-owned Estaleiro Jurong Aracruz, our first overseas Integrated New Yard Facility in the state of Espirito Santo, Brazil's second largest oil producer. Strategically placed close to the rich oil and gas basin of Espirito Santo, one of Brazil's giant pre-salt reservoirs, Estaleiro Jurong Aracruz is well-positioned to support developments in one of the fastest growing offshore oil and gas exploration markets in the world. In February 2012, Estaleiro Jurong Aracruz secured its first project, a US$792.5 million contract from a subsidiary of Sete Brasil Participacões for the design and construction of a drillship based on our proprietary Jurong Espadon drillship design. This represents the first drillship that our Marine business is building for Brazil. In India, we increased our stake in Sembmarine Kakinada from 19.9% to 40%, making us the largest single shareholder of the joint venture facility. Located in the east coast of India, the integrated marine and offshore facility is well-placed to capitalise on the development and long-term growth potential of the offshore industry in India and South Asia. Meanwhile in Singapore, construction of the Integrated New Yard Facility in Tuas View Extension is progressing on schedule. The state-of-the-art yard, with its innovative work-efficient design, represents a major milestone in our growth and expansion strategy as it will further bolster our home-based capabilities to deliver value-added cost-efficient solutions to our customers. Upon the yard becoming operational in 2013, our ship repair and ship conversion and offshore capacity will nearly double from the current 1.9 million deadweight tonnes.

2011 was also a fruitful year for our **Integrated Urban Development** business (formerly known as Industrial Parks) as we continued to step up our presence, undertaking integrated developments comprising industrial parks as well as business, commercial and residential space in Vietnam and China.

In 2011, our Vietnam Singapore Industrial Park (VSIP) joint venture turned in a solid year led by industrial land sales. Following the success of our first four VSIP projects, a memorandum of understanding was signed with the People's Committee of Quang Ngai province during the year to explore the feasibility of a fifth VSIP, a 1,020-hectare integrated urban development in Quang Ngai province, central Vietnam. The signing was witnessed by the President of Vietnam His Excellency Truong Tan Sang and Singapore Prime Minister Lee Hsien Loong. In China, we sold the first plot of land in the Sino-Singapore Nanjing Eco Hi-tech Island, kick-starting a mixed-use development, *New One North*. The development will comprise a research and development park, an exhibition centre and a waterfront commercial-leisure-residential precinct overlooking Nanjing city on the mainland.

In 2011, the business sold a total of 226 hectares of land, a 24% increase from the previous year and had 227 hectares of land commitments at year-end. During the year, we also studied the feasibility of a new integrated development in Chengdu, China. The Singapore-Sichuan Hi-tech Innovation Park, to be located in Chengdu's Tianfu New City central business district, adds 500 hectares to our saleable land bank. With a total gross project size of 7,687 hectares and 2,711 hectares of land available for sale, our projects in Vietnam and China provide a robust development pipeline. Together with our track record in the development of raw land, including land preparation and infrastructure development, and our ability to extract further value by undertaking the selective development of commercial and residential estate at choice sites, we believe that the business is poised for growth in the coming years.

Growing Sustainable Businesses

In today's volatile global economic environment, the key to Sembcorp's long-term sustainability lies in the strength of our businesses. We aim to enhance shareholder value by excelling in businesses that deliver recurring earnings and have the ability to sustain growth over the long term. This means an unrelenting focus on operational excellence and performance, but also the same unremitting commitment to growing businesses that can deliver lasting value.

As a provider of essential solutions, we believe that we are in the right businesses – businesses that meet the needs of the global market and provide innovative solutions to the challenges our world is facing.

Our energy business supports industrialisation and powers households. Our water and wastewater solutions enhance quality of life and limit environmental impact. Our Marine business supports progress in the oil and gas and marine sectors with a full spectrum of integrated solutions, while our Integrated Urban Development business supports urban development in emerging markets. With globalisation and urbanisation, the world's demand for these solutions will continue to grow. As a provider of these essential solutions, we believe that we are in the right businesses – businesses that meet the needs of the global market and provide innovative solutions to the challenges our world is facing. With a global footprint across six continents including growing emerging economies such as China, India, South Africa, Brazil and Chile, we are well-positioned with the reach and scale to meet the growing needs in these markets. At the same time, it is our belief that a climate of business uncertainty is inevitably accompanied by opportunity. All our businesses are well-placed to take advantage of value-enhancing and strategically attractive opportunities that may arise.

While we generate returns for shareholders by providing essential solutions to our customers, we aim to do so responsibly, and in a sustainable manner. We believe that truly sustainable businesses will not only create economic value, but will do so in a way that creates benefit for customers, suppliers, partners and communities wherever they operate. For Sembcorp, this translates to doing our part to limit the environmental impact of our activities and helping our customers and communities do the same, as well as being a responsible employer and maintaining a commitment to invest in communities where we operate. It also means seeking out opportunities to increase our competitiveness through addressing sustainability impacts and by better meeting society's needs and expectations. For instance, in response to the challenges posed by climate change and scarce natural resources, our businesses apply technology to produce energy efficiently in greener ways, create innovative solutions for clean sustainable water and recover resources from waste. Our new woodchip-fuelled biomass steam production plant in Singapore that was completed in 2011 is a case in point. The plant produces process steam for our customers on Jurong Island from waste wood collected and processed by our solid waste collection business and enhances our competitiveness on the petrochemical hub.

Meanwhile, in the communities where we operate, we continue to support causes relating to the environment, children and education, sports and the elderly. In 2011, we were also heartened by the recognition we received for efforts in carrying out our business responsibly. During the year, Sembcorp was selected as an index component of the Dow Jones Sustainability Asia Pacific Index. This index represents the top 20% of the largest 600 companies in the Asia Pacific developed region based on long-term economic, environmental and social criteria. Sembcorp is honoured to be one of only four Singapore companies selected for this index.

Acknowledgements

We would like to take this opportunity to record our deep appreciation to Richard Hale and Lee Suet Fern, who retired from the board at the last annual general meeting. Mr Hale served as an independent director of the company for over 10 years, chairing the board's Audit and Risk Committees, while Mrs Lee served as an independent director and a member of the board's Audit and Risk Committees for over five years. We thank Mr Hale and Mrs Lee for their invaluable contributions during their time with us.

We would also like to extend a warm welcome to Tham Kui Seng, who joined our board as an independent director during the year. Formerly the Chief Corporate Officer of CapitaLand, Mr Tham brings to the board a strong background in management in various industries, including a decade's experience in the real estate business.

Our thanks must also go to our shareholders, for your continued confidence in Sembcorp. While there may be further global economic challenges ahead, we remain confident of Sembcorp's future. We have robust and resilient businesses. We have strong operational and technological capabilities and enviable market positions established in key markets around the world. We have a healthy pipeline of projects and will continue to make every effort to build platforms for our future growth.

Last but not least, we turn to Sembcorp's talented team of employees around the world. Sembcorp's ability to deliver outstanding performance and sustainable value depends on their commitment, expertise and creativity in providing essential solutions to our customers. On behalf of the board, we would like to thank them for their steadfast contribution and dedication in 2011. As Sembcorp meets tomorrow's needs and grows sustainable businesses, this committed team will remain the foundation of your company's success.

Ang Kong Hua
Chairman
February 27, 2012

Tang Kin Fei
Group President & CEO
February 27, 2012

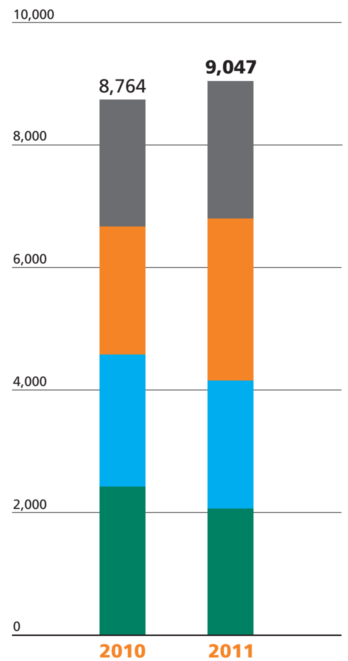
GROUP FINANCIAL HIGHLIGHTS

	2011	2010	Change (%)
For The Year *(S$ million)*			
Turnover	**9,047**	8,764	3
Earnings before interest, tax, depreciation and amortisation	**1,336**	1,478	(10)
Profit from operations	**1,272**	1,396	(9)
– Earnings before interest and tax	**1,101**	1,236	(11)
– Share of results: Associates & JVs, net of tax	**171**	160	7
Profit before income tax expense	**1,271**	1,367	(7)
Net profit	**809**	793	2
Capital expenditure and equity investment	**1,290**	982	31
At Year End *(S$ million)*			
Shareholders' funds	**4,115**	3,815	8
Total assets	**11,753**	10,892	8
Net debt / (cash)	**(811)**	(1,745)	(54)
Operating cash flow	**975**	1,702	(43)
Free cash flow	**866**	1,684	(49)
Per Share			
Earnings *(cents)*	**45.32**	44.44	2
Net assets *(S$)*	**2.31**	2.13	8
Net ordinary dividends (including bonus dividends) *(cents)*	**17.00**	17.00	–
Financial Ratios			
Return on equity *(%)*	**20.4**	22.2	(8)
Return on total assets *(%)*	**10.7**	12.2	(12)
Interest cover *(times)*	**20.3**	24.2	(16)
Net gearing *(times)*	**Net cash**	Net cash	NM
Economic value added *(S$ million)*	**728**	809	(10)

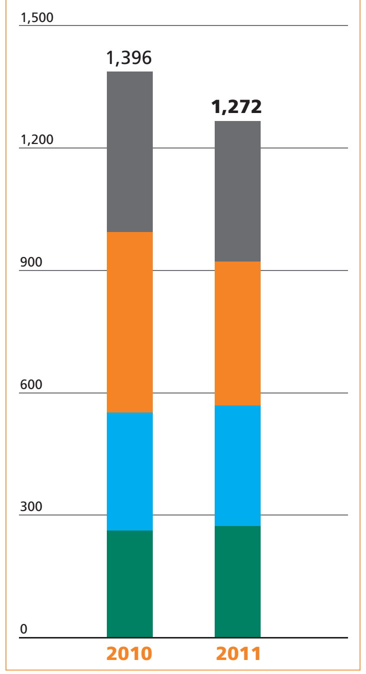
Group Quarterly Performance *(S$ million)*

	2011 1Q	2011 2Q	2011 3Q	2011 4Q	2011 Total	2010 1Q	2010 2Q	2010 3Q	2010 4Q	2010 Total
Turnover	**2,003**	**2,166**	**2,632**	**2,246**	**9,047**	2,406	2,135	2,154	2,069	8,764
Earnings before interest, tax, depreciation and amortisation	**297**	**309**	**362**	**368**	**1,336**	285	308	464	421	1,478
Profit from operations	**275**	**296**	**355**	**346**	**1,272**	263	292	444	397	1,396
– Earnings before interest and tax	**240**	**253**	**304**	**304**	**1,101**	234	257	404	341	1,236
– Share of results: Associates & JVs, net of tax	**35**	**43**	**51**	**42**	**171**	29	35	40	56	160
Profit before income tax expense	**262**	**283**	**384**	**342**	**1,271**	267	288	377	435	1,367
Net profit	**160**	**175**	**222**	**252**	**809**	159	161	244	229	793
Earnings per share *(cents)*	**8.95**	**9.80**	**12.45**	**14.12**	**45.32**	8.91	9.04	13.69	12.80	44.44

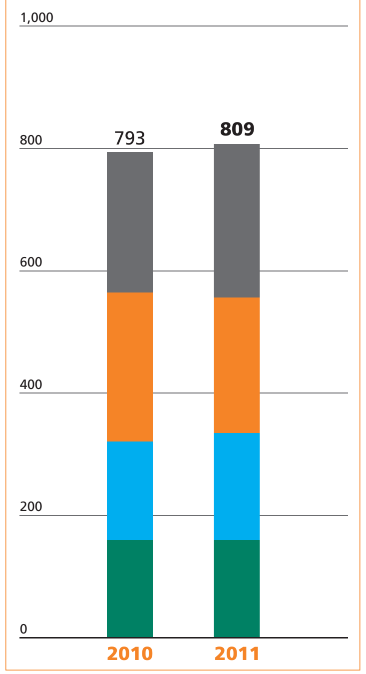
Turnover *(S$ million)*



PFO *(S$ million)*



Net Profit *(S$ million)*



■ First Quarter ■ Second Quarter ■ Third Quarter ■ Fourth Quarter

FIVE-YEAR PERFORMANCE PROFILE

2011

The Group delivered a strong performance in 2011. Net profit attributable to shareholders of the company (net profit) for the full year grew 2% from S$792.9 million in 2010 to S$809.3 million, while turnover was up 3% from S$8.8 billion in the previous year to S$9.0 billion.

Our main profit contributors continued to be our Utilities and Marine businesses, which accounted for 92% of Group net profit. Our Utilities business delivered robust profit growth in 2011, with net profit growing 32% to S$304.4 million. Record profits for the business were driven by good operating performance in Singapore, China and the Middle East & Africa. The Marine business' contribution to net profit was 13% lower at S$456.2 million mainly due to fewer jack-up and semi-submersible rig projects. This was offset by the higher interest income received in 2011 for deferred payment granted to customers and write-back of prior years' tax over-provisions.

2010

Sembcorp's net profit for the year grew 16% from S$682.7 million to S$792.9 million, while turnover was S$8.8 billion compared to S$9.6 billion in 2009.

The Utilities business' net profit improved by 2% to S$231.3 million with all regions registering growth except for operations in Teesside, UK, while the Marine business' contribution to net profit grew 22% to S$524.9 million.

During the year, the Group recorded an exceptional gain of S$32.1 million comprising the Group's share of the Marine business' full and final amicable settlement of disputed foreign exchange transactions.

2009

Sembcorp's net profit for the year grew 35% from S$507.1 million to S$682.7 million, while turnover stood at S$9.6 billion.

The Marine business' contribution to net profit grew 63% from S$263.7 million to S$430.2 million, attributable to a combination of operational efficiency and execution of projects ahead of schedule resulting in better margins and the resumption of margin recognition for some of the business' projects. The Utilities business' net profit grew by 12% from S$202.4 million to S$226.7 million, with operations in Singapore, China, Vietnam and the UAE showing growth.

2008

Sembcorp's turnover increased by 15% from S$8.6 billion to S$9.9 billion. Net profit for the year stood at S$507.1 million. Excluding the one-off write-back of S$48.0 million of tax provisions recorded in 2007, Sembcorp achieved a net profit growth of 6%.

The Marine business' contribution to net profit rose 75% to S$263.7 million, mainly due to higher revenue and operating margins from its rig building and ship repair businesses. The Utilities business' net profit stood at S$202.4 million mainly due to contributions from our Singapore and UK operations.

During the year, the Group recorded an exceptional loss of S$26.9 million comprising the Group's share of the Marine business' foreign exchange losses from unauthorised transactions.

2007

Sembcorp achieved a 6% growth in turnover to S$8.6 billion. Net profit in 2007 stood at S$526.2 million. Strong business fundamentals continued to drive Sembcorp's growth, backed by positive operating performance from the Utilities business' Singapore and UK operations and the Marine unit's rig building and ship repair businesses.

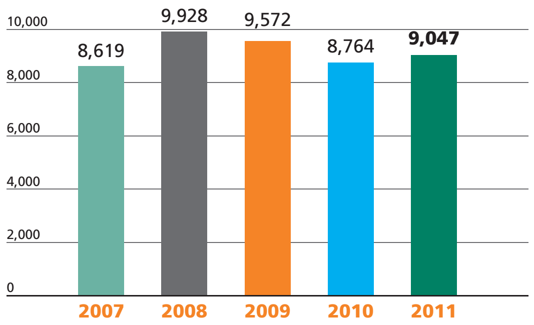
The Group recorded a net exceptional loss of S$31.0 million during the year, which comprised the Group's share of losses recognised by the Marine business' unauthorised foreign exchange transactions, partially offset by gains on the sale of certain investments.

Five-Year Financials

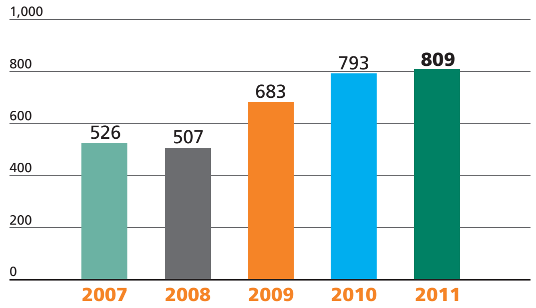
	2011	2010	2009	2008	2007
For The Year *(S$ million)*					
Turnover	**9,047**	8,764	9,572	9,928	8,619
Earnings before interest, tax, depreciation and amortisation	**1,336**	1,478	1,316	940	824
Profit from operations	**1,272**	1,396	1,225	871	794
– Earnings before interest and tax	**1,101**	1,236	1,116	745	641
– Share of results: Associates & JVs, net of tax	**171**	160	109	126	153
Profit before income tax expense	**1,271**	1,367	1,218	862	787
Net profit	**809**	793	683	507	526
At Year End *(S$ million)*					
Property, plant and equipment and investment properties	**4,273**	3,463	2,721	2,525	2,633
Other non-current assets	**2,263**	2,064	1,616	1,372	1,691
Net current assets	**1,520**	1,900	1,061	374	863
Non-current liabilities	**(2,815)**	(2,407)	(1,162)	(1,006)	(1,357)
Net assets	**5,241**	5,020	4,236	3,265	3,830
Share capital and reserves	**4,115**	3,815	3,320	2,594	3,033
Non-controlling interests	**1,126**	1,205	916	671	797
Total equity	**5,241**	5,020	4,236	3,265	3,830
Per Share					
Earnings *(cents)*	**45.32**	44.44	38.37	28.50	29.57
Net assets *(S$)*	**2.31**	2.13	1.86	1.46	1.70
Net ordinary dividends (including bonus dividends) *(cents)*	**17.00**	17.00	15.00	11.00	15.00
Financial Ratios					
Return on equity *(%)*	**20.4**	22.2	23.1	18.0	18.0
Return on total assets *(%)*	**10.7**	12.2	11.9	9.0	8.7
Interest cover *(times)*	**20.3**	24.2	31.9	21.2	15.3
Net gearing *(times)*	**Net cash**	Net cash	Net cash	Net cash	0.01

FIVE-YEAR PERFORMANCE PROFILE

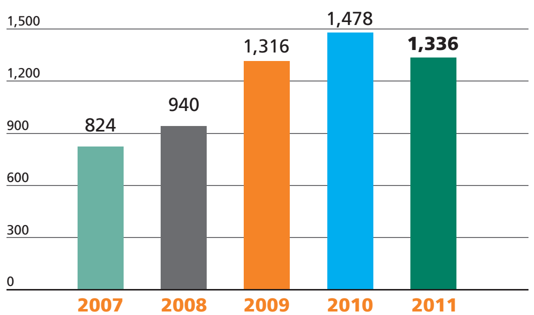
Turnover *(S$ million)*



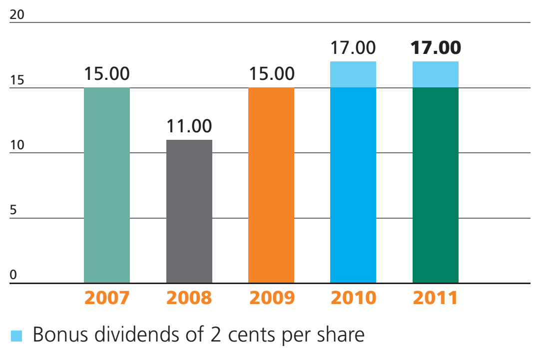
Net Profit *(S$ million)*



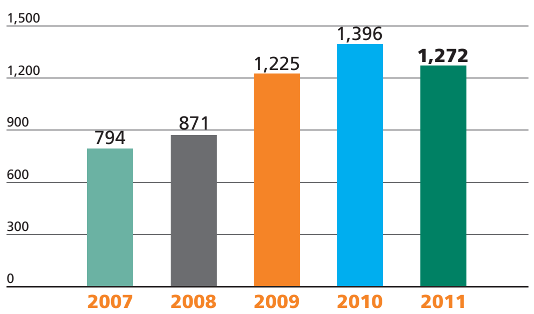
EBITDA *(S$ million)*



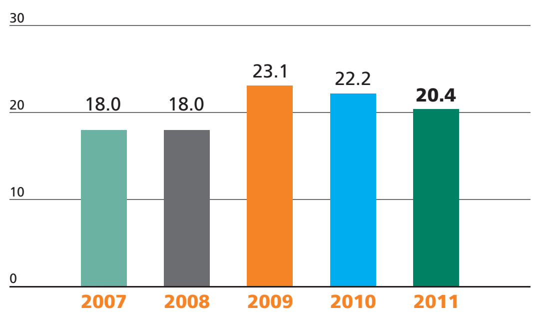
Net Ordinary Dividends Per Share *(cents)*



PFO *(S$ million)*



ROE *(%)*



Review by Business *(S$ million)*

	2011	%	2010	%	2009	%	2008	%	2007	%
Turnover by Activity										
Utilities	**4,893**	**54**	3,993	46	3,680	38	4,692	47	3,941	45
Marine	**3,957**	**44**	4,554	52	5,723	60	5,061	51	4,512	53
Integrated Urban Development	**9**	**–**	16	–	15	–	16	–	23	–
Others / Corporate	**188**	**2**	201	2	154	2	159	2	143	2
Total	**9,047**	**100**	8,764	100	9,572	100	9,928	100	8,619	100
Profit from Operations by Activity										
Utilities	**421**	**33**	314	22	307	25	313	36	363	46
Marine	**793**	**62**	1,045	75	878	72	531	61	351	44
Integrated Urban Development	**46**	**4**	40	3	34	3	35	4	84	11
Others / Corporate	**12**	**1**	(3)	–	6	–	(8)	(1)	(4)	(1)
Total	**1,272**	**100**	1,396	100	1,225	100	871	100	794	100
Net Profit by Activity										
Utilities	**304**	**38**	231	29	227	33	202	40	244	46
Marine	**456**	**56**	525	66	430	63	264	52	150	29
Integrated Urban Development	**39**	**5**	37	5	28	4	32	6	73	14
Others / Corporate	**10**	**1**	–	–	(2)	–	9	2	59	11
Total	**809**	**100**	793	100	683	100	507	100	526	100

SIGNIFICANT EVENTS

January

Sembcorp's Australian solid waste management associate, SembSITA Australia, completes its A$235 million acquisition of WSN Environmental Solutions, a solid waste management service provider formerly owned by the New South Wales government.

Sembcorp Marine's Sembawang Shipyard secures a newbuilding and three major upgrading contracts totalling S$215 million.

Sembcorp Marine's PPL Shipyard signs a turnkey contract worth up to US$182 million to build a jack-up rig, the first of a series of three jack-up options, for Atwood Oceanics Pacific.

February

Sembcorp commences construction of its 49%-owned Indian power plant project, a 1,320-megawatt coal-fired power plant applying high efficiency supercritical technology in Andhra Pradesh, India.

Sembcorp awards the engineering, procurement and construction contract for the development of its second cogeneration plant on Jurong Island. The 800-megawatt plant is set to double Sembcorp's total power generation capacity in Singapore when fully completed.

March

Sembcorp Marine's Jurong Shipyard secures a US$450 million contract to build a harsh-environment jack-up rig for Seadrill.

Sembcorp signs up Nokia as a long-term tenant in its third Vietnam Singapore Industrial Park (VSIP) project, VSIP Bac Ninh Integrated Township and Industrial Park. The world's leading manufacturer of mobile devices will occupy 17 hectares for its new manufacturing plant, its first in Southeast Asia.

Sembcorp Marine's Jurong Shipyard signs two turnkey contracts totalling US$427.6 million to build two jack-up rigs for a subsidiary of Noble Corporation.

Sembcorp Marine's Sembawang Shipyard secures a long-term alliance contract to provide ship repair, refurbishment, upgrading and related services to Teekay Marine Services.

April

Sembcorp signs a letter of intent with Jinan Quancheng Water to explore the formation of a joint venture to build, own and operate water treatment plants in the east of Jinan city, Shandong province, China.

Sembcorp signs a memorandum of understanding with the Rizhao Municipal People's Government to explore the feasibility of a 638-hectare international marine city in Shandong province, China.

Sembcorp is named Water Company of the Year at the prestigious Global Water Intelligence's 2011 Global Water Awards. Sembcorp also clinches the Desalination Deal of the Year award for its Salalah Independent Water and Power Plant in Oman.

Bobby Chin takes over as chairman of the board's Audit Committee.

Sembcorp Marine's Jurong Shipyard secures an approximately S$20 million contract to convert a LNG tanker into a FSRU for Golar LNG Energy.

June

Tham Kui Seng joins the board as an independent director.

Sembcorp establishes a wholly-owned holding company in Shanghai, Sembcorp (China) Holding Co, to be its regional headquarters.

July

Sembcorp commences construction of its new 9,600 cubic metres per day industrial wastewater treatment plant in Banyan, the new growth area of Jurong Island.

Sembcorp signs four memoranda of understanding to explore expanding its utilities business in China with municipal and industrial water projects.

Sembcorp wins the Sustainable Business Award (Enterprise category) at the 2011 Singapore Sustainability Awards.

Sembcorp Marine's SMOE secures a contract close to S$600 million to build an integrated processing and living quarters platform for PTTEP International Limited.

Sembcorp successfully completes the first phase of its US$1 billion Salalah Independent Water and Power Plant in Oman and begins dispatching 61 megawatts of net power, on schedule, to the Dhofar power grid.

Sembcorp is awarded Gold for Best Annual Report, for companies with S$1 billion and above in market capitalisation, at the Singapore Corporate Awards 2011.

Sembcorp's solid waste management subsidiary clinches a S$121 million, seven-year contract by the National Environment Agency to provide refuse collection and recycling services to the Bedok sector in Singapore.

August

Sembcorp Marine's Sembawang Shipyard exercises its option to increase its shareholding in Sembmarine Kakinada to 40%, and extends the technical management and services agreement to operate and manage the joint venture to 10 years.

Sembcorp Marine's Jurong Shipyard signs a US$444 million contract to build two premium jack-up rigs for a subsidiary of Noble Corporation, and secures options for a further two jack-up rigs.

September

Sembcorp is selected as an index component of the Dow Jones Sustainability Asia Pacific Index for 2011, which ranks the top 20% in terms of sustainability out of the largest 600 companies in the developed Asia Pacific markets. Sembcorp is one of only four Singapore companies included in this index.

Sembcorp's associate, Singapore-Sichuan Investment Holdings, signs an Investment Corporation Agreement to co-develop the new Singapore-Sichuan Hi-tech Innovation Park in Chengdu, China.

Sembcorp's VSIP joint venture signs a memorandum of understanding to explore a fifth integrated urban development in central Vietnam's Quang Ngai province.

Sembcorp signs three memoranda of understanding to explore further collaboration on utilities projects in Liaoning province, China.

October

Sembcorp Marine's Jurong Shipyard secures an approximately S$130 million project to convert a VLCC tanker to a FPSO vessel for MODEC.

Sembcorp Marine's SMOE secures an approximately US$100 million contract, which may potentially increase to more than US$150 million, for the module assembly of an Australia Pacific LNG facility.

Sembcorp signs a letter of intent to explore forming a joint venture to build, own and operate an industrial wastewater treatment plant in the Qidong LVSI Coastal Economic Development Zone in Jiangsu province, China.

Sembcorp signs a memorandum of understanding with the Wuxi Municipal People's Government to deepen and expand cooperation in China's Jiangsu province as well as internationally.

SIGNIFICANT EVENTS

Sembcorp is named the Most Transparent Company in the multi-industry / conglomerates category at the Securities Investors Association (Singapore) Investors' Choice Awards 2011 for the third year running. Sembcorp Marine is named the Most Transparent Company under the award's non-electronics manufacturing category.

Sembcorp Marine's Sembawang Shipyard secures a US$300 million FSO tanker conversion contract from Mobil Cepu.

November

Sembcorp is ranked joint second for "Best for Shareholders' Rights and Equitable Treatment in Singapore" in Asiamoney's Corporate Governance Poll 2011. Sembcorp Marine is ranked second for "Best for Responsibilities of Management and the Board of Directors in Singapore".

December

Sembcorp opens its first industrial water reclamation plant in China. The award-winning project, located in the Zhangjiagang Free Trade Port Zone, is a Government-to-Government showcase for best practice in integrated industrial water management.

Sembcorp Marine's Jurong Shipyard secures a US$291.6 million contract to build an accommodation semi-submersible rig with options for another two units from Prosafe.

Sembcorp Marine's Sembawang Shipyard secures a US$140 million contract to convert a ropax vessel to a DP2 accommodation and repair vessel for Equinox Offshore Accommodation.

Sembcorp Marine's Jurong Shipyard breaks ground for its first overseas Integrated New Yard Facility, Estaleiro Jurong Aracruz, in the state of Espirito Santo, Brazil.

OPERATING & FINANCIAL REVIEW

Sembcorp's aim is to provide shareholder value by focusing on businesses that deliver recurring earnings and have the ability to sustain growth over the long term.

Business Description

Sembcorp Industries is a Singapore-listed company with assets totalling more than S$11 billion. The Group is primarily involved in the following businesses:

- Utilities
- Marine
- Integrated Urban Development

The **Utilities** business provides energy and water to industrial and municipal customers. It operates in 14 countries with an established presence in Asia and a strong growing presence in emerging markets around the world. 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 as well as water for industrial use. Together with energy and water, the business also offers on-site logistics as part of a bundled offer to industrial customers, as well as solid waste management in Singapore, Australia and India.

The **Marine** business has a strong global reputation and 49 years' proven track record in providing integrated solutions in ship repair, shipbuilding, ship conversion, rig building and offshore engineering and construction, including topsides fabrication. Its global network of shipyards spans Singapore, Brazil, China, Indonesia, India and the USA.

The **Integrated Urban Development** (formerly known as Industrial Parks) business owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia. The business offers an integrated approach to delivering urban work and living environments that will attract local and international investments. With a track record of more than 20 years undertaking master planning, land preparation and infrastructure development, and transforming raw land into large scale urban developments, the business stands in good stead to capitalise on urbanisation trends in developing countries.

Objective & Strategies

Sembcorp's aim is to provide shareholder value by focusing on businesses that deliver recurring earnings and have the ability to sustain growth over the long term. The Group pursues five strategic directions:

Focus on key businesses

Sembcorp maintains a focus on our key energy, water, marine and integrated urban development businesses, which offer strong fundamentals. Coupled with our solid operational and management capabilities and a disciplined approach towards investment, we believe that focusing on our key businesses will enable us to continue delivering long-term value to our shareholders.

Build upon business models

Sembcorp has developed and will continue to build on strong business models in each of our businesses.

Our Utilities business has established itself as a leading energy and water player. We have a strong track record in supplying power, steam and natural gas to industrial customers and to the grid, and are a trusted provider of total water and wastewater solutions to both industries and households.

Leveraging on our expertise in energy and water, we have established a niche as a global leader for the provision of energy, water and on-site logistics to customers in energy-intensive industrial sites. We also have a proven track record as a developer, owner and operator of large scale combined power and water plants.

Meanwhile, our Marine business has built up a global brand name with a comprehensive range of capabilities encompassing various segments of the value chain in the global marine and offshore industry. Its orderbook provides earnings visibility while long-term strategic alliances with international ship operators provide a steady and growing baseload in ship repair.

Our Integrated Urban Development unit takes an integrated approach to the development of urban work and living environments. Its early involvement in the development of industrial, residential, business and commercial areas also provides potential opportunities for the provision of utilities and other urban solutions.

Leverage capabilities for growth

Sembcorp believes that only businesses with clear competitive edge and leading market positions can deliver sustainable growth. To this end, we continue to leverage the unique capabilities and processes we have built up in each of our businesses, harnessing technology and innovation to further enhance our competitive advantage.

Our businesses operate in synergy and build upon each business' established relationships and successes. With this integrated approach to business, we are able to tap on the strengths of our various businesses to enhance the Group's competitive position. We apply this strength in integration to our new acquisitions, successfully integrating them within the Group to reap the benefits of mergers and acquisitions and provide even more value for our customers and shareholders.

In our energy business, we apply technologies for greater efficiency and lower emissions, such as combined cycle gas turbine, cogeneration and combined power and desalination technologies. We have also developed distinctive capabilities as operators of reliable and efficient water facilities serving both industrial customers as well as households. Our niche expertise in industrial water solutions includes applying energy-efficient and environmentally-friendly technologies for the treatment of complex high concentration wastewater from multiple sources, as well as the production of water through desalination and water reclamation. We also provide essential municipal water services to over five million people worldwide.

Meanwhile, our Marine business' proprietary technologies and designs for rigs, drillships and vessels allow us to serve our customers with technologically-advanced solutions. Our trusted brand name and reputation for quality and on-time delivery also strengthen our position as one of the leading players in the global market.

Our Integrated Urban Development business' integrated approach to designing self-sufficient urban developments, featuring world-class industrial, business, commercial and residential space, demonstrates capabilities which offer us a competitive advantage. This includes the business' credibility and track record in the development of raw land, including master planning, land preparation and infrastructure development, and the ability to extract further value by undertaking the selective development of commercial and residential real estate at choice sites.

With industrialisation and urbanisation, the world's demand for energy, water and other urban solutions continues to grow. As a provider of these essential solutions, Sembcorp is well-positioned with the right businesses and in the right places to benefit from these growth trends and seize opportunities in growing markets.

Develop new income streams

Sembcorp is committed to developing our core businesses to generate new income streams. We seek to expand in tandem with demand through strategic partnerships with our customers, providing essential solutions to meet their needs. We also look to new markets where there is a demand for our services. To provide a platform for future growth, we continue to identify and develop a pipeline of greenfield and brownfield investments. Applying a disciplined approach, we aim to build leading positions in growth markets through selective acquisitions and partnerships. To support the world's continued development amidst rising urbanisation and population growth, we also actively invest in sustainability and green business lines which will give us an edge in an increasingly resource-scarce world.

Build on strong brand name

At Sembcorp, we aim to capitalise on the strength and reliability associated with our brand. Through understanding the needs of our customers and leveraging on group strength and sector expertise, we deliver solutions that enable them to do business better and enhance the quality of life.

Sembcorp's combined power and desalination plant in Fujairah, UAE

GROUP STRUCTURE

SEMBCORP INDUSTRIES

UTILITIES

Sembcorp Utilities	**100%**
SINGAPORE	
Sembcorp Cogen	100%
Sembcorp Power	100%
Sembcorp Gas	70%
Sakra Island Carbon Dioxide	30%
Sembcorp NEWater	100%
CHINA	
Sembcorp Utilities Investment Management (Shanghai)	100%
Sembcorp (China) Holding Co	100%
Shanghai Cao Jing Co-generation Co	30%
Sembcorp Nanjing SUIWU Co	95%
Sembcorp NCIP Water Co	95%
Zhangjiagang Free Trade Zone Sembcorp Water Co	80%
Zhangjiagang Free Trade Zone Sembcorp Water Recycling Co	80%
Yancheng China Water Co	48.2%
Sembcorp Tianjin Lingang Industrial Area Wastewater Treatment Co	90%
Sembcorp Sanhe Yanjiao Water Co	92.7%
Shenyang Sembcorp Water Co	80%
Sembcorp Xinmin Water Co	89.4%
Qitaihe Sembcorp Water Co	89.4%
Sembcorp Qinzhou Water Co	80%
Fuzhou Sembcorp Water Co	70.8%
Zhumadian China Water Co	50.1%
INDIA	
Thermal Powertech Corporation India	49%
Sembcorp Gayatri O&M Co	70%
Sembcorp Utilities India	100%
INDONESIA	
PT Adhya Tirta Batam	49.2%
PT Adhya Tirta Sriwijaya	39.3%
PHILIPPINES	
Subic Water and Sewerage Co	29.5%
VIETNAM	
Phu My 3 BOT Power Co	33.3%
OMAN	
Sembcorp Salalah Power and Water Co	60%
Sembcorp Salalah O&M Services Co	70%
UAE	
Emirates Sembcorp Water & Power Co	40%
Sembcorp Gulf O&M Co	100%
SOUTH AFRICA	
Sembcorp Silulumanzi	98.3%
Sembcorp Siza Water	72.2%
UK	
Sembcorp Utilities (UK)	100%
Sembcorp Bournemouth Water	98.3%
ANTIGUA	
Sembcorp (Antigua) Water	98.3%
BONAIRE & CURAÇAO	
Sembcorp St Maarten Water	98.3%
CHILE	
Sembcorp Aguas Chacabuco	98.3%
Sembcorp Aguas Del Norte	98.3%
Sembcorp Aguas Lampa	98.3%
Sembcorp Aguas Santiago	98.3%
PANAMA	
Aguas de Panama	98.3%
Sembcorp Environment	**100%**
SINGAPORE	
SembWaste	100%
Sembcorp Tay Paper Recycling	60%
AUSTRALIA	
SembSita Australia	40%
INDIA	
SembRamky Environmental Management	51%

MARINE

Sembcorp Marine	**60.60%**
SINGAPORE	
Jurong Shipyard	100%
Sembawang Shipyard	100%
PPL Shipyard	85%
SMOE	100%
Jurong SML	100%
Sembcorp Marine Technology	100%
BRAZIL	
Estaleiro Jurong Aracruz	100%
Jurong do Brasil Prestação de Serviços	100%
CHINA	
COSCO Shipyard Group	30%
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co	35%
INDONESIA	
PT SMOE Indonesia	90%
PT Karimun Sembawang Shipyard	100%
INDIA	
SembMarine Kakinada	40%
USA	
Sembcorp-Sabine Shipyard	100%

INTEGRATED URBAN DEVELOPMENT

Sembcorp Development#	**100%**
VIETNAM	
Vietnam Singapore Industrial Park JV Co	40.4%
Vietnam Singapore Industrial Park & Township Development Joint Stock Co	40.3%
VSIP Bac Ninh Co	40.3%
VSIP Hai Phong Co	40.3%
CHINA	
Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%
SINGAPORE	
Gallant Venture	23.9%
Singapore-Sichuan Investment Holdings	50%
Sembcorp Parks Management	**56%**

OTHER BUSINESSES

Sembcorp Design and Construction	**100%**
Shenzhen Chiwan Sembawang Engineering Co	**32%**
Singapore Precision Industries / Singapore Mint	**100%**

This list of companies is not exhaustive.

The Utilities business also includes the SUT and PPU divisions of Sembcorp Industries.

Figures reflect shareholdings as at March 8, 2012.

 # Sembcorp Industrial Parks was renamed Sembcorp Development with effect from March 8, 2012.

Shareholdings of companies listed under Sembcorp Utilities, Sembcorp Environment, Sembcorp Marine and Sembcorp Development reflect stakes held by the above entities.

Performance Scorecard *(S$ million)*

	2011	2010	Change (%)
Turnover	**9,047.1**	8,763.6	3
EBITDA	**1,335.9**	1,478.0	(10)
PFO	**1,271.7**	1,396.0	(9)
– EBIT	**1,101.1**	1,235.9	(11)
– Share of results: Associates & JVs, net of tax	**170.6**	160.1	7
PBT	**1,270.6**	1,367.3	(7)
Net profit	**809.3**	792.9	2
EPS *(cents)*	**45.3**	44.4	2
ROE *(%)*	**20.4**	22.2	(8)

Overview

Sembcorp delivered a strong performance in 2011. Our robust operating performance demonstrated the strength of our businesses. The Group's net profit attributable to shareholders of the company (net profit) in 2011 grew by 2% to S$809.3 million, while turnover was up 3% from S$8.8 billion in the previous year to S$9.0 billion.

Turnover

The Group achieved a turnover of S$9.0 billion, with the Utilities and Marine businesses contributing 98% of total turnover.

The Utilities business' turnover increased by 23%, mainly attributable to our Singapore operations where part of the revenue was indexed to higher High Sulphur Fuel Oil (HSFO) prices recorded during the year. Furthermore, we started receiving our second tranche of natural gas from West Natuna, Indonesia, in November 2011, further boosting revenue during the year.

The Marine business' 2011 turnover decreased by 13% to S$4.0 billion mainly due to lower revenue recognition from rig building projects, as well as the resumption of revenue recognition on delivery of *PetroRig III* semi-submersible rig and the sale of a CJ-70 harsh environment jack-up rig in 2010. This was partially offset by higher revenue recognition from ship conversion and offshore projects.

Net Profit

Group net profit in 2011 grew 2% from S$792.9 million to S$809.3 million, while profit from operations was S$1,271.7 million compared to S$1,396.0 million in the previous year.

Our Utilities business delivered robust profit growth in 2011, with net profit growing 32% to S$304.4 million. Record profits for the business were driven by good operating performance in Singapore, China and the Middle East & Africa. Marine's 2011 net profit contribution to the Group was S$456.2 million compared to S$524.9 million in 2010. The Marine business' net profit was lower mainly due to fewer jack-up and semi-submersible rig projects. The Integrated Urban Development business' higher net profit in 2011 was primarily due to higher land sales recognised.

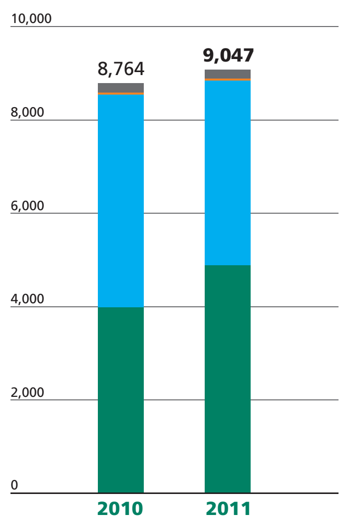
Cash Flow and Liquidity

As at December 31, 2011, the Group's cash and cash equivalents stood at S$3.0 billion.

Cash flows from operating activities before changes in working capital decreased from S$1,440.2 million in 2010 to S$1,380.8 million in 2011. Net cash inflow from operating activities for 2011 was S$975.0 million compared to S$1,702.4 million in 2010, mainly due to Marine's increase in working capital for the ongoing projects.

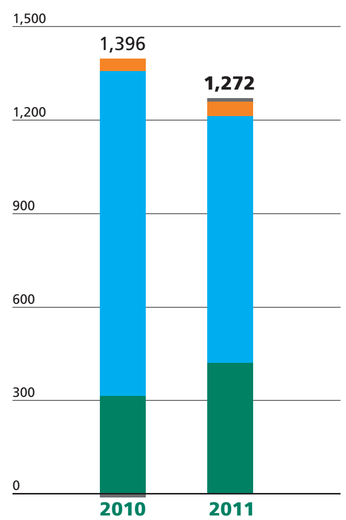
Turnover *(S$ million)*

	2010	2011
Utilities	3,993	**4,893**
Marine	4,554	**3,957**
Integrated Urban Development	16	**9**
Others / Corporate	201	**188**
	8,764	**9,047**



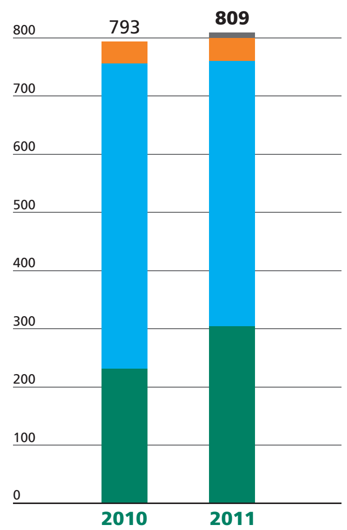
PFO *(S$ million)*

	2010	2011
Utilities	314	**421**
Marine	1,045	**793**
Integrated Urban Development	40	**46**
Others / Corporate	(3)	**12**
	1,396	**1,272**



Net Profit *(S$ million)*

	2010	2011
Utilities	231	**304**
Marine	525	**456**
Integrated Urban Development	37	**39**
Others / Corporate	–	**10**
	793	**809**



Net cash outflow for investing activities for 2011 was S$1,142.9 million. S$1,090.2 million was spent on purchase of property, plant and equipment and payment for intangible assets and S$197.6 million was used for equity interests into associates and joint ventures. The above cash outflows were partially offset by dividends and interest received of S$140.4 million.

Net cash outflow from financing activities for 2011 was S$323.5 million, mainly related to dividends and interest paid and purchase of treasury shares, partially offset by net proceeds from borrowings.

Financial Position

Group shareholders' funds increased from S$3.8 billion as at December 31, 2010 to S$4.1 billion as at December 31, 2011.

Non-current assets increased primarily due to higher capital work-in-progress mainly for Utilities and Marine projects. Trade and other receivables and trade and other payables increased in line with turnover. Tax recoverable decreased mainly due to receipt of tax refunds from the Inland Revenue Authority of Singapore. Cash and cash equivalents decreased mainly as a result of payment of dividends and funding for capital expenditure. Interest-bearing borrowings increased due to increased bank borrowings from the drawdown of project finance debts.

Shareholder Returns

Return on equity (ROE) for the Group was a healthy 20.4% in 2011 and earnings per share (EPS) increased to 45.3 cents.

Subject to approval by shareholders at the next annual general meeting, a final tax exempt one-tier dividend of 17.0 cents per ordinary share, comprising an ordinary dividend of 15.0 cents and a bonus dividend of 2.0 cents, has been proposed for the financial year ended December 31, 2011.

Economic Value Added

The Group generated positive economic value added (EVA) of S$728.2 million in 2011.

Our net operating profit after tax for 2011 amounted to S$1.2 billion while capital charges increased to S$479.1 million, mainly due to a higher capital base.

Value Added and Productivity Data

In 2011, the Group's total value added was S$2.4 billion. This was absorbed by employees in wages, salaries and benefits of S$739.2 million, by governments in income and other taxes of S$188.3 million and by providers of capital in interest and dividends of S$369.7 million, leaving a balance of S$1.1 billion reinvested in business.

Critical Accounting Policies

Sembcorp's financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS).

With effect from January 1, 2011, the Group adopted the following new / amended FRSs and Interpretations of Financial Reporting Standards (INT FRS):

Amendments to FRS 24	Related Party Disclosures
Amendments to FRS 32	Financial Instruments: Presentation – Classification of Rights Issues
Amendments to FRS 103	Business Combinations
Amendments to INT FRS 114	Prepayments of a Minimum Funding Requirement
INT FRS 115	Agreements for the Construction of Real Estate
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments
Improvements to FRS 2010	

The adoption of the FRSs (including consequential amendments) does not have any significant impact on the Group's financial statements.

Financial Risk Management

The Group's activities expose it to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices as well as credit risk.

Please refer to the Risk Management & Mitigation Strategies chapter of this report for details on the management of these risks.

Treasury Management

Sembcorp's financing and treasury activities continue to be mainly centralised within our wholly-owned subsidiary, Sembcorp Financial Services (SFS), the Group's Treasury vehicle. SFS facilitates funding and on-lends funds borrowed by it to the businesses within the Group, where appropriate.

SFS also actively manages the cash within the Group by taking in surplus funds from businesses with excess cash and lending to those with funding requirements. We actively manage the Group's excess cash, deploying it to a number of financial institutions, and actively track developments in the global banking sector. Such proactive cash management continues to be an efficient and cost-effective way of managing the Group's cash and financing its funding requirements.

Facilities

Including SFS' S$1.5 billion and Sembcorp Marine's S$2.0 billion medium-term note programme, the Group's total funded facilities as at end 2011

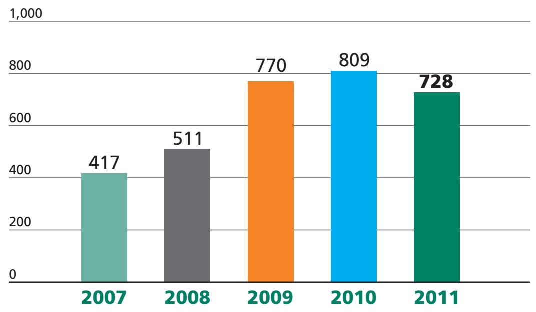
Economic Value Added *(S$ million)*

	Note	2011	2010
Net operating profit before income tax expense		**1,100**	1,207
Adjust for			
Share of associates' and joint ventures' profits		**206**	192
Interest expense	1	**69**	58
Others	2	**(7)**	(3)
Adjusted profit before interest and tax		**1,368**	1,454
Cash operating taxes	3	**(161)**	(245)
Net operating profit after tax (NOPAT)		**1,207**	1,209
Average capital employed	4	**8,120**	6,774
Weighted average cost of capital *(%)*	5	**5.9**	5.9
Capital charge		**479**	400
Economic value added (EVA)		**728**	809
Non-controlling share of EVA		**(256)**	(314)
EVA attributable to shareholders		**472**	495
Less: Unusual items (UI) gains	6	**–**	–
EVA attributable to shareholders (excluding UI)		**472**	495

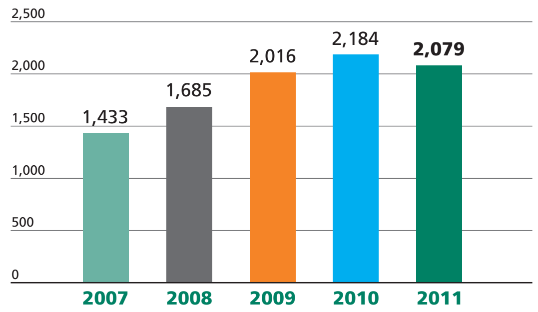
Notes:

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.*
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.*

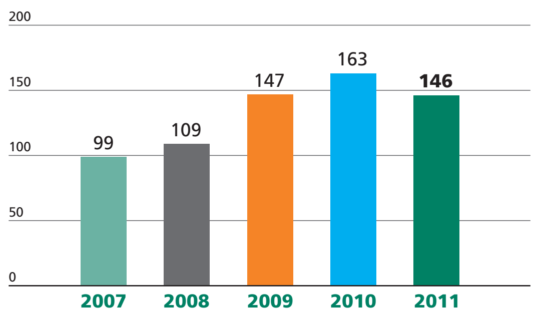
Economic Value Added *(S$ million)*



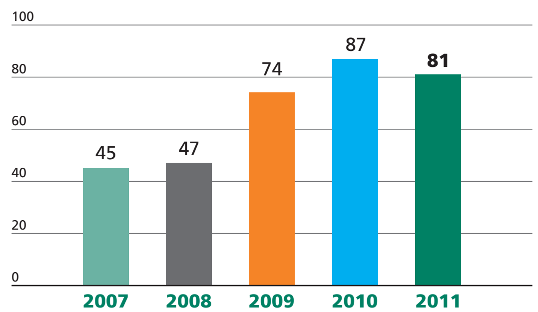
Gross Value Added *(S$ million)*



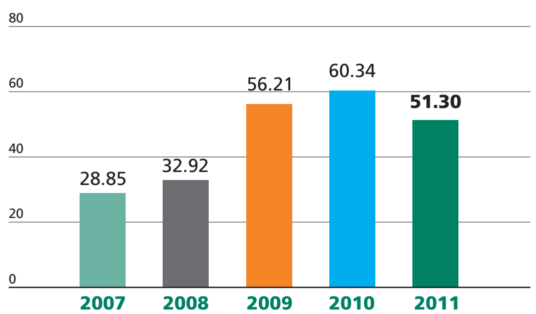
Value Added Per Employee *(S$'000)*



Profit After Tax Per Employee *(S$'000)*



Economic Value Added Per Employee *(S$'000)*



amounted to S$8.2 billion (2010: S$7.6 billion), with unfunded facilities standing at S$2.0 billion (2010: S$1.9 billion).

Borrowings

In 2011, SFS signed a S$520.0 million bank loan comprising a S$230.0 million loan maturing in September 2017 and a S$290.0 million loan maturing in September 2020. The Group aims to term out the loans such that their maturity profile mirrors the life of our core assets, while we continue our focus on maintaining adequate liquidity for the Group's businesses.

We continue to build on our banking relationships to ensure that we are able to secure funding on competitive terms as and when commercially viable and strategically attractive opportunities arise.

Value Added Statement *(S$ million)*

	2011	2010	2009	2008	2007
Value added from					
Turnover	**9,047**	8,764	9,572	9,928	8,619
Less: Bought in materials and services	**(6,968)**	(6,580)	(7,556)	(8,243)	(7,186)
Gross value added	**2,079**	2,184	2,016	1,685	1,433
Investment, interest and other income	**147**	168	125	154	461
Share of associates' profit	**114**	109	65	91	114
Share of joint ventures' profit	**92**	83	71	49	60
Other non-operating expenses	**(53)**	(91)	(59)	(145)	(348)
	2,379	2,453	2,218	1,834	1,720
Distribution					
To employees in wages, salaries and benefits	**739**	725	710	682	636
To government in income and other taxes	**188**	249	243	170	186
To providers of capital on:					
Interest paid on borrowings	**66**	61	41	44	54
Dividends to shareholders	**304**	268	196	267	498
	1,297	1,303	1,190	1,163	1,374
Retained in business					
Depreciation and amortisation	**235**	242	200	195	185
Retained profits	**505**	525	487	240	28
Non-controlling interests	**337**	380	333	224	125
	1,077	1,147	1,020	659	338
Other non-operating expenses	**5**	3	8	12	8
	1,082	1,150	1,028	671	346
Total distribution	**2,379**	2,453	2,218	1,834	1,720

Productivity Data

	2011	2010	2009	2008	2007
Average staff strength	**14,194**	13,415	13,707	15,512	14,453
Employment costs *(S$ million)*	**739**	725	710	682	636
Sales per employee *(S$'000)*	**637**	653	698	640	596
Profit after tax per employee *(S$'000)*	**81**	87	74	47	45
Economic value added *(S$ million)*	**728**	809	770	511	417
Economic value added spread *(%)*	**9.0**	11.9	14.3	9.4	8.1
Economic value added per employee *(S$'000)*	**51.30**	60.34	56.21	32.92	28.85
Value added *(S$ million)*	**2,079**	2,184	2,016	1,685	1,433
Value added per employee *(S$'000)*	**146**	163	147	109	99
Value added per dollar employment costs *(S$)*	**2.81**	3.01	2.84	2.47	2.25
Value added per dollar investment in property, plant and equipment *(S$)*	**0.33**	0.40	0.47	0.43	0.36
Value added per dollar sales *(S$)*	**0.23**	0.25	0.21	0.17	0.17

The Group remains committed to balancing the availability of funding and the cost of funding, together with the need to maintain prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities and fixed and floating rate borrowings. Of the overall debt portfolio, 83% (2010: 79%) constituted fixed rate debts which were not exposed to interest rate fluctuations.

As at December 31, 2011, gross borrowings amounted to S$2.2 billion (2010: S$1.7 billion) which was higher than last year. The incremental borrowings were mainly due to drawdown of project finance loans, which were funded at relatively higher interest rates, to fund the construction of our power and water plant in Oman. As a result, Group borrowings and interest expense were slightly higher in 2011 as compared to 2010. The weighted average cost of funding in 2011 was 5.09% (2010: 5.06%) while the interest cover ratio remained in a healthy range of 20.3 times in 2011 (2010: 24.2 times). The lower interest cover ratio in 2011 was due to the combination of lower EBITDA and slightly higher interest expense as compared to 2010.

As the Group strives to grow, the Group's interest expense is expected to increase along with higher borrowings to fund its growth strategy.

Financing & Treasury Highlights *(S$ million)*

	2011	2010	2009
Source of Funding			
Cash and cash equivalents	**2,995**	3,488	2,598
Funded bank facilities and capital markets			
Uncommitted facilities available for drawdown	**4,571**	4,415	3,753
Committed facilities available for drawdown	**3,601**	3,224	2,918
Total funded facilities	**8,172**	7,639	6,671
Less: Amount drawn down	**(2,184)**	(1,743)	(968)
Unutilised funded facilities available	**5,988**	5,896	5,703
Unfunded bank facilities			
Unfunded facilities available for drawdown	**1,978**	1,911	1,942
Less: Amount drawn down	**(773)**	(551)	(911)
Unutilised unfunded facilities available	**1,205**	1,360	1,031
Total unutilised funded and unfunded facilities	**7,193**	7,256	6,734
Funding Profile			
Maturity profile			
Due within one year	**188**	50	287
Due between one to five years	**757**	587	546
Due after five years	**1,239**	1,106	135
	2,184	1,743	968
Debt mix			
Fixed rate debt	**1,818**	1,374	871
Floating rate debt	**366**	369	97
	2,184	1,743	968
Currency denomination of debt			
SGD	**757**	765	627
USD	**795**	388	61
GBP	**272**	287	154
OMR	**241**	172	82
RMB	**100**	109	44
Others	**19**	22	–
	2,184	1,743	968

Financing & Treasury Highlights *(S$ million)*

	2011	2010	2009
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	**1,336**	1,478	1,316
Interest on borrowings	**66**	61	41
Interest cover *(times)*	**20.3**	24.2	31.9
Debt / equity ratio			
Non-recourse project financing	**1,024**	581	307
Long-term debt	**1,013**	1,132	430
Short-term debt	**147**	30	231
	2,184	1,743	968
Less: Cash and cash equivalents	**(2,995)**	(3,488)	(2,598)
Net debt / (cash)	**(811)**	(1,745)	(1,630)
Net debt / (cash) excluding project financing	**(1,799)**	(2,282)	(1,752)
Net gearing including and excluding project financing *(times)*	**Net cash**	Net cash	Net cash
Average cost of funds *(%)*	**5.09**	5.06	4.14


Sembcorp's cogeneration plant in Shanghai, China

Sembcorp's facilities on Jurong Island, Singapore

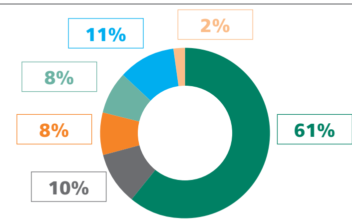
UTILITIES REVIEW

Performance Scorecard *(S$ million)*

	2011	2010	Change (%)
Turnover	**4,937.4**	4,031.8	22
EBITDA	**497.4**	395.3	26
PFO	**420.8**	313.5	34
– EBIT	**355.7**	244.0	46
– Share of results: Associates & JVs, net of tax	**65.1**	69.5	(6)
Net profit	**304.4**	231.3	32
ROE *(%)*	**18.9**	15.8	20

PFO by Geography

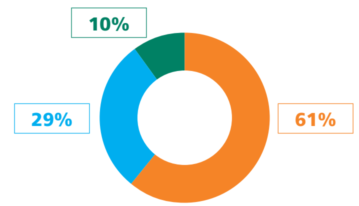
- Singapore
- China
- Rest of Asia & Australia
- Middle East & Africa
- UK
- The Americas



Note: PFO excluding contribution from 'Corporate'

PFO by Segment

- Energy
- Water
- On-site Logistics & Solid Waste Management



Note: PFO excluding contribution from 'Corporate'

Key Developments

- Commenced construction of our new combined cycle gas turbine cogeneration plant and integrated industrial wastewater treatment plant in the new growth area of Jurong Island
- Completed the first phase of our US$1 billion Salalah Independent Water and Power Plant in Oman on schedule, meeting the tight project timeline
- Completed the acquisition of our 49% stake in Thermal Powertech Corporation India with the injection of the first tranche of equity
- Opened our first water reclamation plant in China, an award-winning plant capable of producing 20,000 cubic metres per day of industrial water and up to 4,000 cubic metres per day of demineralised water in the Zhangjiagang Free Trade Port Zone
- Successfully completed the integration of Cascal operations into the Group

Competitive Edge

- A leading developer, owner and operator of energy and water assets with strong operational and technical capabilities
- A global leader in the provision of energy, water and on-site logistics to multiple customers in energy intensive clusters
- Ability to produce energy from a diversity of fuels including natural gas, coal and renewable sources
- Expertise in providing total water solutions for industrial and municipal sectors including the treatment of multiple streams of high concentration industrial wastewater as well as large scale desalination and water reclamation
- Proven track record in identifying, securing, financing and executing greenfield and brownfield projects

Operations Review

The Utilities business delivered strong profit growth in 2011. We recorded a 22% increase in turnover from S$4.0 billion a year ago to S$4.9 billion and grew our net profit attributable to shareholders (net profit) by 32% from S$231.3 million to a record S$304.4 million. Profit from operations (PFO) increased 34% from S$313.5 million to S$420.8 million. Singapore operations performed exceptionally well, with PFO growing 31% and contributing 61% of the business' PFO during the year under review. Operations outside Singapore contributed 39% of the PFO, with China and the Middle East & Africa registering the strongest growth at 53% and 51% respectively. Total contracts secured from the industrial sector during the year amounted to S$1.7 billion, comprising primarily new gas contracts secured in Singapore.

In April 2011, we were named the Water Company of the Year at Global Water Intelligence's 2011 Global Water Awards. This top honour at the prestigious Global Water Awards recognises the water company that has made "the most significant contribution to the development of the international water sector in 2010". Besides clinching the top honour, our Salalah Independent Water and Power Plant (IWPP) in Oman won the Desalination Deal of the Year award, in recognition of its "financial innovation or in meeting the demands of challenging circumstances". Despite the deal coming at the tail end of the financial crisis, the project's financing team nevertheless secured funding support at a competitive cost. Both these awards attest to our growing standing as a trusted global water services provider.

During the year, we also successfully integrated the operations of Cascal into Sembcorp, following our acquisition of the municipal water and wastewater service provider in 2010. Fully integrated into the Group, its operations performed well in 2011 with its maiden full year contribution boosting our Utilities performance. The success of this acquisition demonstrates Sembcorp's capabilities in executing and extracting value from acquisitions. We were not only able to successfully identify a suitable acquisition target that complemented Sembcorp's existing business, but we were also able to smoothly integrate 18 municipal water operations across eight countries into the Group. The integration also involved the rationalisation and streamlining of operations, alignment of systems, processes and policies as well as the establishment of a unified organisation-wide branding.

Singapore

Sembcorp's Singapore operations delivered strong PFO growth in 2011. Our Singapore operations' 31% increase in PFO to S$258.6 million was driven primarily by strong performance from our cogeneration plant due to high energy prices during the period.

During the year, our multi-utilities operations on Jurong Island performed well and continued to provide its petrochemical customers on the island with reliable utilities, maintaining an average of 97% availability and 100% reliability. To further enhance our competitiveness on Jurong Island, we completed a woodchip-fuelled biomass steam production plant, with a steam capacity of 20 tonnes per hour, in November 2011. Leveraging synergy across our businesses, the biomass plant uses waste wood collected and processed by our solid waste management business to generate efficient green steam for our customers on the island. In November 2011, we also started receiving the second tranche of natural gas from West Natuna, Indonesia. This second gas sales agreement is for a total of 90 billion British thermal units per day and increases our existing supply by 26%. In 2011, a total of S$1.6 billion worth of new and renewed utilities and gas contracts were secured. In addition, our solid waste management business also secured a new S$121 million contract in July 2011 to serve the Bedok sector in Singapore. The seven-year contract, which began in November 2011, entails the provision of refuse collection and recycling services. With this contract, Sembcorp now serves five out of nine geographical sectors in Singapore.

In 2011, our expansion projects in the new growth area of Jurong Island continued to make good progress. We commenced construction of our new combined cycle gas turbine cogeneration plant, our second on Jurong Island, in the second half of 2011. With a capacity of 400 megawatts of power and 200 tonnes per hour of process steam in the initial phase, the plant is expected to be completed by the fourth quarter of 2013. Construction of our new 9,600 cubic metres per day integrated industrial wastewater treatment plant also commenced in 2011. Expected to begin operations in the second half of 2012, the plant will be capable of treating high concentration industrial wastewater with chemical oxygen demand of up to 800 milligrammes per litre, which is two times the concentration of municipal sewage. Once operational, Sembcorp's industrial wastewater treatment capacity will more than double. At the same time, we are also developing a new multi-utilities facility in the area, expected to be completed by the fourth quarter of 2013. As a provider of third-party open access service corridor networks across the island, we also continued to extend our service corridor network to the new growth area, connecting customers located there to the rest of Jurong Island. These new facilities in the Banyan and Angsana districts of Jurong Island will serve the energy and water needs of our customers as well as other companies in the new area, reinforcing our market position as a global leader in the provision of energy, water and on-site logistics to multiple customers in energy intensive clusters.

China

Our operations in China continued to deliver a strong performance in 2011, contributing S$41.2 million of PFO, an increase of 53% over 2010. This growth was largely underpinned by better performance from our cogeneration plant in Shanghai due to higher electricity tariffs, full year contribution from our municipal water business as well as higher customer demand. In 2011, volume demand from our existing customers grew, with volume demand for industrial wastewater treatment, industrial water and municipal water growing approximately 20%, 30% and 12% respectively over the previous year. Our China operations also secured a total of S$63 million of new and renewed contracts in 2011.

During the year, we continued to expand our facilities and grow our water and wastewater capabilities in various targeted industrial sites. In Zhangjiagang, we opened our first water reclamation plant in China, capable of producing 20,000 cubic metres per day of industrial water and up to 4,000 cubic metres per day of demineralised water for supply to customers in the Zhangjiagang Free Trade Port Zone. This award-winning facility is able to produce industrial water using treated effluent from Sembcorp's existing centralised industrial wastewater treatment plant in the zone, thereby promoting water reuse and environmental conservation. In Nanjing, we expanded our industrial water capacity output by 20% to 120,000 cubic metres per day, while in Qinzhou we completed our 15,000 cubic metres per day industrial wastewater treatment plant in the Qinzhou Port Economic & Technological Development Zone.

Focusing on industrial sites and the water-stressed regions of China, and leveraging our extended presence through our newly-acquired municipal operations from Cascal, we also signed several letters of intent and memoranda of understanding during the year to explore opportunities to expand our water and multi-utilities business in the provinces of Liaoning, Jiangsu, Shandong, Inner Mongolia, Hebei, Tianjin and Heilongjiang.

Rest of Asia & Australia

PFO from Rest of Asia and Australia declined 24% in 2011 to S$34.2 million due to one-off integration costs and purchase price allocation adjustments relating to the acquisition of WSN Environmental Solutions (WSN) in Australia as well as lower contribution from our Phu My 3 power plant in Vietnam, which was impacted by lower tariffs and the depreciation of the US dollar.

Looking to expand our reach in Vietnam, we signed a memorandum of understanding with the People's Committee of Quang Ngai Province in January 2012 to explore the feasibility of developing a 1,200-megawatt coal-fired power plant in Dung Quat Economic Zone, located in central Vietnam's Quang Ngai province. Meanwhile, in India, we made progress on our first investment in the fast-growing Indian energy market. In February 2011, we injected the first tranche of equity for our 49% stake in Thermal Powertech Corporation India. The total consideration that will be injected by Sembcorp for the entire 49% stake is Rs1,042 crores (S$293 million). In the same month, we commenced construction of the 1,320-megawatt coal-fired power plant in Krishnapatnam, Nellore District, Andhra Pradesh. Construction has been progressing well and full commercial operation is expected to begin in 2014.

In Australia, our solid waste management associate, SembSITA Australia, strengthened its leading position with the completion of the A$235 million acquisition of WSN, a solid waste management service provider previously owned by the New South Wales government, in January 2011. Adding over 90 facilities and service centres nationwide, SembSITA is now the second largest waste management operator in Australia and the largest in the state of New South Wales.

Middle East & Africa

PFO from the Middle East and Africa grew 51% from S$21.7 million to S$32.9 million. In the UAE, our Fujairah 1 Independent Water and Power Plant continued to deliver good operating performance, underpinned by its long-term purchase agreement with Abu Dhabi Water & Electricity Company.

In Oman, a significant milestone was achieved when we successfully completed the first phase of our US$1 billion Salalah IWPP in July 2011. The facility met the tight timeline of 19 months from the signing of the power and water purchase agreement and began dispatching 61 megawatts of net power, on schedule, to the Dhofar power grid in southern Oman. Targeted to commence full commercial operations in the second quarter of 2012, the plant will have a total gross power capacity of 490 megawatts and will produce 15 million imperial gallons (69,000 cubic metres) per day of water. Set to be the most energy-efficient power and water plant in Dhofar, this project will enhance our Middle East portfolio and play a major role in meeting the region's pressing power and water needs.

In South Africa, in recognition of our continuing efforts to provide water and sanitation services of the highest quality to our customers, both our municipal operations, Sembcorp Silulumanzi and Sembcorp Siza Water, received the prestigious Blue Drop and Green Drop status for some of its water and wastewater systems in 2011.

UK & The Americas

PFO from the UK improved 46% from S$30.8 million to S$45.0 million largely due to the full year contribution of our municipal water business and a reduction in the UK tax rate from 27% to 25%. Our municipal water operations in Bournemouth delivered a healthy performance during the year, while contribution from our Teesside operations declined marginally compared to the previous year as the business continued to face a challenging operating environment with low power spreads and carbon prices.

In Bournemouth, new tariffs were effected for our municipal operations according to the five-year tariff schedule set during its 2010 tariff review with the UK water services regulator, Ofwat. In Teesside, our 52-megawatt steam condensing turbine project was completed in the fourth quarter of 2011 and commenced dispatching power to the grid in February 2012. Modification works to our biomass plant were also completed to increase heat recovery and enhance our green income from renewable obligation certificates.

Meanwhile, PFO from the Americas, comprising Chile, Panama and the Caribbean, grew from S$2.3 million to S$10.1 million due to full year contribution from the region as well as a one-off adjustment from the change in accounting treatment for a service concession arrangement in Chile.

Market Review and Outlook

In January 2012, the World Bank reduced its forecast for global economic growth in 2012 to 2.5% from 3.6% in its earlier forecasts in June 2011, and cautioned that the financial turmoil generated by the intensification of the fiscal crisis in Europe has spread to both developing and high-income countries and is generating significant headwinds[1]. Growth in the high-income economies is expected to be subdued at 1.4%, with the Eurozone countries expected to contract by 0.3%. Developing countries are still expected to grow, albeit at a slower pace of 5.4% compared to 6.2% previously.

In Singapore, the government expects 2012 Gross Domestic Product growth to be in the range of 1% to 3%, compared to 2011's growth of 4.8%. Singapore's Economic Development Board reported that total fixed asset investment commitments increased from S$12.9 billion in 2010 to S$13.7 billion in 2011 despite economic uncertainties during the second half of the year. After the electronics sector, the chemical sector received the next largest investment commitment at S$2.5 billion. The Economic Development Board is cautiously optimistic about the investment climate in 2012, but expects investment commitments in 2012 to be sustained at 2011's level, citing that investment interest in Asia remains healthy in spite of the uncertainties in the global economy, especially in the Eurozone. Meanwhile, petrochemical companies with confirmed investments continued to push ahead with the construction of their new plants on Jurong Island. These include Denka and Sumitomo Chemical whose plants are expected to start up in 2012; Chang Chun Group, LANXESS, Asahi Kasei and Zeon in 2013; and Jurong Aromatics Corporation and Evonik in 2014.

In 2012, our Utilities business is expected to deliver a steady performance despite our cogeneration plant in Singapore undertaking a planned major maintenance during the year. However, the weaker macro-economic environment may impact power and carbon prices and affect the performance of our energy businesses in Singapore and the UK.

With a healthy pipeline of projects both in Singapore and overseas, we are committed to delivering long-term growth through the focused execution of these projects as well as the active pursuit of new growth opportunities.

[1] *The World Bank, 'Global Economic Prospects January 2012: Uncertainties and vulnerabilities'*

West Triton Baker Marine Pacific Class 375 jack-up rig built by Sembcorp Marine

MARINE REVIEW

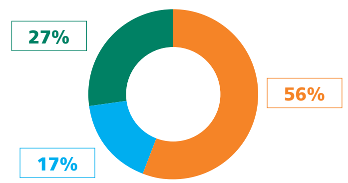
Performance Scorecard *(S$ million)*

	2011	2010	Change (%)
Turnover	**3,960.2**	4,554.9	(13)
EBITDA	**825.8**	1,081.8	(24)
PFO	**792.4**	1,045.1	(24)
– EBIT	**739.1**	998.2	(26)
– Share of results: Associates & JVs, net of tax	**53.3**	46.9	14
Net profit	**751.9**	860.3	(13)
ROE *(%)*	**30.0**	38.4	(22)

Note: Figures taken at Sembcorp Marine level

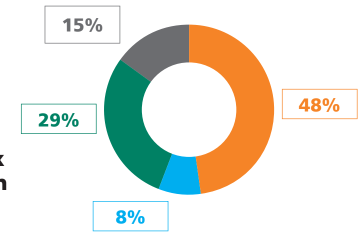
Turnover by Segment

- Rig building
- Ship conversion & offshore
- Ship repair & others



Orderbook Composition

- Jack-ups
- Ship conversion & offshore
- Semi-submersibles
- Drillship



Net Orderbook of S$6.3 billion
(as at February 2012)

Key Developments

- Marked a significant milestone with the ground breaking of our first overseas Integrated New Yard Facility, Estaleiro Jurong Aracruz, in the state of Espirito Santo, Brazil
- Increased shareholding in Sembmarine Kakinada, a joint venture between Sembawang Shipyard and Kakinada Seaports, to 40%
- Delivered one of the world's largest jack-up rigs to Seadrill, specially designed for harsh operating conditions in the North Sea region
- S$3.7 billion worth of new orders secured in 2011, including orders for premium and high-specification jack-up rigs
- Current net orderbook of S$6.3 billion as at February 2012, with completions and deliveries till mid-2015

Competitive Edge

- Singapore's leading marine and offshore engineering group with 49 years of proven track record
- Comprehensive portfolio encompassing the full spectrum of integrated solutions from ship repair, shipbuilding, ship conversion, rig repair and rig building to offshore engineering and construction
- Strong track record for quality and timely delivery as well as the ability to handle complex turnkey projects and repairs while meeting high standards for health, safety, security and environment
- Global network of strategically located yards
- Development and ownership of proprietary designs for rigs, drillships and container vessels
- Long-term strategic alliances with international ship operators provide a steady and growing baseload in ship repair

Operations Review

Sembcorp's Marine business recorded a turnover of S$4.0 billion in 2011 compared to S$4.6 billion in 2010 due to the timing, number and value of the projects in varying progressive revenue recognition stages in the three different sectors of rig building, ship conversion and offshore and ship repair.

The business' profit from operations (PFO) was S$792.4 million compared to S$1.0 billion in 2010 mainly due to fewer jack-up and semi-submersible rig projects. The business' operating margin was 18.6% as compared with 20.7% in 2010, largely attributable to fewer rig building projects, mainly jack-up rigs, as compared to more turnkey semi-submersible rigs in 2010.

The business' net profit attributable to shareholders of the company (net profit) was S$751.9 million compared to S$860.3 million in the previous year due to lower operating profit and the receipt of the full and final amicable settlement of the disputed foreign exchange transactions with Société Générale in 2010. This was offset by the higher interest income received in 2011 for deferred payment granted to customers and write-back of prior years' tax over-provisions. Return on equity for the year stood at 30%.

Ship repair

During the year, ship repair turnover stood at S$643.9 million, comparable to 2010's S$646.1 million and accounting for 16% of total turnover. A total of 264 vessels docked at our yards in 2011, lower than 2010's 282 vessels. However the average value per vessel increased to S$2.4 million from S$2.3 million in 2010. Long-term strategic alliance customers continued to provide a steady and growing baseload. Together with our regular repeat customers, they contributed 82% of total ship repair revenue in 2011. High value repairs to oil tankers, container vessels, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) tankers, passenger ships and upgrading of drillship and floating production storage and offloading (FPSO) units dominated the segment.

During the year, we secured a long-term contract from Teekay Marine Services to provide repairs, refurbishment and upgrading of their fleet of 137 vessels.

Ship conversion and offshore

Turnover from ship conversion and offshore activities in 2011 registered a growth of 31% to S$1.1 billion from S$820.4 million in 2010. The sector contributed 27% of the total turnover of the Marine business. Projects delivered during the year included the conversion of *FPSO PSVM* for MODEC, the upgrading of FPSO *Glas Dowr* for Bluewater Energy Services and the pre-FPSO conversion of *P-62* for Petrobras Netherlands. In addition, we successfully completed the engineering and construction of *Flintstone*, a new generation of environmentally-friendly designed fallpipe rock dumping vessel for Tideway and the *Gajah Baru* platforms for Premier Oil Natuna Sea.

In terms of new contract wins, we secured a S$20 million contract from Golar LNG Energy to convert the *LNG Khannur*, a LNG tanker, to a floating storage and regasification unit, the FPSO conversion of the very large crude carrier (VLCC) tanker *MV TAR II* valued at S$130 million from MODEC and a US$300 million floating storage offloading tanker conversion contract from Mobil Cepu, a subsidiary of Exxon Mobil.

The business secured two contracts for offshore vessels comprising a S$123 million contract for the engineering, procurement, construction and commissioning of the *RV Investigator*, a dynamic positioning (DP) bluewater research vessel for Teekay Shipping (Australia) as well as a US$140 million contract from Equinox Offshore Accommodation to convert a ROPAX vessel into a DP Class 2 Accommodation and Repair Vessel.

Two offshore platform contracts were also secured during the year which included a S$600 million contract from PTTEP International for an Integrated Processing and Living Quarters platform and a contract from Bechtel Overseas for the assembly of process and cryogenic pipe-rack modules for Australia Pacific LNG's liquefied natural gas facility. Valued at US$100 million, the value of this contract may potentially increase in excess of US$150 million.

Rig building

The rig building segment contributed S$2.2 billion or 56% of our Marine business' total turnover, compared to S$3.0 billion in 2010. During the year, we completed and delivered three jack-up rigs on or ahead of schedule: the *El Qaher II*, a proprietary Pacific Class 375 design jack-up rig to Egyptian Offshore Drilling Company; the *West Elara*, a Gusto MSC CJ70 150A harsh-environment jack-up rig, the largest of its kind to be constructed by our Marine business, to Seadrill; and the *Transocean Honor*, the first proprietary Pacific Class 400 design jack-up rig to Transocean. In addition, we completed and delivered four semi-submersible rigs: the *West Pegasus*, a Moss Maritime CS50 MKII design semi-submersible rig, and three newbuild Friede & Goldman ExD ultra-deepwater semi-submersible rigs: the *West Capricorn* for Seadrill, the *Atwood Osprey* for Atwood Oceanics Pacific, and the *Songa Eclipse* for Songa Offshore.

Seven new rig orders were clinched during the year including the building of a turnkey Pacific Class 400 jack-up rig valued at US$182 million from Atwood Oceanics Pacific; a turnkey Gusto MSC CJ70 150A harsh-environment high-specification jack-up rig worth US$450 million from Seadrill; two sets of two turnkey Friede & Goldman JU3000N jack-up rigs valued at US$427.6 million and US$444 million from Noble, the latter with options for another two similar jack-up rigs; and a US$291.6 million GVA 3000E design accommodation semi-submersible rig from Prosafe, with options for another two units.

Strategic milestones

In December 2011, our Marine business achieved an important milestone in its growth and expansion strategy with the ground breaking of the first overseas Integrated New Yard Facility, Estaleiro Jurong Aracruz, in the municipality of Aracruz in the state of Espirito Santo – Brazil's second largest oil producer. Situated on an 82.5-hectare site with 1.6 kilometres of coastline, Estaleiro Jurong Aracruz is strategically located in close proximity to the rich oil and gas basin of Espirito Santo, one of Brazil's giant pre-salt reservoirs, and is poised to further strengthen our business' foothold in the country.

The Integrated New Yard Facility in Brazil will be developed in stages over a period of three years with full completion targeted for end 2014. Estaleiro Jurong Aracruz is well-positioned to serve Brazil's vibrant offshore and marine sector with wide-ranging capabilities in the construction of drilling rigs, FPSO integration, topside modules fabrication, and the repair and upgrading of ships and rigs.

In February 2012, Estaleiro Jurong Aracruz secured a contract worth approximately US$792.5 million from Guarapari Drilling, Netherlands, a subsidiary of Sete Brasil Participacões, for the design and construction of a drillship based on Jurong Shipyard's proprietary Jurong Espadon drillship design. Scheduled for delivery no later than the second quarter of 2015, the Jurong Espadon drillship represents the next generation of high-specification drillships with advanced capabilities for operational efficiency and ultra-deepwater operations worldwide. The order win is expected to be among the first of many orders in Sete Brasil's drillship expansion programme to develop Brazil's giant pre-salt oil fields.

The business also continues with the growth and expansion strategy in Singapore with construction of the Integrated New Yard Facility at Tuas View Extension progressing on schedule. As Singapore's first purpose-built, custom-designed integrated yard facility, the 206-hectare development will further reinforce our Marine business' competitive edge through enhanced work-efficient processes as well as state-of-the-art facilities and equipment.

Designed as a centralised and integrated "one-stop solutions" hub for ship repair and conversion, shipbuilding, rig building and offshore engineering and construction, the New Yard Facility will be well-equipped to serve a wide range of vessels including VLCCs, new generations of mega containerships, LNG carriers and passenger ships, while meeting new regulatory and environmental standards.

The facility will be built in three phases over a period of six years. Under the first phase, 73.3 hectares will be developed for ship repair and ship conversion operations. It will feature four VLCC drydocks with a total capacity of 1.6 million deadweight tonnes and quays of more than three kilometres.

In 2011, the Marine business exercised the option to increase its shareholding in Sembmarine Kakinada (SKL), a joint venture between Sembawang Shipyard and Kakinada Seaports, from 19.9% to 40%, becoming the largest single shareholder of the joint venture facility. The Technical Management and Services Agreement to operate and manage the joint venture was also extended from the current five years to 10 years. This increase in shareholding of SKL, a joint venture established since November 2009, is in line with the business' strategy to establish and grow a hub in India to cater to the growing needs of our customers operating in India and South Asia. SKL will be developed in three phases with the construction of the first phase well underway. When fully completed by end 2012, SKL will offer ship owners and offshore operators a one-stop integrated offshore service facility for the repairs and servicing of offshore vessels and ships, new builds, oil and gas riser and equipment repairs as well as platforms and modules fabrication.

Market Review and Outlook

The Marine business has a net orderbook of S$6.3 billion as at February 2012, with completions and deliveries until mid-2015. This includes S$3.7 billion in contracts secured in 2011 and S$1.3 billion worth of orders secured since the start of 2012, excluding ship repair contracts.

Despite the global macro-economic uncertainty, fundamentals for the offshore oil and gas industry remain intact, underpinned by high oil prices and projected increases in exploration and production spending.

The offshore market continues to display signs of cyclical improvement, especially in the deep and ultra-deepwater segments fuelled by the growing needs of operators in multiple regions, in particular the "Golden Triangle" of Brazil, the Gulf of Mexico and West Africa.

In the Gulf of Mexico, deepwater drilling activities remain robust as operators continue to move ahead with drilling programmes. Day rates for both jack-up and semi-submersible rigs have been strengthening. With offshore drilling moving towards deeper waters, coupled with the business' proven track record in rig building, our Marine business will be well-positioned to capture new orders for high-specification deepwater rigs which meet the industry's most stringent operating requirements.

Ship repair continues to see strong demand with the newly forged long-term partnerships with several renowned international ship owners and operators, in particular in the niche segments for the repair, upgrading and life extension of LNG carriers, passenger and cruise vessels. These alliances and long-term customers will continue to provide a stable and steady baseload for the repair business.

In Brazil, the wholly-owned shipyard Estaleiro Jurong Aracruz is strategically positioned to support developments in one of the world's fastest growing offshore oil and gas exploration markets. In Singapore, the Integrated New Yard Facility in Tuas View Extension will become operational in 2013 and will nearly double the Marine business' ship repair and ship conversion and offshore capacity from the current 1.9 million deadweight tonnes.

Overall, competition is intense though enquiries for the various segments of the market remain robust.

An artist's impression of the VSIP Hai Phong Integrated Township & Industrial Park, Vietnam

INTEGRATED URBAN DEVELOPMENT REVIEW

Performance Scorecard *(S$ million)*

	2011	2010	Change (%)
Turnover[1]	**12.8**	19.7	(35)
EBITDA	**1.2**	4.7	(74)
PFO	**46.1**	40.4	14
– EBIT	**(0.3)**	2.7	N.M.
– Share of results: Associates & JVs, net of tax	**46.4**	37.7	23
Net profit	**38.7**	36.9	5
ROE[2] *(%)*	**7.2**	7.3	(1)

Notes:
[1] Most of our Integrated Urban Development businesses are associates or joint ventures. The turnover is derived from providing services to these associates or joint ventures
[2] Excluding its returns on Sembcorp's corporate office on 30 Hill Street and its investment in Gallant Venture, the Integrated Urban Development business' ROE for 2011 was 13.0%

Key Developments

- Sold a total of 226 hectares of land in Vietnam and China, and had 227 hectares of land commitments at year-end
- Signed a memorandum of understanding to explore the feasibility of a fifth Vietnam Singapore Industrial Park to be located in Quang Ngai province, central Vietnam
- Sold a 13-hectare land plot for the *New One North* project, the first mixed-use development on the Sino-Singapore Nanjing Eco Hi-tech Island
- Took a 50% stake in the Singapore consortium involved in the 1,000-hectare Singapore-Sichuan Hi-tech Innovation Park in Chengdu, Sichuan province, China

Competitive Edge

- Leading Asian developer with over 20 years' experience undertaking master planning, land preparation and infrastructure development, and transforming raw land into large scale urban developments
- Owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- Integrated approach to delivering urban work and living environments that will attract local and international investments
- Over 600 multinational companies and leading local enterprises as tenants
- Opportunities for selective development of commercial and residential real estate at choice sites

Operations Review

Sembcorp's Integrated Urban Development business (formerly known as Industrial Parks) turned in a good performance in 2011. Net profit grew 5% to S$38.7 million, compared to S$36.9 million in 2010, while profit from operations (PFO) increased 14% from S$40.4 million to S$46.1 million. The business benefited from strong land sales in the Vietnam Singapore Industrial Park (VSIP) projects, which registered a 30% growth compared to 2010. Meanwhile, the Wuxi-Singapore Industrial Park (WSIP) continued to see a steady income stream from factory rentals as well as contribution from residential sales.

In 2011, the business sold a total of 226 hectares of land in Vietnam and China, a 24% increase from the previous year's 182 hectares. Industrial land comprised 77% of land sales while commercial and residential land accounted for 23%. The growth in land sales was achieved in spite of a weaker global economic sentiment in the second half of the year. First land sales for both VSIP Hai Phong in Vietnam and the Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) in China were secured during the year.

In early 2012, the business was renamed Integrated Urban Development, in line with our focus on providing integrated urban solutions. Taking an integrated approach to delivering urban work and living environments, we have more than 20 years of track record transforming raw land into large scale urban developments comprising industrial parks as well as business, commercial and residential space. We also have the ability to extract further value by undertaking selective development of commercial and residential real estate at choice sites.

Vietnam

2011 has been a challenging year for Vietnam. The country's economy expanded 5.9% for the full year, down from an average of 7% in the past decade as the government tightened fiscal and monetary policies to rein in high inflation. Despite the challenging business environment, our VSIP projects performed well, securing high value land sales from several big multinational corporations. For the year, VSIP sold a total of 212 hectares, an increase of 30% from 2010's 163 hectares. Demand for industrial land continued to be strong, accounting for 82% of the sales and growing 73% from the previous year.

In southern Vietnam, our VSIP projects delivered a steady performance, surpassing the previous year's land sales performance and accounting for 58% of VSIP's total land sales. Our first 500-hectare VSIP project in Thuan An district is almost sold out and contributes steady recurrent income from factory rentals and electricity distribution. The second 2,045-hectare VSIP in the New Binh Duong Township is 38% taken up and continues to see interest from potential investors. 68 hectares of land have been committed by customers and another 873 hectares of saleable land remained available as at end 2011.

In northern Vietnam, the 700-hectare VSIP Bac Ninh continued to build on its momentum of securing well-established, long-term customers. Nokia is setting up its first manufacturing facility in Southeast Asia in VSIP Bac Ninh, joining PepsiCo and Foster Electric. The integrated urban development also attracted Malaysia's SP Setia who took up a large plot of residential land for an eco housing project. VSIP Bac Ninh sold 64 hectares of land in 2011 and total land take-up stood at 64% as at end 2011. Investor interest remained healthy with 103 hectares of land committed by potential investors and 142 hectares of saleable land remaining available as at end 2011. Meanwhile, land preparation and infrastructure works continued to progress for our fourth VSIP project in Hai Phong City. During the year, it achieved its first land sales to Kyocera Mita Corporation of Japan. The official inclusion of Hai Phong City in the Dinh Vu-Cat Hai Economic Zone is expected to further boost the attractiveness and marketability of the development.

Following the successful progress of our first four VSIP projects, a memorandum of understanding was signed with the People's Committee of Quang Ngai province during the year to explore the feasibility of a 1,020-hectare integrated urban development in central Vietnam. The proposed development will comprise a 500-hectare industrial park located within the Dung Quat Economic Zone, where government-supported special economic zone incentives will be made available to manufacturers. Separately, 520 hectares of land are expected to be zoned for commercial and residential purposes near downtown Quang Ngai city. The signing was witnessed by the President of Vietnam His Excellency Truong Tan Sang and Singapore Prime Minister Lee Hsien Loong.

China

In 2011, WSIP performed well despite being a mature industrial park that has been operating for 18 years. Rentals from ready-built factories and electricity distribution continue to provide a stable income stream while initiatives to enhance the yield on this project have progressed well. During the year, we completed and handed over a 140,000-square metre custom-built factory to New York Stock Exchange-listed Suntech Power, which will rent the premises under a long-term lease agreement. Five new ready-built factories have also been rented out, including those in the *Solar City* photovoltaic park. In the commercial and residential space, occupancy rates for the business and technology park improved from 38% to 50%. Good take-up was also registered for the *International Garden City* apartment project in Wuxi New District, which sold 137 units during the year, 50% more compared to 2010. Construction of *Hongshan Mansion*, a 108-unit residential development, progressed well during the year and is targeted to be launched in the second quarter of 2012.

Over in Nanjing, the SNEI project has completed its urban master plan, industry positioning study and ecology planning system. Of the island's 1,500-hectare gross land area, 809 hectares will be preserved for eco-tourism, while 715 hectares will be developed which includes 324 hectares of office, commercial and residential land available for sale. Through our joint venture company, we have secured a 13-hectare site to develop the first major mixed-use development on the island named *New One North*. Encompassing a research and development park, an exhibition centre and a waterfront commercial-leisure-residential precinct overlooking Hexi New City on Nanjing mainland, *New One North* will yield about 152,000 square metres in gross floor area.

During the year, we also completed the feasibility study for a new integrated development, the Singapore-Sichuan Hi-tech Innovation Park. Strategically located in Chengdu's Tianfu New City central business district, the project adds 500 hectares to our land bank available for sale. The integrated development will focus on attracting innovative and knowledge-intensive industries in eight clusters comprising information technology, digital media, pharmaceutical research, precision engineering, environmental services, service outsourcing, banking and insurance, and will be developed by a joint venture between the Singapore consortium, in which Sembcorp has a 50% stake, and its Chinese partners.

Indonesia

Our 23.92%-owned associate company Gallant Venture continued to deliver positive results although its profit contribution in 2011 was lower compared to 2010. Its property development business registered lower resort land sales while the industrial parks business continued to face competitive pressure.

Market Review and Outlook

The Integrated Urban Development business is expected to deliver better performance in 2012 compared to 2011, in anticipation of contribution from the SNEI project and underpinned by 227 hectares of land commitments. Our projects in Vietnam and China remain attractive destinations for foreign investors. However, the economic downturn in Europe and the USA may slow down manufacturing exports and delay potential customer investment decisions that could in turn impact the pace of our land sales. The Vietnamese and Chinese governments' measures to stabilise the housing market in their countries may also moderate the demand for commercial and residential space.

In the longer term, industrialisation and urbanisation remain a core priority for both Vietnam and China. The Vietnamese government has set a target to achieve full industrialisation by 2020. Its urban population is expected to reach 59% in 2050 from 30% in 2009[1]. Similarly, China's economic and social priorities are moving towards industry upgrading, sustaining growth and promoting domestic consumption. Its urban population is expected to grow from 46% in 2009 to 73% by 2050[1], adding a projected 46 million middle class households from 2010 to 2015[2].

With 2,711 hectares of land available for sale, our projects in Vietnam and China provide a robust development pipeline. Furthermore, with our ability to extract further value by undertaking selective development of commercial and residential real estate at choice sites, we believe that the business is poised for growth in the coming years.

[1] *United Nations World Urbanisation Prospects, The 2009 Revision*
[2] *Boston Consulting Group: 'Winning in Emerging-market Cities', September 2010*

ENVIRONMENTAL, SOCIAL & GOVERNANCE REVIEW

BOARD OF DIRECTORS

Ang Kong Hua

Chairman

Non-executive & Independent Director

Appointed February 26, 2010

As Chairman, Mr Ang is responsible for leading the board, setting its agenda and ensuring its effectiveness in all aspects of its role. Mr Ang is an independent director and heads the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

A well-known corporate figure in Singapore, Mr Ang brings to Sembcorp many years of rich experience in the manufacturing and services sectors, including the chemicals, electronics, engineering and construction sectors. Currently, he is Chairman of Global Logistic Properties and also serves on the boards of the Government of Singapore Investment Corporation and Southern Steel.

Mr Ang holds a BSc (Hons) in Economics from the University of Hull, UK.

Past directorships in listed companies and major appointments 2009–2011:

- Yantai Raffles Shipyard
- NSL
- DBS Bank
- DBS Group Holdings
- GIC Special Investments

Tang Kin Fei

Group President & CEO

Appointed May 1, 2005

Mr Tang is Group President & CEO of Sembcorp Industries. With over 20 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents.

Mr Tang also sits on the board of Sembcorp Marine, a subsidiary of Sembcorp Industries, as a non-executive and non-independent director.

Mr Tang is President of the Singapore Water Association, Vice Chairman of the Singapore Business Federation and a council member of the Singapore Chinese Chamber of Commerce and Industry. He also serves on several China-Singapore, Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is a council chairman of Ngee Ann Polytechnic and a member of the Singapore Chinese Chamber of Commerce Foundation, as well as a Vice Chairman and trustee of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

Mr Tang holds a First Class Honours in Mechanical Engineering from the University of Singapore and completed the Advanced Management Programme at INSEAD.

Past directorships in listed companies and major appointments 2009–2011:

- GuocoLeisure

Goh Geok Ling

Non-executive & Independent Director

Appointed May 3, 2000

Mr Goh is an independent director and serves on the board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee.

He is Chairman of Sembcorp Marine and serves as a member of the Board of Trustees of Nanyang Technological University. He is also an advisor of 02Micro International.

Mr Goh holds a BEng from the University of Sydney, Australia.

Past directorships in listed companies and major appointments 2009–2011:

- Venture Corporation

Evert Henkes

Non-executive & Independent Director

Appointed April 30, 2004

Mr Henkes is an independent director. He heads the board's Risk Committee and is a member of the Audit Committee.

He has extensive experience in the petrochemical industry as the former CEO of Shell's global chemicals business. Mr Henkes is a director of Air Products and Chemicals, Outokumpu and Tate & Lyle.

He holds a BSc from Cornell University, USA.

BOARD OF DIRECTORS

Bobby Chin Yoke Choong

Non-executive & Independent Director

Appointed December 1, 2008

Mr Chin is an independent director. He chairs the board's Audit Committee and is a member of the Risk Committee.

The Managing Partner of KPMG Singapore from 1992 until his retirement in September 2005, Mr Chin is the Chairman of the Singapore Totalisator Board and a board member of the Competition Commission of Singapore and the Singapore Labour Foundation. He serves as a member of the Council of Presidential Advisers and a trustee of the Singapore Indian Development Association. He also sits on the boards of several listed companies including AV Jennings, Ho Bee Investment, Neptune Orient Lines, Oversea-Chinese Banking Corporation and Yeo Hiap Seng.

Mr Chin holds a BAcc from the University of Singapore. He is a fellow of the Institute of Certified Public Accountants of Singapore and an associate member of the Institute of Chartered Accountants in England and Wales.

Margaret Lui

Non-executive & Non-independent Director

Appointed June 1, 2010

Mrs Lui is a non-independent director and also a member of the board's Executive Committee, Executive Resource & Compensation Committee, as well as its Nominating Committee.

Currently, Mrs Lui is Chief Operating Officer of Seatown Holdings International. In addition, she serves on the boards of Brookstone Company, Singapore Cruise Centre, Singbridge International Singapore and Seatown Holdings International.

Mrs Lui holds a BAcc from the National University of Singapore. She attended the Advanced Management Programme at Wharton School of the University of Pennsylvania.

Past directorships in listed companies and major appointments 2009–2011:

- Singapore Food Industries
- CitySpring Infrastructure Management

Tan Sri Mohd Hassan Marican

Non-executive & Independent Director

Appointed June 16, 2010

Tan Sri Mohd Hassan Marican is an independent director and serves on the board's Audit and Risk Committees.

Tan Sri Mohd Hassan Marican was the President & CEO of Malaysia's Petroliam Nasional (PETRONAS) from 1995 until his retirement in February 2010 and brings to the board over 30 years' experience in finance and management. He currently serves as a director of Sembcorp Marine, Regional Economic Development Authority of Sarawak, Sarawak Energy, Lambert Energy Advisory, MH Marican Advisory, Singapore Power and ConocoPhillips. He is also a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings.

Tan Sri Mohd Hassan Marican holds an honorary doctorate from the University of Malaya and is a fellow of the Institute of Chartered Accountants in England and Wales.

Past directorships in listed companies and major appointments 2009–2011:

- Malaysia International Shipping Corporation
- Engen
- Petroliam Nasional (PETRONAS)
- Malaysia-Thailand Joint Authority
- Bank Negara Malaysia
- International Centre for Leadership in Finance

Tham Kui Seng

Non-executive & Independent Director

Appointed June 1, 2011

Mr Tham is an independent director.

Formerly the Chief Corporate Officer of CapitaLand, Mr Tham brings to the board a strong background in management in various industries, including a decade's experience in the real estate business.

Currently, Mr Tham serves on the board of Global Logistic Properties, Raffles Medical Group, The Straits Trading Company, CapitaLand China Holdings, SPI (Australia) Assets and Maxwell Chambers. He is also a board member of the Housing & Development Board.

Mr Tham holds a BA (First Class Honours) in Engineering Science from the University of Oxford.

Past directorships in listed companies and major appointments 2009–2011:

- Alexandra Health

KEY EXECUTIVES

Tang Kin Fei
Group President & CEO
Joined 1987

Mr Tang is Group President & CEO of Sembcorp Industries. With over 20 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents.

Mr Tang also sits on the board of Sembcorp Marine, a subsidiary of Sembcorp Industries, as a non-executive and non-independent director.

Mr Tang is President of the Singapore Water Association, Vice Chairman of the Singapore Business Federation and a council member of the Singapore Chinese Chamber of Commerce and Industry. He also serves on several China-Singapore, Saudi-Singapore and Abu Dhabi-Singapore business councils. In addition, he is a council chairman of Ngee Ann Polytechnic and a member of the Singapore Chinese Chamber of Commerce Foundation, as well as a Vice Chairman and trustee of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

Mr Tang holds a First Class Honours in Mechanical Engineering from the University of Singapore and completed the Advanced Management Programme at INSEAD.

Koh Chiap Khiong
Group Chief Financial Officer
Joined 2008

Mr Koh is responsible for the corporate finance & treasury, reporting, accounts, tax, information technology and risk management of Sembcorp Industries and oversees these functions across the Group. He also handles investor relations matters as Group Chief Financial Officer (CFO) and is a director on the boards of various Sembcorp companies.

Mr Koh brings with him extensive expertise in finance, tax, treasury management and audit in various industries, over 10 years' experience in managing infrastructure businesses and a strong knowledge of the energy and water sectors. He rejoined Sembcorp in 2008 after a three-year stint with Power Seraya as its CFO. Prior to that, he spent seven years in Sembcorp and served as the Utilities business' Head of Finance and Chief Risk Officer.

Mr Koh holds a First Class Honours in Accountancy from the National University of Singapore.

Wong Weng Sun
President & CEO
Sembcorp Marine
Joined 1988

Mr Wong is President & CEO of Sembcorp Marine, as well as Managing Director of Jurong Shipyard. He also sits on the board of a number of the Group's subsidiaries including Jurong Shipyard, Sembawang Shipyard, SMOE and PPL Shipyard.

Prior to his present appointment, Mr Wong served as President & Chief Operating Officer of Sembcorp Marine. He first joined Jurong Shipyard in 1988 as an engineer before rising to the position of General Manager in charge of project management.

Mr Wong is the President of the Association of Singapore Marine Industries and sits on the boards of the Maritime and Port Authority of Singapore and the Singapore Maritime Foundation. Besides serving as a member of the Workplace Safety and Health Council, he is also Chairman of its Work at Height Safety Taskforce and Deputy Chairman of its Marine Industries Committee. He also chairs the Marine and Offshore Technology Advisory Committee and co-chairs the Advisory Committee of the Centre of Innovation, Marine and Offshore Technology at Ngee Ann Polytechnic.

Mr Wong holds a Bachelor of Mechanical Engineering (Marine). He also obtained a Masters in Business Administration from Oklahoma City University, USA.

Tan Cheng Guan
Executive Vice President
Group Business & Strategic Development
Joined 2007

Mr Tan is responsible for business and strategic development at Sembcorp and drives business development for the Group's energy and water businesses. He also oversees the Group's business in India, the Middle East & Africa, the UK and the Americas.

He brings with him broad experience in strategy, business and project development for the utilities industry. Mr Tan rejoined Sembcorp in 2007 after a three-year stint heading Vopak's operations in China. Prior to that, he spent 14 years with Sembcorp as well as over a decade in the oil and gas sector with Brown & Root Far East. While at Sembcorp, Mr Tan oversaw the early development of the Group's Utilities business on Jurong Island and the business' expansion into China, the UK and the Middle East. Most recently, he also led Sembcorp's acquisition of Cascal's global municipal water business.

Mr Tan holds a Bachelor of Civil Engineering (Honours) from the University of Liverpool, UK and completed the Advanced Management Programme at Harvard Business School, USA.

KEY EXECUTIVES

Ng Meng Poh
Executive Vice President
Singapore and ASEAN (Utilities)
Joined 2007

Mr Ng is responsible for managing Sembcorp's Utilities business in Singapore, ASEAN and Australia and also sits on the boards of various companies within the Group.

He has over 25 years' experience in the energy industry and has held both government and private sector appointments. Prior to joining Sembcorp, Mr Ng was part of the executive management team of Senoko Power and also spent over a decade at Singapore's Public Utilities Board. In the course of his career, he was actively involved in the restructuring and liberalisation of Singapore's power and gas markets, as well as in negotiations for the importation of piped natural gas from Malaysia and Indonesia into Singapore.

Mr Ng holds a Bachelor of Mechanical Engineering from the National University of Singapore and a Masters of Science in Energy Resources from the University of Pittsburgh, USA.

Low Sin Leng
Executive Chairman
Sembcorp Development
Joined 2000

Ms Low spearheads the development of Sembcorp's Integrated Urban Development business. Leveraging on her business experience in Asia, Ms Low is also actively involved in the Group's activities in China, Vietnam and Indonesia. She is a Singapore Representative to the ASEAN Business Advisory Council and represents Sembcorp on several China-Singapore business councils.

Prior to joining Sembcorp, Ms Low was the Executive Vice President of Singapore Power and served 20 years in the Singapore Government Administrative Service holding senior positions in the Ministries of Finance, Trade & Industry and Education.

A Singapore President's Scholar, Ms Low holds a Masters in Business Administration (High Distinction) from the Catholic University of Leuven, Belgium, as well as a Bachelor of Electrical Engineering (Honours with Distinction) from the University of Alberta, Canada, and completed Harvard Business School's Advanced Management Programme in the USA.

GROWTH & PERFORMANCE

Group Business & Strategic Development
Tan Cheng Guan
Executive Vice President

Group Project Development
Venkat Ram
Senior Vice President

Group Asset Management
Lau Gar Ning
Executive Vice President

Technology
Kwan Yuet Wing
Chief Technology Officer

Corporate Headquarters
Koh Chiap Khiong
Group Chief Financial Officer

Richard Quek
Executive Vice President
Group Mergers & Acquisitions

Frank Koh
Senior Vice President
Group Corporate Finance

Goh Han Leng
Senior Vice President
Group Tax

Lim Suet Boey
Executive Vice President & General Counsel
Group Legal

Lau Gar Ning
Chief Health, Safety & Environment Officer

Kwong Sook May
Company Secretary

Lillian Lee
Senior Vice President
Group Human Resource

Jasmine Teo
Senior Vice President
Group Information Technology

Lee Swee Chee
Chief Risk Officer

Ng Lay San
Vice President
Group Corporate Relations

Group Internal Audit
David Wong
Vice President

BUSINESS KEY MANAGEMENT

Utilities

SINGAPORE & ASEAN
Ng Meng Poh
Executive Vice President

CHINA
Alan Yau
CEO

INDIA
Atul Nargund
Director
Sembcorp Utilities India

MIDDLE EAST & AFRICA
Lim Yeow Keong
General Manager
Sembcorp Salalah O&M Services, Oman

William Chang
General Manager
Sembcorp Gulf O&M Company, UAE

Marius Van Aardt
Managing Director
Sembcorp Silulumanzi, South Africa

Shyam P Misra
Managing Director
Sembcorp Siza Water, South Africa

UK
Douglas Annan
Senior Vice President & Site Director
Sembcorp Utilities UK

Roger Harrington
Managing Director
Sembcorp Bournemouth Water

THE AMERICAS
Martin Greenhalgh
Executive President
Chile

Frederic Gautheron
General Manager
Panama and the Caribbean

Marine
Wong Weng Sun
President & CEO
Sembcorp Marine
Managing Director
Jurong Shipyard

Ong Poh Kwee
Deputy President
Sembcorp Marine
Managing Director
Sembawang Shipyard

Douglas Tan
Managing Director
PPL Shipyard

Ho Nee Sin
Managing Director
SMOE

Freddie Woo
Executive Director
Jurong SML

Integrated Urban Development
Low Sin Leng
Executive Chairman

Kelvin Teo
President & COO

Lim Buey Shyan
Senior Vice President

Design & Construction
Lim Kah Hing
Senior Vice President & Managing Director

Mint
Yip Pak Ling
Senior Vice President & Mint Director

Sembcorp's corporate governance principles are built on our core value of integrity and reflect our commitment to protect and enhance shareholder value.

Sembcorp aspires to attain the highest standards of corporate governance. The board and management recognise that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability and remain committed to ensuring high standards of corporate governance to preserve and maximise shareholder value.

In recognition of the company's continuous efforts towards excellent financial reporting and extensive disclosures beyond the minimum regulatory requirements, we were awarded Gold for Best Annual Report (for companies with market capitalisation of S$1 billion and above) at the Singapore Corporate Awards 2011. We were also named the Most Transparent Company (Multi-industry / Conglomerates) at the Securities Investors Association (Singapore) Investors' Choice Awards 2011.

This report sets out the company's corporate governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2005 (Code). The board is pleased to report that the company has substantially complied with the principles and guidelines set out in the Code. Deviations from the Code, if any, are explained under the respective sections. The company continually reviews and refines its processes in light of the best practice, consistent with the needs and the circumstances of the Group.

Board of Directors

Effective board to lead and effect controls (Principle 1)

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is headed by Ang Kong Hua. He is joined on the board by Tang Kin Fei, Goh Geok Ling, Evert Henkes, Bobby Chin Yoke Choong, Margaret Lui, Tan Sri Mohd Hassan Marican and Tham Kui Seng, who joined the board on June 1, 2011. Richard Hale, OBE and Lee Suet Fern were also directors of the company until their retirement from the board at the last Annual General Meeting (AGM) held on April 21, 2011.

The fundamental responsibility of the directors is to exercise their independent judgement to act in good faith in what they reasonably believe to be the best interest of the company, for the creation of long-term value for shareholders. The board also relies on the integrity and due diligence of senior management, external auditors and advisors to oversee the Group's overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestment and funding proposals, financial performance reviews, risk management and corporate governance practices.

To assist the board in the efficient discharge of its responsibilities and provide independent oversight of management, several board committees, including the Executive Committee, Audit Committee, Executive Resource & Compensation Committee, Nominating Committee and Risk Committee, have been established with written Terms of Reference (TOR). Primarily made up of independent non-executive directors, each committee makes decisions on matters within its TOR and applicable limits of authority, and recommends the course of action for the board's consideration on such matters. The committees' respective composition, roles and responsibilities are further explained in this report. Minutes of board committee meetings are circulated to the board to keep directors updated on the activities of each committee. Special purpose committees are also established as dictated by business imperatives. For instance, the Technology Committee, which is not a board committee, is chaired by Mr Ang to lead the Group in setting up a framework to better manage existing and new technologies and research and development activities relating to the businesses of the Group. More details about the Technology Committee are explained in the Sustainability section of this annual report.

The composition of the board committees is structured to ensure an equitable distribution of responsibilities among board members, maximise the effectiveness of the board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different committees. Hence, membership of the Executive Committee (ExCo), with its greater involvement in key business and executive decisions, and membership of the Audit and Risk Committees, with their respective oversight roles, are mutually exclusive.

Board meetings are scheduled on a quarterly basis to review and approve the release of the quarterly results and discuss reports by management on the Group's financial performance, business development plans and prospects. A board meeting is also held at the end of each financial year to review the Group's strategy going forward and to consider and approve the Group's budget for the following year. Twice a year, the board also sets aside time during its scheduled meetings without the presence of management to discuss management's performance. Further board meetings may also be held to specifically consider other issues arising. Decisions of the board and board committees may also be obtained via circular resolutions. A two-day offsite board and management strategy meeting was organised in July 2011 to discuss in depth the strategic issues and direction of the Group. This also gave non-executive directors a better understanding of the Group and its businesses, and provided an opportunity for the non-executive directors to familiarise themselves with the management team.

To assist directors in planning for their attendance, board and board committee meetings as well as the AGM are scheduled one year in advance, and telephonic attendance and conference via audio-visual communication are allowed under the company's Articles of Association. The company recognises that to focus on a director's attendance at formal meetings alone may lead to a narrow view of his contribution. Directors' contributions may be made in many other forms, such as bringing strategic relationships to the Group, providing guidance to management or offering an exchange of views outside the formal environment of the board or board committee meetings. Notwithstanding this, the company encourages active participation at formal meetings of the board.

The Group has adopted a set of internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off-balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. The board or ExCo approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to facilitate operational efficiency.

The ExCo is chaired by Mr Ang and its members include Mr Goh, Mr Tang and Mrs Lui, who joined the ExCo in January 2011.

Within the limits of authority delegated by the board, the ExCo reviews and approves business opportunities, strategic investments, divestments, and major capital and operating expenditures. The ExCo also evaluates and recommends larger investments, capital and operating expenditures, as well as divestments to the board for approval.

Directors are briefed on changes to regulations, guidelines and accounting standards from time to time either during board meetings or at specially convened sessions, including sponsored training sessions and seminars conducted by external professionals. Articles and reports relevant to the Group's businesses are also circulated to the directors for information. The company conducts orientation programmes for newly-appointed directors where comprehensive presentations on Sembcorp's strategic plans and direction, financial performance as well as business activities in the various geographical markets are given by senior management. In addition, the Group President & CEO briefs the board at each meeting on the business and project developments. A formal letter is also sent to newly-appointed directors upon their appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. The newly-appointed director also receives an information pack which contains the Group's organisation structure, senior management's contact details, the company's Memorandum & Articles of Association, respective committees' TORs, Group Policy relating to disclosure of interests in securities and prohibition on dealings in Sembcorp securities, and guidelines on directors' fees. Further, facility visits to our subsidiaries' operation sites are arranged to provide newly-appointed directors an understanding of the Group's business operations. Existing directors are also invited to participate in such facility visits and orientation programmes.

Strong and independent board exercising objective judgement (Principle 2)

The current board comprises eight directors, of whom six are independent directors. Excluding the Group President & CEO, all the directors are non-executive, including the Chairman.

The board members comprise business leaders and professionals with strong relevant experience in the Group's businesses. Best efforts have been made to ensure that, in addition to contributing their valuable expertise and insight to board deliberations, each director brings to the board an independent and objective perspective to enable balanced and well-considered decisions to be made. Given that the majority of the board comprises non-executive directors who are independent of management and independent in terms of character and judgement, objectivity on issues deliberated is assured. Profiles of the directors may be found on pages 60 to 63.

The Nominating Committee (NC) ensures that the board maintains at an appropriate size and comprises members with a balance of skill, attributes, knowledge and experience. While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other board directorship representations and ensures that directors have sufficient time to devote to their duties. Through the delegation of its authority to the NC, the board has applied its best efforts to ensure that the directors appointed possess the background, experience and knowledge in business, finance and related industries, as well as management skills critical to the company's businesses.

The NC is chaired by Mr Ang, who is joined on the committee by Mr Goh and Mrs Lui. In line with the Code, Mr Ang is not a substantial shareholder of the company, nor is he directly associated with Temasek Holdings, a substantial shareholder of the company.

Every year, the NC reviews the independence of directors. To this end, each director is required to complete a Director's Independence Checklist on an annual basis to confirm his independence. The checklist is drawn up based on the assessment guidelines provided in the Code and further requires each director to assess whether he considers himself independent despite not being involved in any of the relationships identified in the Code. The NC will then review the checklist completed by each director to determine whether that director is independent. For the year under review, with the exception of Mr Tang, who is Group President & CEO and an executive director, and Mrs Lui who is the Chief Operating Officer of Seatown Holdings International, a related company of Temasek Holdings, the NC has ascertained that all the other non-executive directors, including Tan Sri Mohd Hassan Marican who is appointed a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings, are independent. The NC believes that Tan Sri Mohd Hassan Marican is able to exercise strong independent judgement in his deliberations and act in the best interest of the company as his appointment is non-executive in nature and does not entail involvement in the day-to-day conduct of Temasek Holdings' businesses.

Chairman and Chief Executive Officer (Principle 3)

The Chairman and the Group President & CEO are not related to each other. The roles of Chairman and the Group President & CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the board for independent decision making.

The Chairman, who is non-executive, leads and ensures effective and comprehensive board discussion on matters brought to the board including strategic issues as well as business planning. The Chairman monitors that the board's decisions are translated into executive action. The Group President & CEO's primary role is to effectively manage the operations of the Group in accordance with the Group's strategies and policies and provide close oversight, guidance, advice and leadership to senior management.

Formal appointment and re-election of directors (Principle 4)

Sembcorp's board is periodically reviewed to ensure strong, independent and sound leadership for the continuous success of the company and its businesses. The board also recognises the contribution of directors who, over time, have developed deep insights into the Group's businesses and exercises its discretion to retain the services of such directors where appropriate.

The NC supports and advises the company by nominating suitable board candidates to maintain the board's balance of skills, attributes, knowledge and experience. Appointments to the board are made on merit and against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group. While the directors may have several directorships in other companies, the NC takes care to ensure and is satisfied that appointees have contributed adequate time to meet the expectations of their role as directors.

The company subscribes to the principle that all directors including the Group President & CEO should retire and submit themselves for re-election at regular intervals, subject to their continued satisfactory performance. The company's Articles of Association requires a third of its directors to retire and subject themselves to re-election by shareholders at every AGM (one-third rotation rule).

Board Members for 2011

Director	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Ang Kong Hua	Chairman	Feb 26, 2010	Apr 22, 2010	Non-executive & Independent
Tang Kin Fei	Director	May 1, 2005	Apr 21, 2011	Executive & Non-independent
Goh Geok Ling	Director	May 3, 2000	Apr 22, 2010*	Non-executive & Independent
Evert Henkes	Director	Apr 30, 2004	Apr 22, 2010*	Non-executive & Independent
Bobby Chin Yoke Choong	Director	Dec 1, 2008	Apr 20, 2009*	Non-executive & Independent
Margaret Lui	Director	Jun 1, 2010	Apr 21, 2011	Non-executive & Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 21, 2011	Non-executive & Independent
Tham Kui Seng	Director	Jun 1, 2011	N.A.*	Non-executive & Independent
Richard Hale, OBE	Director *(Retired on Apr 21, 2011)*	Sep 1, 2000	Apr 22, 2010	Non-executive & Independent
Lee Suet Fern	Director *(Retired on Apr 21, 2011)*	Jul 1, 2005	Apr 20, 2009	Non-executive & Independent

* *Up for retirement at the upcoming AGM*

Composition of Board and Board Committees for 2011

Board Member	Executive Committee (ExCo)	Audit Committee (AC)	Risk Committee (RC)	Executive Resource & Compensation Committee (ERCC)	Nominating Committee (NC)
Ang Kong Hua	Chairman			Chairman	Chairman
Tang Kin Fei	Member				
Goh Geok Ling	Member			Member	Member
Evert Henkes[1]		Member	Chairman		
Bobby Chin Yoke Choong[2]		Chairman	Member		
Margaret Lui[3]	Member			Member	Member
Tan Sri Mohd Hassan Marican[4]		Member	Member		
Tham Kui Seng[5]					
Richard Hale, OBE[6] *(Retired on Apr 21, 2011)*		Chairman	Chairman		
Lee Suet Fern[7] *(Retired on Apr 21, 2011)*		Member	Member		

Directors' Attendance at Board and Board Committee Meetings in 2011

Board Member	Board Meeting		Executive Committee (ExCo) Meeting	Audit Committee (AC) Meeting	Risk Committee (RC) Meeting	Executive Resource & Compensation Committee (ERCC) Meeting	Nominating Committee (NC) Meeting*
	Scheduled	Ad-hoc					
Total No. of Meetings Held in 2011	**5**	**3**	**6**	**4**	**4**	**3**	–
Ang Kong Hua	5/5	3/3	6/6	–	–	3/3	*
Tang Kin Fei	5/5	3/3	6/6	–	–	–	–
Goh Geok Ling	5/5	3/3	6/6	–	–	2/3	*
Evert Henkes[1]	5/5	2/3	–	3/3	4/4	–	–
Bobby Chin Yoke Choong[2]	5/5	3/3	–	4/4	4/4	–	–
Margaret Lui[3]	5/5	3/3	5/6	–	–	3/3	*
Tan Sri Mohd Hassan Marican[4]	5/5	3/3	–	4/4	3/3	–	–
Tham Kui Seng[5]	3/3	1/1	–	–	–	–	–
Richard Hale, OBE[6] *(Retired on Apr 21, 2011)*	0/1	0/1	–	0/1	0/1	–	–
Lee Suet Fern[7] *(Retired on Apr 21, 2011)*	1/1	1/1	–	1/1	1/1	–	–

[1] *Evert Henkes was appointed Chairman of RC and a member of AC on Apr 21, 2011 and May 1, 2011 respectively.*
[2] *Bobby Chin was appointed Chairman of AC on Apr 21, 2011.*
[3] *Margaret Lui was appointed a member of ExCo on Jan 1, 2011.*
[4] *Tan Sri Mohd Hassan Marican was appointed a member of AC and RC on Jan 1, 2011 and May 1, 2011 respectively.*
[5] *Tham Kui Seng was appointed an independent non-executive director on Jun 1, 2011.*
[6] *Richard Hale, OBE retired as an independent non-executive director and Chairman of AC and RC on Apr 21, 2011.*
[7] *Lee Suet Fern retired as an independent non-executive director and member of AC and RC on Apr 21, 2011.*
* *Decisions by NC were made via circular resolution.*

Prior to seeking shareholders' approval at the AGM, the NC reviews and considers the retirement and re-election of directors. In addition, a newly-appointed director submits himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule. Directors who are above the age of 70 are also statutorily required to seek re-appointment at each AGM.

Pursuant to the one-third rotation rule, Mr Henkes and Mr Chin will retire and submit themselves for re-election at the forthcoming AGM. Mr Tham, who was newly appointed to the board on June 1, 2011, will also submit himself for retirement and re-election by shareholders at the forthcoming AGM.

In addition, Mr Goh, who has turned 70 years old in September 2011, will also submit his retirement and offer himself for re-appointment pursuant to the Companies Act. Although Mr Goh has served on the board since 2000, the board considers his contribution significant and valuable as he possesses in-depth knowledge of the businesses of the Group. The board believes that Mr Goh's tenure would not materially interfere with his ability to exercise independent judgement in his deliberations and act in the best interests of the Group and its shareholders.

Board Performance and Conduct of Its Affairs

Active participation and valuable contributions are key to overall effectiveness of the board (Principle 5)

Each year, the board undertakes an informal assessment of its performance to identify key areas for improvement and requisite follow-up actions. To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board as a whole. This questionnaire considers factors such as the size and composition of the board, directors' access to information, board processes and accountability, committee effectiveness as well as board performance in relation to its principal functions and communication with senior management. The collective evaluation and feedback is then consolidated and presented to the board for discussion to highlight areas of strength and weakness for continuous improvement of the board and its committees.

The NC feels that the financial indicators set out in the Code as guidelines for the evaluation of the board are more a measure of management's performance and therefore less applicable to directors. The NC believes that board performance is ultimately reflected in the long-term performance of the Group.

Full Access to Information and Resources

Directors have complete, adequate and timely information and resources (Principle 6)

To assist the board in discharging its duties and to keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities, Sembcorp's management furnishes adequate management and operation reports as well as financial statements to the board on a regular basis. As a general rule, board and board committee papers are submitted to directors at least three working days before each meeting so that they may better understand the matters prior to the meeting and discussions may be focused on questions that the directors have on these matters. Members of senior management who may provide insight into the matters to be discussed are also called on to be present during the relevant discussions.

Financial highlights of the Group's performance and key developments are presented on a quarterly basis at board meetings. The Group President & CEO, Group Chief Financial Officer and members of senior management are present at these presentations to address any queries which the board may have.

The Company Secretary facilitates good information flow between the board and its committees and senior management, in addition to attending to corporate secretarial matters such as arranging orientation for newly-appointed directors.

In consultation with the Chairman and the Group President & CEO, the Company Secretary assists the board with the preparation of meeting agendas, and administers, attends and prepares minutes of board proceedings. She also assists the board on the compliance of the Group with the Memorandum and Articles of Association and regulations, including requirements of the Companies Act, Securities & Futures Act and the SGX-ST. She liaises with the SGX-ST, the Accounting and Corporate Regulatory Authority and, when necessary, shareholders.

The board has ready and independent access to the Group President & CEO, senior management, the Company Secretary and internal and external auditors at all times. The board exercises its discretion to seek independent professional advice at the company's expense, if deemed necessary, to ensure that full information is available before important decisions are made.

Competitive Remuneration System

Remuneration of directors adequate and not excessive (Principle 7)

The Executive Resource & Compensation Committee (ERCC) is chaired by Mr Ang and its members include Mr Goh and Mrs Lui.

The ERCC is responsible for ensuring a formal procedure for developing and reviewing policies on compensation and development of the Group's senior management. It assists the board to ensure that competitive remuneration policies and practices are in place to attract, motivate and retain talented executives. The ERCC also reviews the remuneration of the board members.

The ERCC reviews succession planning for key positions in the Group and the leadership pipeline for the organisation. It reviews the development of senior staff and assesses their strengths and development needs based on the Group's leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group. The ERCC conducts a succession planning review of the Group President & CEO, officers reporting directly to him, as well as selected key positions in the company on an annual basis. Potential internal and external candidates for succession are reviewed for different time horizons according to immediate, medium-term and long-term needs.

The ERCC also establishes guidelines on share-based incentives and other long-term incentive plans and approves the grant of such incentives to key executives. These incentives aim to motivate executives to maximise operating and financial performance and shareholder value, and are aimed at aligning the interests of the executives with those of shareholders.

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultations. In its deliberations, the ERCC takes into consideration industry practices and norms of compensation. The Group President & CEO does not attend discussions relating to his own compensation, terms and conditions of service, or the review of his performance. No ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself.

Competitive reward system to ensure highest performance and retention of best talents and key executives (Principle 8)

Sembcorp believes that a competitive remuneration and reward system based on individual performance is important in order to retain and incentivise the best talents. Sembcorp's remuneration and reward system is also responsive to the economic climate as well as the performance of the Group and its business units.

The Group President & CEO, as an executive director, does not receive director's fees. As a lead member of management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and the performance targets are available in the Directors' Report and Note 4 in the Notes to the Financial Statements.

In its yearly review, the ERCC, with the advice and assistance from compensation consultant, updated the compensation framework of non-executive directors. 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.

The following Directors' Compensation Framework is based on a scale of fees divided into basic retainer fees, attendance fees, fees for service on board committees and travel allowance:

Directors' Compensation by Type of Appointment

	S$
Board of Directors	
■ Basic fee	65,000
■ Chairman's allowance	80,000
Executive Committee	
■ Chairman's allowance	40,000
■ Member's allowance	25,000
Audit Committee	
■ Chairman's allowance	40,000
■ Member's allowance	25,000
Executive Resource & Compensation Committee / Nominating Committee	
■ Chairman's allowance	25,000
■ Member's allowance	15,000
Risk Committee	
■ Chairman's allowance	25,000
■ Member's allowance	15,000

Notes:
1 Tang Kin Fei, as an executive director, does not receive director's fees.
2 The Executive Resource & Compensation Committee and the Nominating Committee have the same members, who each receives one payment for service on both committees.
3 The directors also receive attendance fees of S$4,500 for each board meeting; and S$2,200 for each committee meeting.
4 The directors receive additional travel allowance for travelling out-country to attend board and / or committee meetings:
Duration of travel (to and fro) ≤4 hrs: S$2,000; >4 to 15 hrs: S$5,000; >15 hrs: S$10,000

The directors' cash fees and share awards will only be paid and granted upon approval by shareholders at the forthcoming AGM of the company.

For the 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, who is the Group President & CEO and 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.

The company does not have a retirement remuneration plan for non-executive directors.

Key executives are rewarded based on actual performance relative to pre-agreed performance targets, which include financial and non-financial performance indicators such as economic value added (EVA), total shareholder return and promoting and maintaining health, safety and environmental standards. The Group believes that the current reward systems are in line with market norms and formulated to motivate executives to give their best to the Group. Rewards include long-term share-based incentives, which would further ensure the retention of the most talented and high-performing executives in the Group. For further details on the share-based incentives and performance targets, please refer to the Directors' Report and Note 4 in the Notes to the Financial Statements.

The Group has an incentive compensation plan for key executives that is tied to the creation of EVA, as well as to the achievement of individual and Group performance goals. 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 and the balance carried forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries.

Disclosure on remuneration (Principle 9)

The directors' fees totalled S$1,280,613 in 2011, comprising S$896,429 in cash (2010: S$937,626) derived using the compensation structure above and S$384,184 to be paid in the form of restricted share awards under Sembcorp Industries Restricted Share Plan 2010.

More information on directors and key executives' remuneration may be found under the related item in the Supplementary Information section of the Financial Statements.

The board is accountable to the shareholders (Principle 10)

Sembcorp is committed to open and honest communication with shareholders at all times. The company presents a balanced, clear and coherent assessment of the Group's performance, position and prospects to shareholders through the timely release of its quarterly and annual financial reports.

The company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with stock exchange requirements, negative assurance statements were issued by the board to accompany the company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading.

Audit Committee (Principle 11)

The Audit Committee (AC) comprises directors who are both independent and non-executive. The AC was chaired by Mr Hale until his retirement from the board at the AGM on April 21, 2011. Mr Chin, an existing member of the AC, took over as Chairman with effect from April 21, 2011. The other members are Tan Sri Mohd Hassan Marican and Mr Henkes, who joined the AC in January and May 2011 respectively. Mrs Lee was also a member of the AC until her retirement from the board in April 2011.

The AC assists the board in fulfilling its fiduciary responsibilities relating to the internal controls, audit and accounting and reporting practices of the Group. Its main responsibilities are to review the company's policies and control procedures with the external auditors, internal auditors and management and act in the interest of the shareholders in respect of interested person transactions as well as any matters or issues that affect the financial performance of the Group. The AC reviews the quarterly, half-yearly and full-year results announcements, accompanying press releases and presentation slides as well as the financial statements of the Group and company before they are submitted to the board for approval.

Each year, the AC also reviews the independence of the company's external auditors and makes recommendations to the board on the re-appointment of the company's external auditors. The AC meets the external and internal auditors at least once a year without the presence of management.

The AC has explicit authority to investigate any matter within its TOR and enjoys full access to and co-operation from management to enable it to discharge its function properly.

Where relevant, the AC is guided by the recommended best practices for audit committees as set out in the Guidebook for Audit Committees issued by Singapore's Audit Committee Guidance Committee in October 2008.

The AC has reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year, excluding services provided to Sembcorp Marine, a listed subsidiary that has its own audit committee. The AC is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Details of non-audit fees payable to the external auditors are found in Note 35(b) in the Notes to the Financial Statements.

The AC also oversees the Group's whistle-blowing policy.

Internal control and risk management (Principle 12)

The board and management of the company are fully committed to a robust system of internal controls, procedures and risk management to safeguard shareholders' interests and the Group's assets, and to manage risks. The company seeks to improve internal control and risk management on an ongoing basis to ensure that they remain sound and relevant. The board, with the concurrence of the AC and Risk Committee (RC), is of the opinion that the operational, financial and compliance controls are adequate to meet the needs of the Group in the current business environment. This assessment is based on risk mitigating measures taken by management, work done by the company's Group Internal Audit and Group Risk Management departments, as well as the statutory audit(s) conducted by external auditors. Internal controls, because of their inherent limitations, can provide reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the board will ensure that if any significant internal control failings or weaknesses were to arise, necessary remedial actions would be swiftly taken.

During the year under review, the RC was chaired by Mr Hale until his retirement in April 2011. Mr Henkes took over as Chairman of the RC with effect from April 21, 2011. The other members include Mr Chin and Tan Sri Mohd Hassan Marican, who joined the RC in May 2011. Mrs Lee was a member of the RC until she retired from the board in April 2011. The RC's main role and function is to assist the board in overseeing risk management for the Group. It appraises the adequacy and effectiveness of the Group's risk management plans, systems, processes and procedures, Group-wide risk policies, guidelines and limits, as well as its risk portfolio, risk levels, and risk mitigation strategies.

For more information on the company's enterprise risk management system, please refer to page 80.

Internal Audit

Independent internal audit function (Principle 13)

The internal audit function of the Group is performed by the Group Internal Audit department (GIA), which reports directly to the AC on audit matters and to the Group President & CEO on administrative matters.

GIA adopts a risk-based methodology in defining its annual internal audit plan, which is reviewed and approved by the AC. The internal audits performed are aimed at ensuring that the Group maintains a sound system of internal controls and that the operations comply with the internal controls framework. GIA also assists the board and management in the discharge of their corporate governance responsibilities as well as in improving and promoting effective and efficient business processes within the Group. To ensure that the internal audits are performed by competent professionals, GIA employs qualified staff and identifies and provides training and development opportunities for them so that their technical knowledge remains current and relevant. GIA is guided by and has met the standards for the professional practice of internal audit promulgated by the Institute of Internal Auditors.

The board has been kept informed of the AC's review of GIA's reports and the management controls in place, and is satisfied that GIA is adequately resourced and given appropriate authority and support within the company to carry out its audits.

Whistle-blowing Policy

To strengthen corporate governance and ethical business practices across the Group, the company has implemented a whistle-blowing policy and procedures which provide employees with accessible channels to GIA to report suspected fraud, corruption, dishonest practices or other misdemeanors. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

For more information on the whistle-blowing policy, please refer to page 81.

Communication with Shareholders

Regular, effective and equal treatment of shareholders (Principle 14)

Sembcorp remains committed to upholding high standards of corporate transparency and disclosure. The company disseminates all price-sensitive and material information to its shareholders via SGXNET on a non-selective basis and keeps all stakeholders informed of its corporate activities in a timely and consistent manner. Financial and other performance data is given for the Group as well as business units where appropriate, to provide shareholders with a better insight into the Group's performance. The date of the release of quarterly results is disclosed at least two weeks prior to the date of announcement via SGXNET. On the day of announcement, the financial statements as well as the accompanying press release and presentation slides are released via SGXNET as well as on the company website at www.sembcorp.com. Thereafter, a briefing or teleconference by management is jointly held for the media and analysts. For first half and full year results announcements, results briefings are concurrently broadcast live via webcast.

Following the release of financial statements or price-sensitive developments, investor relations officers are available by e-mail or telephone to answer questions from shareholders, analysts and the media as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

Greater shareholder participation at general meetings (Principle 15)

The company encourages shareholder participation at general meetings of shareholders. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website. All registered shareholders are invited to participate in the company's general meetings.

The company's Articles of Association allow all shareholders the right to appoint up to two proxies to attend general meetings and vote on their behalf. The company also allows Central Provident Fund investors to attend general meetings as observers.

To ensure greater transparency of the voting process, the company is considering electronic poll voting at the upcoming general meetings to allow shareholders present or represented at the meetings to vote on a one share, one vote basis. Voting in absentia by mail, facsimile or e-mail is currently not permitted as such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identity.

At general meetings, every matter requiring approval is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are present to address these questions and obtain feedback from shareholders. The external auditors and legal advisors (if necessary) are also present to assist the board. Minutes of shareholder meetings are available upon request by registered shareholders.

At each AGM, the Group President & CEO delivers a short presentation to shareholders to update them on the performance of Sembcorp's businesses.

For further details on Sembcorp's communications with its shareholders, please see the Investor Relations chapter of this annual report.

Dealings in Securities

The company has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the company's securities by its directors and senior management within two weeks prior to the announcement of the company's financial statements for each of the first three quarters of its financial year and within one month prior to the announcement of the company's full-year financial statements. Directors and employees are also expected to observe insider trading laws at all times, even when dealing in the company's securities outside the prohibited trading period.

Interested Person Transactions

Shareholders have adopted an Interested Person Transaction (IPT) Mandate in respect of interested person transactions of the company. The IPT Mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the company website, www.sembcorp.com. All business units are required to be familiar with the IPT Mandate and report any interested person transactions to the company. The Group maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. Information on interested person transactions for 2011 may be found in the related item under the Supplementary Information section of the Financial Statements in this report.

Sembcorp is fully committed to a robust system of internal controls and risk management.

The Group manages risk under an overall strategy determined by the board of directors, supported by the board-level Risk Committee and Audit Committee. Formed in August 2003 to assist the board of directors, the Risk Committee, which now comprises three directors, reviews and enhances the effectiveness of the Group's risk management plans, systems, processes and procedures. The Risk Committee also reviews Group-wide risk policies, guidelines and limits as well as significant risk exposure and their risk treatment plans. Since April 2005, the Sembcorp Marine Risk Committee has assumed responsibility for oversight of the Marine business' risk management activities and practices.

Enterprise Risk Management

The Group has established the Sembcorp Industries Enterprise Risk Management Framework to standardise the risk management methodologies within the Group. In line with Sembcorp's commitment to deliver sustainable value to its shareholders, the objective of the Enterprise Risk Management Framework is to provide guidance to the operating units in implementing a comprehensive and consistent approach to identifying and managing the risks that they face. The Enterprise Risk Management Framework applies to the actions of all employees of the Group and is implemented in each operating unit. Within this framework, critical and major risks of the Group and the operating units are identified and assessed to determine the appropriate type of risk management plans to be implemented and which are to be monitored at the Group level as well as by each operating unit.

The Enterprise Risk Management Framework sets out a systematic and ongoing process for identifying, evaluating, controlling and reporting risk, comprising the following key elements:

- Identification and assessment of all risks
- Formulation of risk management strategies
- Design and implementation of risk management and mitigation action plans
- Monitoring and reporting of risk management performance and risk exposure levels; and
- Continuous improvement of risk management and mitigation action plans and capabilities

These processes are put in place to manage and monitor the Group's risk management activities on a regular and timely basis.

System of Financial Discipline

To ensure financial discipline across the Group, we have implemented a self-check, review and certification process since 2003 called the System of Financial Discipline for all subsidiaries, joint ventures and associates, to confirm their commitment to and compliance with a prudent financial discipline framework. The Group conducts periodic review of the System of Financial Discipline to ensure its relevance, effectiveness and compliance.

At the business unit level, the process involves a comprehensive self-review exercise by management at various levels to ensure that transactions are in compliance with the accounting standards and acceptable accounting policies and that the internal controls in place are adequate. The System of Financial Discipline also sets out a structured approach to identifying and facilitating the continued assessment of key risk areas with financial implications, such as provisioning for project losses, asset impairment, significant long outstanding debts, fraud incidents and any transactions and events with material impact or potential material impact on the business unit's financial results.

On a quarterly basis, business units' operating and finance heads are required to certify and report the results of their self-review exercise to the Group. This process serves to facilitate and ensure consistency of accounting treatments adopted by business units and allows early identification of areas of potential exposure that can be addressed to minimise adverse impact to the Group. The reporting also serves as a periodic platform for all business units' operating and finance heads to highlight any transactions and / or events with material or potential material financial impact to the Group.

Whistle-blowing

Since 2005, Sembcorp has had a whistle-blowing policy and procedure which provides employees with well-defined and accessible channels within the Group through which they may, in confidence, raise concerns about possible improprieties in matters of business activities, financial reporting or other matters to the Audit Committee. This arrangement facilitates independent investigation of such matters for appropriate resolution. The policy is subject to review on a regular basis.

Internal Audit

The Group also has a Group Internal Audit department, which assists the Audit Committee to ensure the maintenance of a sound system of internal controls for the company. Our internal auditors perform this function by monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the Audit Committee and conducting a programme of internal audits. For more information on the company's independent internal audit function, please refer to the relevant section on page 77 in the Corporate Governance chapter of this annual report.

Mitigation Strategies

Our risk management efforts are focused on the following risks:

a. Financial and counterparty / credit risk
b. Operational risk
c. Investment risk
d. Compliance and legal risk
e. Interested person transaction risk
f. Human resource risk
g. Fraud risk

a. Financial and counterparty / credit risk

The Group's activities expose it to a variety of financial risks, including liquidity risk, interest rate risk, foreign exchange risk, commodity risk and counterparty / credit risk.

To manage these risks, the Group's Treasury Policies and Financial Authority Limits are reviewed periodically and communicated to the Group's entities. The policies set out the parameters for management of the Group's liquidity, counterparty, foreign exchange and other transactions risk exposures.

The Group utilises approved financial instruments to manage exposure to interest rate, foreign exchange and commodity price risks arising from operational, financing and investment activities. The commodities involved basically include fuel oil, coal and natural gas. Transactions such as foreign exchange forwards, interest rate swaps, commodities swaps, purchase of options and contracts for differences are used, as appropriate, to manage these risks. Under the Group's overall Treasury Policies, transactions for speculative purposes are strictly not allowed. Transactions are allowed only for hedging purposes based on the underlying business and operating requirements. Exposure to foreign currency risks is also hedged naturally where possible.

The Financial Authority Limits seek to limit and mitigate operational risk by setting out the threshold of approvals required for entering into contractual obligations and investments.

Liquidity risk

The Group manages its working capital requirements with a view to balancing the risk of non-availability of funding, the cost of funding and an optimal level of liquidity appropriate for the operating environment and expected cash flow of the Group. Working capital requirements, which are maintained within the credit facilities established, are adequate and available to the Group to meet its obligations.

Interest rate risk

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings. The Group enters into interest rate swaps to minimise its interest rate risk, and targets to have a minimum of 50% of its loan portfolio in fixed rate debts.

Foreign exchange risk

The Group operates globally and is exposed to foreign currency exchange rate movements, primarily for the US dollar, pound sterling, euro, Australian dollar and *renminbi*. Such risks are either hedged by foreign exchange forward contracts in respect of actual or forecasted net currency exposure or hedged naturally by a sale or purchase of a matching asset or liability of the same currency and amount. The Group does not engage in any form of proprietary trading.

Commodity risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposure is managed via swaps, purchase of options, contracts for differences and forward contracts.

Contracts for differences are entered into with appropriate counterparties to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising from 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 the Singapore High Sulphur Fuel Oil 180-CST.

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

Counterparty / credit risk

The Group monitors its exposure to credit risk arising from sales to trade customers and default risks from suppliers and contractors on an ongoing basis. Credit evaluations are done on these counterparties from time to time. The Group generally deals with pre-approved customers, suppliers, contractors and financial institutions with good credit rating. On a case by case basis, the Group will require additional securities when dealing with counterparties of lower credit standing.

b. Operational risk

Operational risk, which is inherent in all business activities, is the risk of potential financial loss and / or business instability arising from failures in internal controls, operational processes or the systems that support them.

It is recognised that operational risk can never be entirely eliminated and that the cost of minimising it may outweigh the potential benefits. Accordingly, the Group manages operational risk by focusing on risk management and incident management. The Group has also put in place operating manuals, standard operating procedures, delegation of authority guidelines and a regular reporting framework, which encompasses operational and financial reporting. This allows for early identification of areas of potential exposure which can be addressed to minimise adverse impact to the Group. Independent checks on the operating units' internal controls and risk management process are undertaken by the Group Internal Audit department to ensure their effectiveness and adequacy. Where appropriate, this is supported by risk transfer mechanisms such as insurance.

Insurance

It is not practicable to insure every insurable risk event to the fullest extent as the insurance market may lack the capacity, both in terms of the breadth and extent of coverage, and in some cases external insurance is simply unavailable or not available at an economical price. The Group regularly reviews both the type and amount of insurance coverage that it buys, bearing in mind the availability of such cover, its price and the likelihood and magnitude of the risks involved.

During the year, the Group renewed its global insurance programme for property damage, business interruption and public liability for its Utilities operations in Singapore and the UK, under the advice of established global insurance broker and risk adviser Marsh (Singapore), and maintained insurance levels deemed appropriate in view of the cost of cover and risk profiles of the businesses.

The Group's wholly-owned captive insurance subsidiary, Sembcorp Captive Insurance, which is advised and managed by Marsh Management Services, also participates as a reinsurer in the property damage and business interruption portion of the Group's global insurance programme. Sembcorp Captive Insurance retains a maximum exposure of S$2.5 million for each and every loss with an annual maximum of S$5 million in aggregate in excess of the existing retentions of the business entities within the Group.

c. Investment risk

The Group's capital investment decision process is guided by investment parameters instituted on a Group-wide basis. All investments are subject to rigorous scrutiny to ensure that they are in line with the Group's strategic business focus, meet the relevant hurdle rates of return and take into account all other relevant risk factors, such as market risks, operating risks, environmental risks and foreign exchange risks. In addition, the board requires that each major investment proposal submitted to the board for decision is accompanied by a comprehensive risk assessment and management's proposed mitigation strategies.

d. Compliance and legal risk

The Group's operations are subject to regulation and future changes in regulation that may adversely affect results, particularly in the areas of corporate law, competition law, consumer protection and environmental law. The responsibility of compliance with applicable laws and regulations lies with the respective operating business heads, and oversight of the discharge of their responsibilities is provided by the Group's legal department.

Legal risk is the risk that the business activities of the Group may have unintended or unexpected legal consequences. This includes risks arising from:

- Actual or potential violation of laws or regulations (which may attract a civil or criminal fine or penalty)
- Inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty about the validity or enforceability of a contract in a counterparty insolvency
- Failure to protect the Group's property (including its interests in its premises and its intellectual property, such as Sembcorp's logo and other related logos, brand names and products); and
- The possibility of civil claims (including acts or other events that may lead to litigation or other disputes)

The Group identifies and manages legal risk through effective use of its internal and external legal advisers. Sembcorp's internal legal department assists in identifying, monitoring and providing the support necessary to identify and manage legal risks across the Group.

e. Interested person transaction risk

In respect of transactions entered into by the Group, its subsidiaries and associated companies that are "entities at risk" with interested persons (namely its controlling shareholders, Group President & CEO, directors and their respective associates), the Group is guided by and complies with the provisions of Chapter 9 of the SGX-ST Listing Manual. This is to

RISK MANAGEMENT & MITIGATION STRATEGIES

ensure that such interested person transactions (IPTs) are entered into on an arm's length basis and on normal commercial terms, which are generally not any more favourable than those extended to unrelated third parties.

The Group has internal control procedures to ensure that transactions carried out with interested persons comply with the provisions of Chapter 9 and Sembcorp Industries' Shareholders' Mandate. This mandate is renewed on an annual basis and will be updated at the extraordinary general meeting to be convened on April 24, 2012. These internal control procedures are intended to ensure that IPTs are conducted at arm's length and on normal commercial terms that are not prejudicial to the interests of minority shareholders.

The Group maintains a register of all IPTs, recording the basis on which they are entered into, including quotations obtained to support such basis. The Group's annual internal audit plan incorporates a review of all IPTs for the relevant financial year.

The Audit Committee periodically reviews Group Internal Audit's IPT Reports to ascertain that the guidelines and procedures on IPTs have been complied with. The review includes the examination of the nature of the IPTs and relevant supporting documents or other such information deemed necessary by the Audit Committee. If a member of the Audit Committee has an interest in an IPT, he or she abstains from participating in the review and approval process of that IPT.

f. Human resource risk

In order to develop, support and market the products and services offered by the Group and to grow our businesses internationally, it is necessary to hire and retain skilled and professional employees with the relevant expertise. The implementation of the Group's strategic business plans could be undermined by failure to recruit or retain competent key personnel, the unexpected loss of such key senior employees or failure in the company's succession planning.

In this respect, the Group places great emphasis on establishing comprehensive human resource policies for the recruitment, compensation and development of staff. This ensures that the Group's human assets – its skilled workforce and competent senior management – are nurtured and retained, so that the Group's competitive edge is preserved. The board's Executive Resource & Compensation Committee has oversight of the Group's remuneration policies and oversees management, development and succession plans for key management positions. Further details on the Executive Resource & Compensation Committee as well as on Sembcorp's human resource management may be found at pages 74 to 75 and 103 to 108 of this annual report.

g. Fraud risk

In 2011, the Group established the Group Fraud Risk Management Framework to formulate the Group's strategies and improve its existing antifraud measures to manage the risks of fraud and misconduct effectively. The framework was approved by the Risk Committee and is in various stages of implementation within the Group.

INVESTOR RELATIONS

At Sembcorp, we are committed to ensuring that all capital market players have easy access to clear, reliable and meaningful information on our company in order to make informed investment decisions.

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance. To do this, multiple communication platforms are utilised including group briefings to analysts, investors and the media, one-on-one meetings with shareholders and potential investors, investor roadshows and the investor relations section of our corporate website. In addition, company visits and facility tours are also organised to help investors gain better insight into the Group's operations.

Proactive Communication with the Financial Community

During the year, senior management and the investor relations team continued to actively maintain open communication channels with the financial community. We held over 130 one-on-one and group meetings with shareholders, analysts and potential investors. These included non-deal roadshows in major international financial centres. In Asia, we covered Singapore and Hong Kong; in Europe, Frankfurt and London; and in North America, New York, Boston and Toronto. We also participated in six investor conferences during the year. In Singapore, we participated in the DBS Vickers Pulse of Asia Conference and OSK-DMG Corporate Day in January, the Deutsche Bank Access Asia Conference and the CLSA Corporate Access Forum in May, the Nomura Asia Equity Forum in June, and the Morgan Stanley Asia Pacific Summit in November. We also organised site visits to our Utilities operations on Jurong Island to help give analysts and investors a better understanding of our capabilities in energy and water.

During the year, Sembcorp Industries was awarded, for the third year running, the Most Transparent Company under the multi-industry / conglomerates category at the Securities Investors Association (Singapore) Investors' Choice Awards, in recognition of our commitment to corporate governance and transparency.

In July, the company ranked eleventh in Singapore's Governance and Transparency Index out of 660 companies listed locally. Jointly launched by The Business Times and the NUS Business School's Centre for Governance, Institutions and Organisations, the index assesses the transparency of companies' financial disclosures as well as governance, ethics and rigour in financial reporting.

2011 also marked the first year in which Sembcorp was selected as an index component of the Dow Jones Sustainability Asia Pacific Index. The index represents the top 20% of the largest 600 companies in the developed Asia Pacific region based on long-term economic, environmental and social criteria. Sembcorp is one of only four Singaporean companies in this index.

Total Shareholder Return

Sembcorp Industries' share price closed the year at S$4.05 with a market capitalisation of S$7.2 billion. The company's share price averaged S$4.66 during the year, registering a low of S$3.32 on October 3, 2011 and a high of S$5.52 on April 25, 2011. Daily turnover in 2011 averaged 3.6 million shares. In May, we paid out a final tax exempt one-tier dividend of 17 cents per ordinary share comprising an ordinary dividend of 15 cents and a bonus dividend of 2 cents.

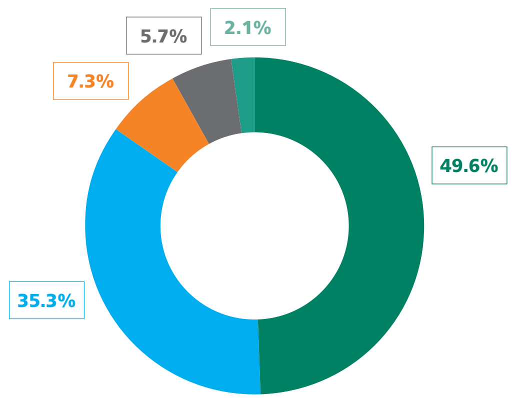
In a market affected by the Eurozone crisis and weaker than expected growth from both developing and high-income countries, Sembcorp Industries' total shareholder return recorded a negative 18%, slightly below the Straits Times Index's negative 15%.

Shareholder Information

In 2011, other than our major shareholder Temasek Holdings, which held 49.6% of our shares as at the end of 2011, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Institutional shareholders accounted for 35.3% of our issued share capital or 69.8% of free float. Retail shareholders, shareholders holding less than 100,000 shares, and others held the remaining 15.1% of issued share capital or 30.2% of free float. In terms of geographical breakdown, excluding the stake held by Temasek Holdings, Singapore shareholders accounted for 10% of issued share capital. Our largest geographical shareholding base was North America with 13% of issued share capital. Shareholders from Europe and Asia excluding Singapore accounted for 11% and 5% of issued share capital respectively.

Share Ownership by Investor Category

- Strategic*
- Institutional
- Shareholders holding less than 100,000 shares
- Retail
- Others

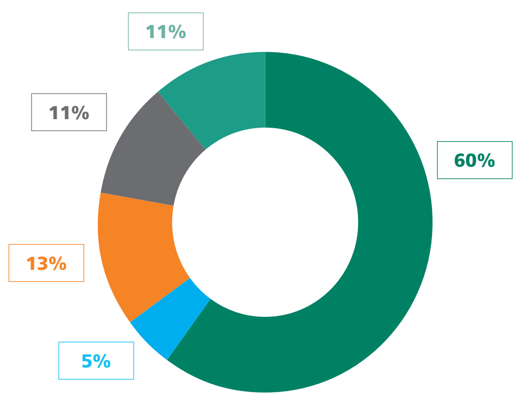


* Includes indirect interest

As at December 31, 2011

Share Ownership by Geographical Distribution

- Singapore
- Asia
- North America
- Europe
- Rest of the world*



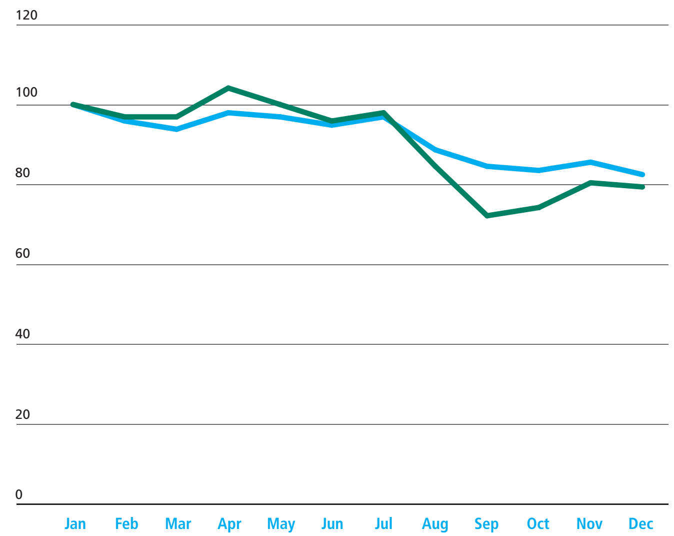
* *'Rest of the world' also includes shareholders from all geographies who hold less than 100,000 shares. These shareholders collectively hold 7% of total shares*

As at December 31, 2011

Average Monthly Sembcorp Industries Share Price and Straits Times Index in 2011 *(Rebased)*

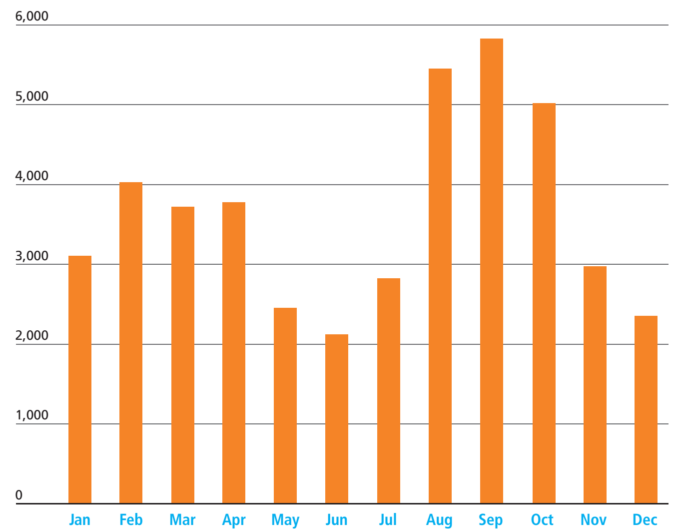
- Sembcorp Industries
- Straits Times Index

Month	Sembcorp Industries Share Price (S$)	Straits Times Index
January	5.15	3,230.29
February	4.97	3,091.92
March	5.01	3,036.54
April	5.37	3,162.86
May	5.15	3,138.10
June	4.93	3,077.51
July	5.06	3,134.47
August	4.37	2,879.93
September	3.75	2,761.50
October	3.89	2,713.60
November	4.15	2,763.86
December	4.14	2,691.27



Average Monthly Trade Volume of Sembcorp Industries Shares in 2011 *(in thousands)*

Month	Average Volume ('000)
January	3,097
February	4,032
March	3,725
April	3,778
May	2,454
June	2,123
July	2,824
August	5,452
September	5,829
October	5,023
November	2,978
December	2,353



Sustainability at Sembcorp is about striving for excellence and continuous improvement in identifying, understanding and responding to evolving environmental, social and governance challenges facing our businesses today.

Managing Sustainability

Sembcorp's priority is to deliver long-term value and sustainable returns to its shareholders. As a multinational enterprise and a public listed company, we understand that there is a complex value chain to which Sembcorp belongs and that our wider responsibility incorporates sustainability issues. We recognise that these issues may be outside the traditional view of corporate activity, but as the global business landscape evolves, managing these issues is increasingly viewed as vital in maintaining a company's 'licence to operate' by society and our stakeholders.

This widening role of business is taken seriously and is reflected in Sembcorp's commitment to excellence and continuous improvement. In late 2011, we established a Sustainability Steering Committee to drive Sembcorp's sustainability performance and to develop our priorities across the Group. The Committee will also review our sustainability roadmap and make strategic recommendations to improve sustainability performance across the organisation. The Committee is chaired by the Chief Health, Safety and Environment Officer and Executive Vice President of Group Asset Management.

Material risks and opportunities

Sembcorp's management and monitoring of sustainability issues is based on a risk management approach. Issues that are material to Sembcorp and our stakeholders are reviewed on an ongoing basis as the company continues to expand. In late 2011, a materiality review was conducted by an independent consultant to identify the company's key sustainability issues. This involved identifying potential issues and prioritising them based on a Materiality Matrix approach, which charts their level of importance to Sembcorp and our stakeholders, using clearly defined materiality criteria. The initial findings of the review identified key sustainability issues such as environmental protection and safety. We will be taking steps to engage our key stakeholders on the findings of this initial review.

Scope of report

Sembcorp is an international company with customers and operations around the world. In 2011, we focused on enhancing our sustainability data management systems and as a result, we have been able to broaden the scope of our sustainability reporting this year. The data in this year's report covers all our Utilities business units where Sembcorp has either operational control or majority ownership in Singapore, China, the UAE, UK and Vietnam. We have also been able to include data from our China and UK municipal water operations which we acquired in 2010.

Our Marine business is excluded from this report, as it is separately listed in Singapore and reports its activities separately. Our target for our ongoing reporting is to incorporate data from all businesses in which Sembcorp has a majority stake or operational control.

Data and activities for key performance indicators for the included operations have been tracked and reported in the areas of:

- Health, safety and environment
- Human resource and employee welfare
- Wider community

Where data is unavailable or has been excluded, this has been clearly stated. All data measurement is in line with Global Reporting Initiative (GRI) G3.1 recommendations for our chosen indicators.

Further information on the company's corporate governance, risk management & mitigation strategies and investor relations, all of which are part of our wider remit of sustainability, can be found in the relevant chapters under the Environmental, Social & Governance Review section of this annual report.

Sembcorp has included aspects of sustainability in our annual report since 2001 and was one of the first companies listed on the Singapore Stock Exchange to publish a voluntary sustainability report using the GRI G3 guidelines. We continue to use the reporting principles and framework of GRI and have considered its principles in terms of materiality, stakeholder inclusiveness, sustainability context, completeness, accuracy and comparability. This report is checked against the GRI G3.1 Framework as Application Level B and addresses activities and data that fall within the company's financial year for the period from January 1 to December 31, 2011.

Sembcorp's Sustainability Policy

Sembcorp, as a member of the international business community, recognises that our business activities have varying direct and indirect impacts on the societies in which we operate. We commit to manage these in a responsible manner, believing that sound and appropriate performance in this area is important for business success.

For Sembcorp, being a responsible corporate citizen is reflected in the following principles:

- **Standards of business conduct**
  We ensure that our business is conducted according to rigorous ethical, professional and legal standards, through maintaining robust corporate governance and an Employee Code of Conduct.

- **Health, safety and the environment**
  We place the management of our health, safety and environmental (HSE) responsibilities as our first priority. We are committed to continuously improving our HSE performance and managing HSE risks associated with our activities, products and services. We integrate HSE considerations into all aspects of our business operations and processes with the aim of preventing accidents, injuries, occupational illnesses and pollution and conserving natural resources.

- **Employees**
  We aim to be a fair and caring employer offering our staff equitable opportunities to develop and grow.

- **Community**
  We act as a responsible corporate citizen through support for community care initiatives, community partnerships and philanthropic and charitable causes, in particular those supporting children and youth, education and the environment.

Sembcorp's operations throughout the world are committed to these principles. The stage and level of implementation varies according to each operation and the maturity of the business.

This report fulfills the requirements of GRI Application Level B. The GRI Application Level Check Statement as well as the index of GRI G3.1 performance indicators covered can be found on our website at www.sembcorp.com.

Sustainable Sembcorp: Our Green Business Lines

In line with our continuous drive for innovation and to widen our sustainable business portfolio, the development of sustainable or green business lines has become a growing part of our ongoing business. Our sustainable products and services deliver an additional competitive edge to our customers, enabling them to achieve their sustainability and environmental goals. Our sustainable business operations include the following:

Sustainable and efficient energy solutions

Energy-from-waste, renewable energy

In December 2011, Sembcorp commenced operations of our woodchip-fuelled biomass steam production plant on Jurong Island, Singapore. The plant produces up to 20 tonnes of steam per hour for customers using waste wood collected from industrial and commercial waste and processed by our solid waste collection business. For more details on the plant, please refer to the write-up on energy-from-waste solutions on page 90.

Meanwhile, in the UK, the Sembcorp Biomass Power Station in Teesside uses sustainable wood for fuel. The 35-megawatt combined heat and power plant is the first large scale wood-fired renewable energy plant in the country and saves 200,000 tonnes of carbon dioxide emissions a year.

Natural gas

Sembcorp is Singapore's first commercial importer and retailer of natural gas, considered the cleanest of all fossil fuels. Since 2001, we have been importing 341 billion British thermal units of natural gas per day from West Natuna in Indonesia and supplying it to major power generators and petrochemical companies. From the fourth quarter of 2011, we started importing an additional 90 billion British thermal units of gas per day.

Energy efficiency

Sembcorp aims to apply technology to achieve greater efficiency and lower emissions in our power, steam and desalination operations. A summary of our use of such technologies may be seen in the table below.

Energy-from-waste Solutions for a Sustainable Future

As the needs of the world grow, Sembcorp recognises that there are tremendous opportunities to actively invest and grow sustainable businesses. Using our integrated group strength, we apply proven technologies to produce energy in greener ways, create innovative solutions for clean sustainable water and help to manage resources through the treatment and recovery of recyclables from waste. Producing energy from waste is an opportunity as well as a platform for Sembcorp to move towards a more sustainable future.

In December 2011, we commenced operations of our new woodchip-fuelled biomass steam production plant on Jurong Island, Singapore. The plant is the first of such energy-from-waste facility in Singapore to produce process steam for third-party commercial customers on Jurong Island. The facility is capable of taking up to 150 tonnes of waste wood per day to produce 20 tonnes per hour of steam with only a very small amount of ash (2%) generated during the woodchip combustion process. Stack emissions data is continually provided to the National Environment Agency through a direct communication link to monitor and ensure that the plant complies with the national emissions guidelines.

Sembcorp also leverages our expertise in solid waste management to manage the entire energy-from-waste process. Our solid waste management arm in Singapore collects and recovers recyclables from industrial and commercial waste from over 3,000 customers that are otherwise sent for incineration and disposed of in landfills. Our integrated construction and demolition materials recovery facility in Lim Chu Kang, Singapore, is capable of processing 300,000 tonnes of construction and demolition waste per year, recovering timber hardcore and fines during the sorting process. The recovered wood waste from the above two sources are then processed efficiently into woodchip to fuel the biomass steam production plant. The biomass plant, designed to the Building and Construction Authority's Green Mark Gold standard, incorporates natural ventilation and lighting, solar power and recycled building materials, and is also highly automated to ensure safety and efficiency.

Sembcorp's technologies for more efficient power, steam and desalination operations	Where Sembcorp has applied it
Combined cycle gas turbine technology (CCGT) – Refers to the production of electricity using a gas turbine where waste heat from the gas turbine exhaust is used to produce steam to generate additional electricity via a steam turbine. This technology allows Sembcorp's plant to operate more efficiently per unit of fuel input.	Singapore, China, UK, Vietnam, UAE and Oman
Cogeneration – In addition to the CCGT process, steam is further recovered from the steam turbine to meet customers' demand, making the entire combined production of electricity and steam more fuel efficient and further reducing carbon dioxide emissions.	Singapore, China and UK
Combined power and desalination – Refers to the production of electricity and water where heat which might otherwise have been lost in the form of flue gas, is recovered to produce steam from the heat recovery steam generator to generate power and for use in seawater desalination, allowing for greater efficiency.	UAE and Oman

Supercritical technology

In May 2010, Sembcorp announced a joint venture agreement with Gayatri Energy Ventures to build, own and operate a 1,320-megawatt coal-fired power plant in Andhra Pradesh, India. While the plant will be fired by coal, it will utilise supercritical technology which reduces emissions of carbon dioxide and other pollutants by consuming less fuel per unit of electricity generated, reducing its associated environmental impacts. Sembcorp expects the power plant to be substantially fuelled by low sulphur non-coking coal.

Sustainable water solutions

Sembcorp's water business is actively playing a part in providing sustainable water solutions to meet the growing needs of industries and communities and support ongoing development in emerging economies. We supply water to over five million people worldwide through our municipal water operations and also support the specialised water needs of industrial companies while reducing their impact on the environment.

Wastewater treatment and reclamation

Sembcorp owns and operates facilities capable of treating high organic concentration and high salinity industrial wastewater. Our industrial wastewater treatment facilities in China and Singapore are capable of treating wastewater up to 20 times more concentrated than municipal sewage and up to 1.5 times more saline than seawater. By treating our industrial customers' wastewater to meet discharge standards, we help industries limit their impact on the environment.

In Singapore, our largest industrial wastewater treatment plant on Jurong Island is expected to commence operations in the second half of 2012. The 9,600 cubic metres per day plant is capable of treating multiple streams of complex industrial wastewater and will more than double our current capacity on the island.

We were the first company in China to be allowed to treat highly concentrated industrial wastewater directly from source without requiring our customers to invest in pre-treatment facilities. Chinese government regulations require industrial companies to pre-treat their wastewater to the standard of municipal sewage before discharging the wastewater to a standard sewage treatment plant. The decision to permit industrial companies to discharge effluent directly to our wastewater treatment facility signifies a new milestone for advanced wastewater management in China.

Beyond treating wastewater, Sembcorp also reclaims water from treated effluent. This integrated closed loop approach minimises liquid discharge, conserves precious water resources and offers a sustainably-sourced alternative water supply to industries and households. In Singapore, we are a pioneer in reclaiming industrial effluent on Jurong Island. In China, we opened our first industrial water reclamation plant in the Zhangjiagang Free Trade Port Zone which is capable of reclaiming industrial water from treated effluent for reuse by industries. Our industrial wastewater treatment and water reclamation facilities in the area have been selected by the governments of Singapore and China as Government-to-Government showcases for bilateral cooperation in water management, and won prestigious Honour Awards at both the East Asian and Global International Water Association Project Innovation Awards in 2010.

Our NEWater plant in Singapore, capable of producing 228,000 cubic metres per day of water, is one of the largest water reclamation plants in the world and plays a significant part in Singapore's water sustainability journey. It won the Water Reuse Project of the Year at the Global Water Awards 2010, which recognises the water reuse project that represents the most significant achievement for the industry internationally.

Desalination

We provide sustainable water supply through desalination to meet growing water demand. Our US$1.7 billion plant in Fujairah, UAE and our upcoming US$1 billion plant in Salalah, Oman, have a water capacity of 100 million and 15 million imperial gallons per day of desalinated water respectively. Both integrated power and desalination plants use various desalination technologies such as multi-stage flash and reverse osmosis.

Waste-to-resource

Through Sembcorp's range of services, waste that would usually be disposed of in landfills and incineration facilities is diverted for recycling. Within the Sembcorp Group, we have capabilities in advanced waste treatment and resource recovery, including composting and waste-to-resource. Our waste-to-resource facilities in Singapore extract recyclables from waste collected through our waste collection arm, which is the leading operator in Singapore serving five out of the nation's nine municipal sectors. Sembcorp also operates a construction and demolition materials recovery facility in Singapore recovering timber, hardcore and fines, as well as ferrous and non-ferrous metals. Waste wood collected is processed and used to fuel our new woodchip-fuelled biomass steam production plant to produce steam for our customers. Furthermore, a comprehensive range of waste paper recycling services is offered from collection, sorting and baling to bulk supply of recovered paper to paper manufacturers.

Sustainable integrated urban development

Sembcorp develops self-sufficient integrated urban developments comprising industrial parks as well as business, commercial and residential space. The business' integrated approach to delivering urban work and living environments attracts local and international investments which facilitate development, promotes a conducive business environment and creates jobs for locals.

Sembcorp manages integrated urban developments with a total gross project size of 7,687 hectares. The integrated developments are master planned with proper zoning of industrial, commercial and residential areas, and have strict effluent discharge guidelines to prevent toxic discharge into the environment. In addition, on-site sewage treatment plants treat the effluent before discharge. Where possible, conservation of the natural environment and preservation of greenery are incorporated into the master plans.

Our fourth Vietnam Singapore Industrial Park development in Hai Phong, Vietnam, incorporates conservation considerations into its master plan, with 30% of the land within the development reserved for green space and preservation of local flora and fauna. Existing wetlands on the site as well as tributaries from the Cam River running through the property will be preserved and made a feature of the development, while two large retention ponds will be created to aid water flow during the monsoon season. These ponds integrate with the community's leisure space, while providing a source of water for landscaping.

Our joint venture project in China, Sino-Singapore Nanjing Eco Hi-tech Island, is envisioned as a world-class integrated urban development on a green island which will have more than 50% of its area preserved for eco-tourism. It will also feature an exhibition centre and a research and development park with green roofs to alleviate urban heat effect as well as rain collection canopies. Wetland biofilters and park connectors are also incorporated into the integrated development's overall design plan.

In 2011, we added a new development to our portfolio, the 1,000-hectare Singapore-Sichuan Hi-tech Innovation Park in China. With the promotion of research and development, high-tech upgrading and environmental protection among the central government's twelfth "Five Year Plan" objectives, the park will focus on technology-driven, knowledge-intensive industries and showcase a modern, innovative and low carbon emission city.

Research and Development

Research and development plays an important role in strengthening Sembcorp's sustainable capabilities. As a business, our continuous drive for technology and innovation allows us to optimise existing facilities and processes and use energy more efficiently. This means better use of resources, lower costs, better safety performance and reduced environmental impact.

Sembcorp's operations are supported by our in-house Technology department and our Group Technology Committee which is headed by Sembcorp's Chairman. Members of the Committee include external academics and industry experts such as Tan Gee Paw, Chairman, Public Utilities Board, Dr Josephine Kwa, ex-CEO, NSL and Dr Ng How Yong, Associate Professor, Faculty of Engineering, National University of Singapore.

The Committee meets three to four times a year to oversee the direction of Sembcorp's research and technology programmes, providing vision and strategy to meet Sembcorp's growth. The Committee reviews emerging technologies and trends in the industry, and facilitates research and development linkages with academic and research institutions, technology suppliers and end users. An example of such a partnership is our ongoing collaboration with Nanyang Technological University's Nanyang Environment and Water Research Institute to jointly develop a computerised tool to optimise plant operation. This 'Virtual Brain' technology will be capable of identifying process deviations which will alert our operators to initiate changes to the process, saving time and cost.

Sembcorp is also working closely with one of our customers in Singapore to run a pilot plant test using Oxidation Flocculation Reactor technology, a technology patented by Sun Yat Sen University, China. This innovative solution significantly reduces the treatment cost of industrial wastewater containing recalcitrant organic substance.

In 2011, Sembcorp secured a research grant from the Energy Market Authority to explore an innovative energy-from-waste technology. The technology developed will help convert organic waste into biogas.

Pulling together these extensive intellectual resources, our continuous push for technology and innovation helps to build our competitive advantage and support the sustainable growth of the Group.

Stakeholder Engagement

Sembcorp recognises that its business operations are intertwined with various stakeholders. In early 2012 we conducted a stakeholder engagement planning exercise in line with AA1000 Stakeholder Engagement Standard with the help of an independent consultant to review and identify our key stakeholder groups.

Sembcorp's key sustainability stakeholder groups have been identified as shareholders, financial institutions, the investment community, government, regulators, customers, employees and members of communities where we have operations.

Our internal stakeholders are crucial in our day-to-day practice of sustainability and in determining our sustainability-related risks and identifying areas for future improvement. As part of our efforts to create a culture of open two-way communication, employees are encouraged to contribute ideas on improving workplace practices and the delivery of products and services. This includes feedback on issues such as dishonesty and fraud via our whistle-blowing scheme and confidential feedback channels. To further promote sustainability as a part of Sembcorp's corporate culture, employee appraisals take into account HSE performance as appropriate. Further information on employee engagement can be found in the Human Resource section on page 105.

Sembcorp maintains open communication channels with the investment community including shareholders, analysts and potential investors. We actively engage our stakeholders through various platforms such as one-to-one meetings, group meetings, presentations and site visits. In 2011, we had over 130 meetings with the investment community. Further information on such communication can be found in the Corporate Governance and Investor Relations chapters on pages 68 and 85 respectively.

We engage in regular dialogues with the government, regulator and community through different platforms such as meetings, briefings and presentations. For example, our solid waste management operations in Singapore hold monthly meetings with the respective town councils of every municipality that we serve.

We proactively engage with customers to find out how we can improve our services. In the UK, focus groups and internal surveys are conducted annually to find out how our municipal water operations can enhance or improve our service offering. These also help identify key drivers of satisfaction, so we know where to focus our efforts and investment. All feedback is used to make improvements either via training of advisors, enhancements to existing processes or the development of new service enhancements. Our operation in Bournemouth, UK, is currently developing a framework to form a customer engagement panel for the next review of prices by the regulator. In Singapore, our Utilities operations conduct a bi-annual survey with its gas, power and utilities customers. The online survey is sent to all customers, and in 2010, the overall customer satisfaction rate was 95%. Aside from the survey, customers have access to an online portal to retrieve their consumption information, and they can provide further feedback via email or a hotline telephone number. Our solid waste management operations also conduct an annual online survey with its customers, and provide a hotline number as well as an email address for further feedback.

Through these and other formal engagement programmes, we aim to continue to align relevant stakeholder issues with our overall strategy.

Supply Chain

Sembcorp has a complex supply chain and our actions influence many businesses along the value chains we operate in. Many clients are in the process of developing their own sustainability programmes. As a provider of essential solutions, we aim to assist our customers to improve their HSE performance, limit their environmental impact and conserve resources.

Contractors

As a provider of utilities, Sembcorp directly consumes primary resources, produces waste and emissions and manages people, buildings, treatment processes and machinery. As such, we work closely with our suppliers, business partners and contractors to ensure adherence to our Group HSE guidelines. All suppliers are subject to a vendor pre-qualification review that includes checks on its HSE provisions. We ensure that the appointment of all vendors and contractors comply with the applicable government certification requirements as well as our guidelines and policies. Platforms such as safety induction programmes and contractor HSE engagement help to actively identify gaps and improve performance.

In Singapore, where over 70% of Sembcorp's contract workers are employed, we require contractors to comply with all requirements stated in a Permit to Work application, issued by the Ministry of Manpower, before they can work in our facilities or operating sites. This includes requirements for health and safety provisions and the submission of proper paperwork to demonstrate the presence of adequate workers' compensation insurance coverage, as well as relevant resident visa and work permits. Employees of our contractors must also attend HSE training before any work is started.

External Initiatives and Memberships

At Sembcorp, we recognise the importance of being an active player within our industry and engaging with our peers and the wider business community on sustainability issues. Sembcorp is a founding member and supporter of the Singapore Compact for Corporate Social Responsibility, a national society promoting sustainability issues in Singapore.

Our Group President & CEO also serves as a member of Singapore's Climate Change Network, a forum started by Singapore's National Climate Change Secretariat. The network serves as a platform for representatives from various sectors to nurture dialogue on climate change matters and to exchange information on climate change issues.

At the industry level, Sembcorp participates in the Responsible Care voluntary initiative, endorsed by the Singapore Chemical Industry Council (SCIC). This encourages members to adopt 10 guiding principles for a safer chemical industry through the six management practices of employee health and safety, distribution, pollution prevention, process safety, product stewardship and community awareness, and emergency response. Our Utilities business in Singapore has actively participated in a number of industry workgroups organised by the SCIC looking at issues such as capacity building on process safety and drafting new quantitative risk assessment guidelines.

In Singapore, Sembcorp is also a member of the Sakra Island Community Awareness Group, which seeks to promote community awareness and a standardised management practice code for emergency responses among companies located in the Sakra district on Jurong Island. Similarly, our Teesside, UK operations are active in the North East of England Process Industry Cluster which serves as a unified voice for the process industry in Northeast England, where a substantial part of the UK's chemical, petrochemical, speciality chemical, pharmaceutical, polymer and biotechnology industries are based. In the UAE, our operations in Fujairah are part of the Abu Dhabi Water & Electricity Authority's task force in formulating HSE procedures and guidelines for the energy sector.

External Recognition and Awards

In 2011, Sembcorp received both national and global recognition and a number of awards for its efforts to promote and practise sustainability.

Dow Jones Sustainability Asia Pacific Index

Sembcorp has been selected as an index component of the Dow Jones Sustainability Asia Pacific Index for 2011. The index represents the top 20% of the largest 600 companies in the Asia Pacific developed region based on long-term economic, environmental and social criteria. Sembcorp is honoured to be one of only four Singapore companies selected for the index.

Singapore Corporate Awards

Sembcorp clinched the coveted Gold award for Best Annual Report (for companies with S$1 billion and above in market capitalisation) at the Singapore Corporate Awards 2011 for our Annual Report 2010, in recognition of our excellence in reporting and disclosure. The prestigious awards showcase excellence in corporate governance and shareholder communication, and the Best Annual Report award was introduced to encourage social responsibility reporting as well as increase the awareness of the organisations' responsibility to the community.

Frost & Sullivan Asia Pacific Awards

Sembcorp won the Frost & Sullivan Asia Pacific Waste Recycling Company of the Year award in 2011, in recognition of our excellence in solid waste recycling, waste treatment support and applying environmentally-friendly waste recycling technologies in our businesses. The award also recognises the company's position as a major industry player providing waste recycling services across customer verticals, and our ability to successfully respond to our customers' needs with a business strategy that incorporates best sustainable practices.

Securities Investors Association (Singapore) Investors' Choice Awards

Sembcorp was named the Most Transparent Company (multi-industry / conglomerates category) at the Securities Investors Association (Singapore) Investors' Choice Awards 2011 for the third year running. This recognises our continuous drive towards transparency and good governance, and our efforts to give stakeholders an accurate, coherent and balanced account of our company and performance.

Singapore Sustainability Awards

Sembcorp was conferred top honours at the Singapore Sustainability Awards 2011, winning the Sustainable Business Award (Enterprise category). The awards, presented by the Singapore Business Federation, recognise local enterprises with outstanding sustainable business practices. Companies are assessed on their innovation, corporate social responsibility, commercial potential and sustainable business growth, as well as their environmental, health and safety and production process management systems.

Responsible Care Awards

Sembcorp was honoured by the SCIC with gold awards in the categories of Community Awareness and Emergency Response and Pollution Prevention, and three achievement awards in Distribution, Employee Health and Safety and Process Safety at the Responsible Care Awards 2011. The awards honour companies who have incorporated Responsible Care management practices into their operations and recognise those with exemplary performance in maintaining high HSE standards.

South African Blue and Green Drop Status

In recognition of our continuing efforts to provide water and sanitation services of the highest quality, both Sembcorp's South African operations were awarded the prestigious Blue Drop and Green Drop status in 2011 by the Department of Water and Environmental Affairs. Only 7.2% of all water systems in South Africa were awarded the Blue Drop (drinking water quality management) status in 2011, while the Green Drop (wastewater quality management) status was achieved by only 4.7% of South Africa's wastewater systems. In addition, one of our operations was conferred the Platinum status for achieving the Blue Drop status for three consecutive years, making it among just 10 operations in the country to be awarded Platinum.

Health, Safety and Environment

Managing our material issues

HSE issues are clearly linked to Sembcorp's long-term success and have been identified as material factors in terms of their potential impact on our business operations. In managing our HSE issues, we continue to be guided by four main principles:

- Implementing internationally recognised HSE management systems such as ISO 14001:2004 and OHSAS 18001:2007
- Actively investing in financially viable sustainable business lines, which form part of our core operations
- Using continuous improvement to enhance HSE performance of our processes, products and services
- Working closely with our business partners and seeking active engagement to promote mutual HSE performance improvement

Sembcorp's operations are in various phases of development. They include facilities that are under construction, newly commissioned as well as recently acquired. As such, our priority continues to be on aligning and improving standards across the Group and proactively managing HSE performance throughout the asset management life cycle, from business development and project conception, to operation and the end of the asset life.

Management of HSE efforts within Sembcorp and HSE progress

With operations that spread across six continents, our Group HSE department is the driver of our management systems and coordinates our global HSE efforts. Management committees and reporting structures have been established with regional coordinators working closely with the department. This ensures the effective management of HSE issues with the purpose of setting long-term HSE objectives and targets and complying with regulatory requirements, voluntary group guidelines, standards and initiatives. Reporting to the Board Risk Committee (BRC) was formalised in 2011, and HSE issues have been incorporated into regular reports to the board with key HSE risks and controls also presented to the BRC.

The key goal for the Group HSE department in 2011 was to strengthen overall Sembcorp Group HSE culture, create more HSE awareness and shape the development of the HSE management framework across the Group. The framework outlines the roles and responsibilities of various relevant departments and business units, in line with the Group HSE policy. The Group HSE policy can be viewed on our website at www.sembcorp.com.

The framework was endorsed by the BRC and implemented across all Utilities businesses in the Group. Periodic HSE assurance audits help to ensure that HSE matters are managed professionally in order to meet legal compliance and ensure continuous improvement in all our activities.

HSE reporting to management

In an effort to standardise HSE guidelines and reporting, Group HSE has reviewed and developed a standardised set of reporting parameters to track and monitor key HSE statistics across the Group. The new parameters and template are based on the Sembcorp 4/0 targets. The 4/0 targets refer to: zero harm to people, zero damage to the environment, zero damage to assets and zero non-compliance to legal and regulatory requirements. Along with the Group HSE guidelines, the 4/0 targets and reporting parameters were approved by the BRC in February 2011.

It is compulsory for all business units under the operational control of the Sembcorp Group to follow these guidelines.

HSE workshops and training

A Group HSE workshop is conducted annually where employees from our operations around the world will meet and contribute ideas towards the formulation of key HSE initiatives as well as a set of global mandatory HSE guidelines for all business units under our operational control.

In addition, in 2011, Group HSE also conducted an inaugural HSE workshop for Sembcorp's China operations, with the objective of promoting HSE awareness and best practice. This resulted in the establishment of a China HSE Committee comprising representatives from each site, providing a platform for HSE colleagues in China to communicate, share best practices and support improvements in HSE. Moving forward, Group HSE and Group Asset Management will support the coordination of a regular asset management and HSE workshop to support China's operations and its HSE performance improvement.

HSE audits

Group HSE conducts regular HSE audits for the operations to achieve continuous improvement. In 2011, we covered our operations in Fujairah, UAE, and three facilities in China. The audits were conducted in accordance with Group HSE guidelines, to help identify and bridge gaps so that these business units can improve on their HSE performance. Our water operations in China have also embarked on automating their reporting of HSE and operational statistics through collaboration with the Group HSE and Group Performance Management departments.

Sembcorp's two greenfield projects in India and Oman are in the construction and commissioning phases respectively. Group HSE works closely with their counterparts at the new plants to share and communicate Group HSE guidelines and requirements. The team visited the plant in Oman for a two-day HSE review in November 2011, and established an understanding of the plant's HSE management system framework and existing HSE practices. Potential areas for improvement were identified and recommendations were made for establishing HSE procedures and processes.

HSE management certifications

We continue to work towards implementing internationally recognised HSE management systems across our operations.

In early 2012, Sembcorp Gulf O&M Company in the UAE underwent a certification audit for both ISO 14001 and OHSAS 18001 and was awarded both certifications with zero non-conformities. Following these certifications, we will be working towards the additional requirement of attaining the Abu Dhabi Environment, Health and Safety Management System qualification, for which assessments will conclude by end 2012.

Meanwhile, Sembcorp Utilities Singapore obtained the integrated OHSAS 18001 and ISO 14001 Environmental Management System in March 2011.

Certifications Achieved by Sembcorp's Businesses

Unit	ISO 9001	ISO 14001	OHSAS 18001
Sembcorp Utilities (Singapore)	√	√	√
Sembcorp Gas	√	√	√
Sembcorp Environment	√	√	√
Sembcorp Bournemouth Water	√	√	√
Zhangijagang Free Trade Zone Sembcorp Water	√		
Fuzhou Sembcorp Water	√	√	√
Qitaihe Sembcorp Water	√		
Sembcorp Xinmin Water	√		
Sembcorp Sanhe Yanjiao	√	√	√
Subic Water and Sewerage	√	√	√
Sembcorp Silulumanzi	√	√	
Sembcorp Siza Water		√	
Sembcorp Gulf O&M Company		√	√

Environmental management

As a key player in the energy and water sector, we are keenly aware of global climate change issues. We aim to limit and manage the impact of our operations on the environment by enhancing our efficiency and investing in assets which apply technologies to manage and reduce emissions. For example, our new woodchip-fuelled biomass steam production plant in Singapore produces process steam for third-party commercial customers. The plant was designed to the Building and Construction Authority's Green Mark Gold standard, and incorporates natural ventilation and lighting, solar power and recycled building materials.

Environmental studies including environmental impact assessments are a part of Group HSE's requirements for new major projects and expansions. Environmental impact assessments are carried out in accordance with national and / or international standards and methodologies. All recommendations put forth from the assessments form part of our management of HSE risks and are incorporated in the planning, design, construction and commissioning of the new plants. Other environmental assessments such as environmental baseline studies and pollution control studies are conducted as required in the relevant countries.

Energy and carbon

In 2011, we have included data on our environmental management from our operations in Singapore, China, the UAE, UK and Vietnam. We continued to track our primary energy sources usage. Natural gas still accounts for the largest proportion of our fuels used. We also monitored indirect energy usage in the form of electricity consumption by our operations within the scope of the report.

We are proactive in seeking to reduce our energy consumption and corresponding greenhouse gas emissions through investing in energy efficient and renewable energy technologies. In Singapore, our energy-from-waste technology, which converts organic waste into biogas, has led to a reduction in the consumption of over six million megajoules of natural gas. In Bournemouth in the UK, our operations used 244 megawatt-hours less of grid electricity compared to the previous year. Standby generation was also reduced, saving 6,028 litres of gasoil which led to a reduction of over 150 tonnes of carbon dioxide emissions. Photovoltaic cells will be installed to generate clean electricity for the plant. In addition, pumps will be refurbished to ensure efficiency during operation. Page 91 provides a summary of the energy efficiency technologies which we apply in our operations.

Our carbon dioxide emission estimate[1] is derived from stationary fuel combustion and does not cover process emissions. In 2011, our carbon dioxide emission amounted to over 6,500 kilotonnes as compared to over 7,600 kilotonnes in 2010. Our emissions estimate is based on the World Resource Institute / World Business Council for Sustainable Development Protocol as well as site specific data.

Utilities' Energy Sources Consumption

Fuel Type (in gigajoules)	
Primary energy sources	
Natural Gas	109,327,532
Fuel Oil	435,894
Diesel	3,974,042
Coal	4,475,256
Biomass	2,924,763
Total Primary Energy Source Consumption	**121,137,488**
Indirect Energy Consumption	
Electricity	703,016 MWH
Steam	933,340 tonnes

Data covers Utilities operations in Singapore, China, the UAE, UK and Vietnam
MWH: Megawatt-hour

[1] *Emission data excludes plants in China which are not stationary fuel combustion plants*

Utilities' Direct and Indirect Greenhouse Gas Emissions

	Tonnes	CO_2 Equivalent in Tonnes
Carbon dioxide (CO_2)	6,578,944	6,578,944
Methane (CH_4)	257	5,392
Nitrous oxide (N_2O)	129	39,928
Total CO_2 equivalent		**6,624,264**

Calculated using Defra conversion figures published in August 2011

Atmospheric Emissions

In addition to carbon dioxide and greenhouse gas emissions, we monitor emissions of sulphur oxides (SOx) and nitrogen oxides (NOx). The data tracked is from our energy generation operations in Singapore, the UAE and UK. Our operation in Teesside is the main contributor of SOx and NOx due to its use of coal.

Utilities' Atmospheric Emissions

	Tonnes
SOx	1,997
NOx	1,989

Data covers Utilities operations in Singapore, the UAE and UK

Water use and quality

Our water business has grown significantly over the recent years through acquisitions and organic growth. We provide services ranging from specialised industrial wastewater treatment to water reclamation, desalination and the supply of potable and industrial water. Sembcorp manages facilities capable of producing and treating over seven million cubic metres of water and wastewater daily and serves over five million people worldwide. Through innovation, we make every effort to ensure the efficient use and reuse of water resources.

As part of the water solutions we offer to our customers, we treat and supply water extracted from surface water, groundwater (including lakes, rivers, oceans and aquifers) as well as public utilities (including wastewater). In 2011, our operations in Singapore, China, the UAE, UK and Vietnam extracted over 1,500 million cubic metres of water primarily for treatment, supply to our customers and use in our operations. Out of the total water extracted, 91% was surface water, 4% was groundwater, 3% was wastewater and 2% was water from public utilities.

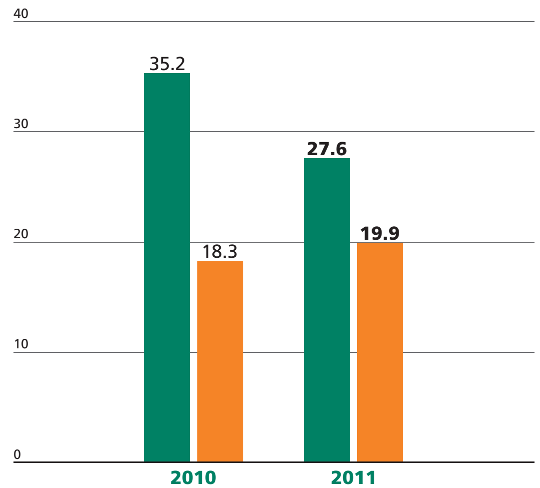
In 2011, Sembcorp recycled almost 20 million cubic metres of water, or over 1% of our total volume used, for supply to our customers and use in our operations, reducing the intake of potable or raw water supplies and also helping our customers to reduce the amount of raw water needed for their operations.

The graph below shows our potable water use and the amount of water recycled.

Utilities' Potable and Recycled Water Use

■ Potable Water Use[1]
■ Recycled Water Use

Million cubic metres



Data covers Utilities operations in Singapore, China, the UAE, UK and Vietnam

[1] *Potable water refers to water from public utilities*

Sembcorp received numerous awards in 2011 for its water services, including being named Water Company of the Year at the prestigious Global Water Intelligence's Global Water Awards. This award recognises Sembcorp as the water company that has made "the most significant contribution to the development of the international water sector in 2010". Further information on the awards won by Sembcorp in 2011 can be found on page 96.

Waste

As one of the largest solid waste management players in Singapore, Sembcorp provides services that aim to reduce waste going to incineration or landfill facilities. We also promote waste reduction by encouraging recycling. In line with our business focus to reduce waste for disposal, we are actively developing differentiating know-how including energy-from-waste capabilities. Our woodchip-fuelled biomass steam production plant began full commercial operations in late 2011, and is the first such energy-from-waste facility in Singapore to produce renewable process steam for third party commercial customers on Jurong Island.

Pollution

Our Group HSE guidelines require that any uncontrolled and / or unauthorised discharge of substances or any spill and / or leak of 500 litres or more without secondary containment is reported. There were no reportable spills or leaks in 2011.

Accident and injury rate

An enhanced set of HSE reporting parameters including the Sembcorp 4/0 targets was agreed upon in February 2011 for application across all business units in Singapore and overseas.

Using indicators of accident frequency rate (AFR) and accident severity rate (ASR), in accordance with the tracking criteria set by Singapore's Ministry of Manpower, the safety performance from our Utilities operations in Singapore, China, the UAE, UK and Vietnam has been recorded.

Accident Statistics for the Utilities Business (excluding Solid Waste Management)

	2011
Accident Frequency Rate[1]	2.05
Accident Severity Rate[2]	24

[1] *Number of workplace accidents per million man-hours worked*
[2] *Number of man-days lost to workplace accidents per million man-hours worked*

Data covers operations in Singapore, China, the UAE, UK and Vietnam

Our Utilities operations, excluding solid waste management, reported 14 lost time injuries and 19 first aid cases in 2011, plus 166 man-days lost in 2011 (0.01% of the total man-hours worked) due to injuries sustained by our employees and contractors during operations.

Our employees are monitored for noise induced hearing loss and dermatitis and no case of either incident was reported in 2011.

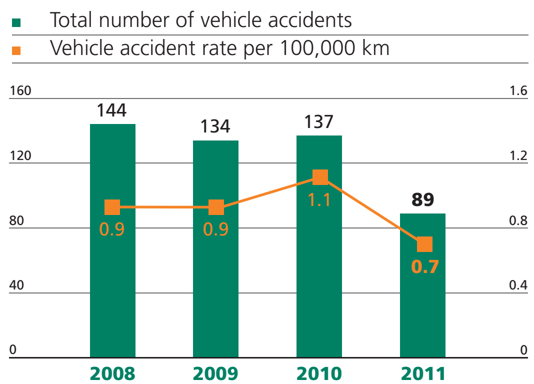
The solid waste management business' safety performance in Singapore is reported separately from the performance of the rest of our Utilities operations. This is due to the fact that the solid waste management business' waste collection operations employ manual labour to a greater degree and therefore have a different risk profile from our energy, water and on-site logistics operations.

Our solid waste management business in Singapore saw an increase in the AFR from 6.4 in 2010 to 10.6 in 2011. However, its ASR decreased from 346.9 in 2010 to 148.3 in 2011. Safety remains important to us and our solid waste management business has taken preventive action to improve its AFR and ASR levels. This includes 'toolbox meetings' with management and employees to cover the importance of health and safety and spot inspections at operational sites. In addition, monthly briefing sessions are organised to allow employees to share their lessons learnt in managing safety in their work.

Vehicle accident rates

Sembcorp's solid waste management business in Singapore operates a fleet of 200 commercial vehicles and our staff undertake a considerable amount of driving each year. One of our key safety indicators for this business is vehicle accidents. In 2011, there was a substantial decrease in the accident rate both in terms of absolute numbers (89 in 2011 compared to 137 in 2010) and number of incidents per 100,000 kilometres driven (0.7 in 2011 compared to 1.1 in 2010).

Solid Waste Management's Vehicle Accident Rate



In January 2011, in addition to the stringent selection process in the recruitment of drivers, the company also commenced a safety training programme for our waste collection truck drivers in Singapore. This has improved their road safety awareness and defensive driving ability to reduce accident rates.

Health and safety life cycle assessments

All our products and services are assessed according to internationally recognised HSE and quality management systems. HSE and quality internal audits are conducted regularly to ensure that the quality of our water supply meets legal and product specifications. For the list of certifications achieved by Sembcorp's businesses, please refer to page 99.

Human Resource and Employee Welfare

Management approach to human resource and employee welfare

At Sembcorp, we recognise that our employees are our most valuable asset and a key stakeholder group. We are committed to providing a fair, diverse and inclusive workplace, and to continuous improvement in our human resource and people development practices.

Diversity and fair employment approach and statistics

Sembcorp strives to maintain a fair, diverse and inclusive workplace for all its employees. At the end of 2011, there were over 5,000 permanent employees in the entire Sembcorp group, excluding employees from the Marine business. 11% of our total headcount were contract employees. Please see the charts on the following pages for the distribution of all Sembcorp's permanent employees, excluding employees from the Marine business, by age, geographical region, gender and education. Any deviation from this scope is noted under the individual sections.

With our headquarters based in Singapore, the Group subscribes to the Principles of Fair Employment formulated by the Singapore Tripartite Alliance for Fair Employment Practices and has endorsed the Tripartite Alliance's Employers' Pledge of Fair Employment Practices. These principles, embedded into our human resource practices and implemented by Sembcorp on a global level, include a commitment to:

- Recruit and select based on merit, such as skills, experience and ability, regardless of age, race, gender or family status
- Treat employees fairly and with respect and implement progressive human resource management systems
- Provide equal opportunities for training and development based on employees' strengths and needs, to help them achieve their full potential.
- Reward fairly, based on ability, performance, contribution and experience
- Abide by labour laws and adopt tripartite guidelines which promote fair employment practices

The significantly higher proportion of male employees in Sembcorp's headcount is consistent with industry norms, where the nature of work required in plants involves more physically demanding tasks. Sembcorp ensures that equal opportunity is given to all female employees across the Group.

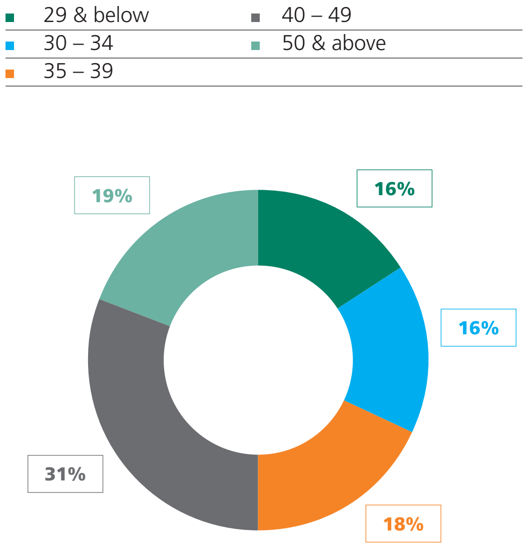
The staff distribution of non-executive staff by gender is 12% female and 88% male. The distribution of staff by gender for executives is 28% female and 72% male.

Annual Employee Turnover (%)

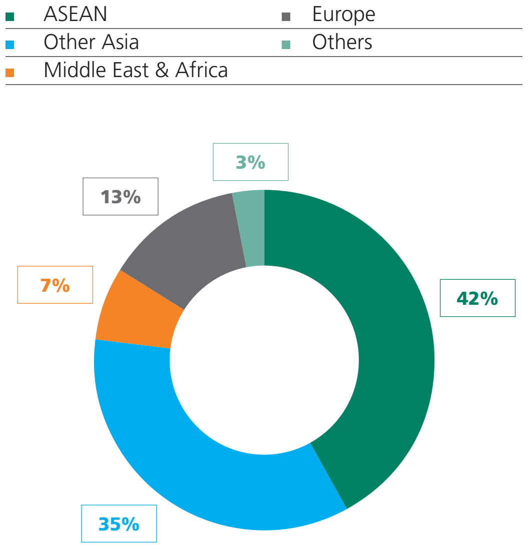
	2009	2010	2011
Turnover	12	12	12

2009 and 2010 data does not cover our municipal water businesses acquired in 2010.

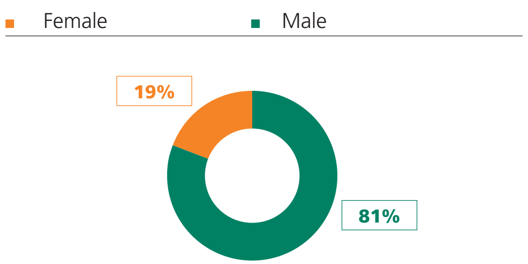
Sembcorp Staff Distribution by Age



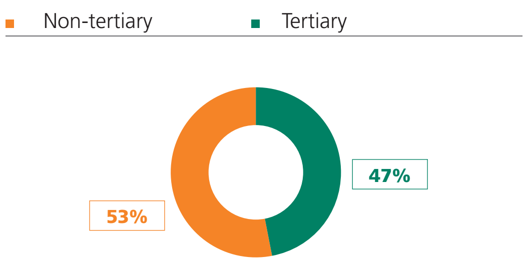
Sembcorp Staff Distribution by Geography



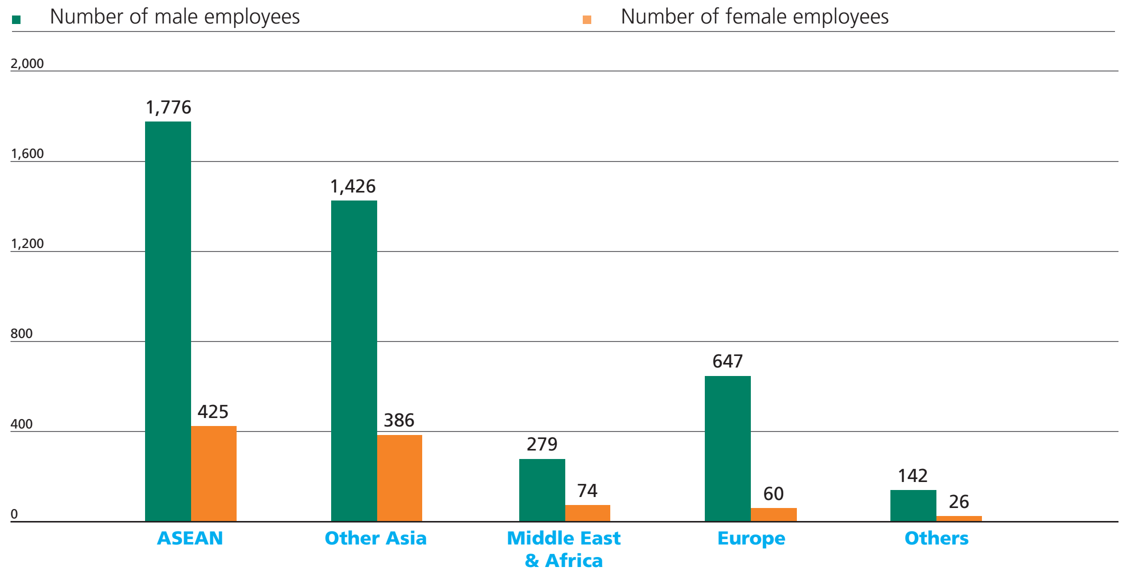
Sembcorp Staff Distribution by Gender



Sembcorp Staff Distribution by Education



Geographical Distribution of Staff by Gender



Human rights

Sembcorp fully supports the basic principles of human rights and has implemented a number of policies throughout the Group in support of these principles, including fair employment practices and a grievance and harassment policy.

A key tenet of Sembcorp's business ethics is strict respect for labour laws within each of the countries we operate in, all of which preclude forced or child labour, and is further supported through our policies and employment practices. The technical nature of our operations requires an experienced workforce, both within the organisation and in our supply chain, as specialist skills are required.

Employee health and welfare

Sembcorp continues to promote a holistic and balanced lifestyle for our employees, which we believe is good for both their physical and mental health. We encourage employees at our various business units to participate in employee recreation activities throughout the year, including community outreach and volunteering initiatives, team sports events, talks, gatherings and employee family days. Some of these activities welcome employees to participate with their family members, such as our Sembcorp Family Day in Singapore and Fujairah.

Sembcorp also organises an annual Health Week, a company-funded health education initiative that helps equip employees in Singapore with essential health knowledge and personal lifestyle skills.

Employee engagement

We recognise the importance of engaging with our employees and have various platforms through which we communicate with and receive feedback from our staff. We provide information on our financial and business performance as well as on applicable company standards and policies to our staff. Interactive staff communication sessions with management are in place to ensure two-way communication between the company and its employees.

Staff communication

In 2011, we continued to hold employee briefing sessions in conjunction with the company's quarterly financial reporting cycle. At these sessions, senior management provides employees with information on the company's performance and key developments. Presentations are also held to brief employees on topics such as corporate social responsibility or specific company policies such as fraud management.

We continue to hold an annual communication forum in Singapore for managers from Sembcorp offices all over the world, with detailed briefings from top management and external experts on our Group's operating environment, performance, outlook and strategy. This forum incorporates an interactive networking and question and answer session.

Furthermore, at the country level, some business units also hold quarterly learning and sharing sessions, senior manager briefings and staff consultation group sessions. At Sembcorp Bournemouth Water in the UK, there is also a staff consultative group made up of elected staff representatives and management representatives, which meets quarterly to discuss relevant employee issues.

Over the course of the year, we continued to communicate corporate updates and business milestones to all staff through employee emails and bi-monthly e-newsletters. Relevant and up-to-date information on staff welfare and benefits was also publicised to employees via the company intranet.

Other forms of engagement

Sembcorp welcomes feedback from its employees and provides confidential channels through which employees can submit feedback and staff suggestions, including an easily accessible online channel on the employee intranet. All feedback is sent to the Group Human Resource department and, if sent via the internet, is also automatically copied to the Senior Vice President of Group Human Resource and the Group President & CEO's office.

In line with our commitment to high ethical standards and good corporate governance practices, we have in place a group-wide whistle-blowing policy and encourage all employees to report any possible improprieties on a confidential basis without fear of recrimination. We have an easily accessible whistle-blowing link on our company intranet and employees may also provide feedback via email, mail or fax.

People development

Labour and union relations

Within the boundaries of each of the jurisdictions under which we operate, Sembcorp employees are entitled to practise freedom of association in the workplace. Sembcorp's operations span six continents where labour relations, regulations and practices differ widely. In 2011, 42% of Sembcorp's employees were union members.

Sembcorp maintains excellent labour management relations with its unions, and holds constructive ongoing exchanges with employee unions in its various locations. In Singapore, Sembcorp is committed to working closely with the Building Construction and Timber Industries Employees Union (BATU) as well as the Union of Power and Gas Employees (UPAGE). Our re-employment policy, endorsed by BATU and UPAGE, gives medically fit employees the option of continuing on their jobs beyond the statutory retirement age. In an event organised by BATU and Sembcorp, the Prime Minister of Singapore visited our Bukit Merah Depot on the first day of Lunar New Year in 2011 to show appreciation to the workers who continued to work tirelessly and perform vital duties on this public holiday.

In the UK, Sembcorp Bournemouth Water has a long standing relationship with its recognised unions GMB and Unison. Both unions sit on Sembcorp's staff consultative group and the health and safety committee, where they also participate in safety inspections. At our Teesside operations, discussions with Unite (the UK's biggest union) are conducted in line with our collective 'Together Agreement' which covers over 90% of our employees at this operation. Formal joint consultation meetings with employees and unions are conducted three times a year, and meetings between management and the company's senior union representatives are held bi-monthly.

Personal and professional development opportunities

Sembcorp's success is driven by the calibre and performance of its people. We recognise that it is essential to equip our employees across all levels of seniority to meet the changing needs of the marketplace. Sembcorp offers employees a range of personal and professional development opportunities including career development, education, talent management and leadership programmes.

Competency building and succession planning

In 2011, the Group continued to invest in competency building for our employees, spending over S$1.5 million on training for employees within our operations in Singapore, China, the UAE and UK.

It is a priority for us to enhance the skill level of our employees to ensure smooth succession. Sembcorp's learning and development programmes factor in issues such as succession planning and addressing skill gaps with relation to core competency requirements.

Around 5% of our non-executive staff worldwide are due to retire in the next five years, and a further 7% in the next six to 10 years. Around 2% of our executive staff worldwide are due to retire in the next five years, and a further 5% in the next six to 10 years.

Executive and leadership development

The Sembcorp Leadership Competencies programme is our unique talent management and development system that defines the qualities and performance expectations of a Sembcorp leader. Capable leaders are crucial in achieving business success and the Sembcorp Leadership Competencies detail the ways in which Sembcorp leaders should act and respond. Managers also attend courses to enhance their presentation, negotiation, communication and coaching skills as well as courses on building and leading high-performance teams. Senior executives are expected to undertake regular training to update and upgrade their skills and education programmes are accessible to them at prestigious institutes such as the Harvard Business School, INSEAD and the Temasek Business Leadership Centre.

Attachments, job rotations and working tours

We offer employees the opportunity to experience different cultural and operational settings through job rotations and attachments. We currently have more than 50 employees of different nationalities posted from our Singapore office to various overseas businesses. Internships and industrial attachments also provide students and Sembcorp scholars with practical experience and exposure to our operations while they undergo their studies.

Professional and on-the-job training

We send our employees for professional training to allow them to develop skill sets that better equip them for their roles. Working with local educational institutions in Singapore, we send our engineers to specialised technical competency courses. Our employees are also sent for professional training related to the industry, including courses under Singapore's National Skills Recognition Scheme and Workforce Skills Qualification scheme under the Workforce Development Authority.

In Singapore, staff are also encouraged to pursue higher qualifications which are sponsored by the company.

In the UK, our operations are signed up to the 'Investors in People' standard, the UK's leading people management standard. This provides a business improvement tool to help organisations develop performance through their people. Both our operations aim to provide education and training for all employees to carry out their duties and provide them with appropriate opportunities for development. This involves identifying skill gaps in accordance with core competencies. Sembcorp is also helping to shape the future of the industry by proactively engaging in training and skills development throughout the northeastern region, as well as raise the performance bar of apprentices and other workers in the industry.

Knowledge sharing

As an industry leader in various sectors, Sembcorp encourages our employees to share and exchange best practices through platforms such as seminars and conferences on a local and international basis. In the UK, our Senior Vice President of Regional Human Resource sits as the Chairman of the North East Regional Skills Board for the National Skills Academy for the Process Industries and uses his expertise to improve the skills of the existing workforce as well as attract and retain new entrants to the industry.

Performance management

Sembcorp has implemented a system for performance appraisals across its operations in all countries. The appraisal system allows all employees to comment on their personal contribution throughout the year and to jointly identify areas for further career development and learning with their supervisors on a regular basis. It enables constructive discussion and uses the feedback process to ensure that employees share the responsibility for managing their career and goals. The appraisal process incorporates shared future objectives to ensure that employee outputs are also aligned to the needs of the business. Selected senior managers are also assessed using a 360-degree appraisal system where feedback is sought from a range of superiors, peers and colleagues and other partners. The profile of essential competencies for the job function compiled from this process is also incorporated into these managers' development plans, helping them lead their teams successfully and enhance their professional performance.

Remuneration, benefits and rewards

Rewarding performance is the key component of Sembcorp's employment retention strategy. The Group offers competitive base pay packages throughout our global businesses that are based on country-specific conditions. Rewards include annual salary increments and annual performance bonuses, as well as longer-term incentives linked to sector practices and based on the performance of the Group, the company and the individual.

Share-based incentives, administered by a board nominated committee, remain a key component of the Group's pay structure and are deliberately aligned to long-term Group performance objectives. Since 2007, share options granted to staff have been replaced with restricted shares. This Restricted Share Plan applies to employees of the Group, while the Performance Share Plan is primarily for key executives of the Group.

All employees are eligible for comprehensive insurance coverage on a global basis. They can join the company's private medical and dental insurance scheme under which the company meets the cost of employee membership and allows employees to include eligible dependants. The company also provides additional insurance cover for life, travel, personal accidents, workers' compensation and hospitalisation and surgical expenses.

Wider Community

Sembcorp maintains an ongoing commitment to support the local communities in which we operate through supporting social development and community investment projects. In 2011, Sembcorp contributed over S$1.3 million in cash and in-kind support to its communities (excluding community investment initiatives by our separately listed Marine business). We took part in many initiatives in our communities in support of children and the elderly, education, the environment and sports and fitness. Our employees are active volunteers in the community, providing helping hands as well as management expertise. 48% of our operations have local community engagements and development programmes.

Volunteering

Our employees offer their time to volunteer in a number of initiatives that the company organises. For example:

- Sembcorp has been a supporter of Singapore's Assisi Hospice (which provides palliative care for people with life-limiting illnesses) since 2008. Sembcorp volunteers help with the running of the charity's Fun Carnival, which generated more than S$800,000 in donations in 2011, as well as its Christmas carnival, bringing goodwill and cheer to the patients.
- For the third year running, Sembcorp has partnered with the Sunshine Welfare Action Mission (SWAMI) in Singapore to bring festive cheer to needy elderly households. SWAMI is a non-profit organisation providing nursing care and shelter for the sick, aged and handicapped from needy backgrounds. In the run-up to the Lunar New Year in 2011, SWAMI identified 23 households whose residents do not have the ease of movement, to benefit from volunteers spring cleaning their homes.
- In the UK, Sembcorp employee Jane Atkinson was granted an honorary doctorate in Business Administration by Teesside University, one of the leading UK universities for engineering, in recognition of her work in championing engineering education among youths.

Community outreach activities

Sembcorp supports projects that help communities, such as:

- In 2011, Sembcorp, through its joint venture in the Vietnam Singapore Industrial Park, launched the first community clinic in Binh Duong. With a medical team from My Phuoc Hospital, this clinic provides free first aid, medical consultation and counselling services for the medically underserved populations of Binh Duong province.
- In China, our Yancheng operations organised their fifth 'Water Services For The Community' event in the Chaoyang district to promote the accessibility of municipal water for all. The event helped facilitate water maintenance and repair services for the residents, and also generated greater awareness on water conservation, quality and pricing.
- In South Africa, Sembcorp Siza Water donated an immune haematology test machine to a local non-governmental organisation HIV / AIDS centre to help overcome traveling and cost barriers to getting tested.

Sembcorp Water Technology Prize

In 2011, Sembcorp presented the Sembcorp Water Technology Prize to winning teams from three schools. The first such competition of its kind in Singapore, it exposes secondary and junior college students to the challenges facing the water industry, spurring them to develop solutions to those challenges. Students attend site visits as well as hands-on training sessions, and are mentored by top researchers as well as lecturers for their projects. By giving students an insight into the latest water technologies, as well as access to resources and materials for their projects, the competition inculcates an interest in water technology and environmental issues to help develop Singapore's pool of water and environmental specialists.

The competition is co-organised by Singapore's national water agency PUB, the Nanyang Technological University's Singapore Membrane Technology Centre and Singapore Polytechnic.

- Sembcorp Bournemouth Water has been a supporter of international charity WaterAid. In 2011, Sembcorp Bournemouth Water received The President's Award, endorsed by WaterAid's President, His Royal Highness The Prince of Wales, for its support over the last 30 years.
- Our operations in Teesside extended their professional expertise to a neighbouring village to help secure lower costs with the building suppliers for the renovations of their historic village hall.
- Sembcorp Utilities Chile worked with local community leaders to pilot a campaign in two Santiago regions, entitled *'Yo cuido mi grifo'* (I take care of my fire hydrant), to educate the local community about the importance of fire hydrants. The project also saw the opening of two children's water parks. The project resulted in savings of over 600,000 litres of water a day.

Wildlife and biodiversity

Sembcorp also contributes to programmes supporting wildlife and biodiversity. We continue to support the Sembcorp Forest of Giants in the Southern Ridges through donations to the Singapore National Parks Board's registered charity, the Garden City Fund. In 2011, we further developed the programme to promote greater awareness and appreciation of nature. Sembcorp volunteers were trained to be guides of the Southern Ridges, which span the hills of Mount Faber Park in Singapore.

Sembcorp's municipal water operations in Bournemouth, UK, continues its long-standing support of the Dorset Wildlife Trust which manages more than 40 nature reserves in the county. In 2011, Sembcorp Bournemouth Water provided support to the charity to restore areas of chalk streams that have been affected by human intervention. The crystal clear waters of chalk streams support more wildlife than any other waters in Britain, with a huge range of aquatic insects, spawning sites for trout and salmon and food for predators.

Sustainability Contact

For further information on sustainability at Sembcorp Industries, please visit our website at www.sembcorp.com. If you have any comments or wish to discuss any of the contents of this report or other sustainability issues, please contact:

Group Corporate Relations
Tel: +65 6723 3113
Email: gcr@sembcorp.com

Sembcorp's woodchip-fuelled biomass steam production plant on Jurong Island, Singapore


Sembcorp's membrane bioreactor wastewater treatment plant on Jurong Island, Singapore.

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:

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
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)*

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 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	Shareholdings registered in the name of director, spouse or infant children: At end of the year	Shareholdings registered in the name of director, spouse or infant children: At 21/01/2012	Other shareholdings in which director is deemed to have an interest: At beginning of the year	Other shareholdings in which director is deemed to have an interest: At end of the year	Other shareholdings in which director is deemed to have an interest: 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	Shareholdings registered in the name of director, spouse or infant children: At end of the year	Shareholdings registered in the name of director, spouse or infant children: At 21/01/2012	Other shareholdings in which director is deemed to have an interest: At beginning of the year	Other shareholdings in which director is deemed to have an interest: At end of the year	Other shareholdings in which director is deemed to have an interest: 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	Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
		Movements during the year				
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	Conditional restricted shares awarded	Additional conditional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
		Movements during the year				
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

		Group	
		2011	**2010**
	Note	**S$'000**	**S$'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

	Attributable to owners of the Company							
Group	**Share capital S$'000**	**Reserve for own shares S$'000**	**Currency translation reserve S$'000**	**Other reserves S$'000**	**Accumulated profits S$'000**	**Total S$'000**	**Non-controlling interests S$'000**	**Total equity S$'000**
At January 1, 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							
Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Other reserves S$'000	Accumulated profits S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Issue of ordinary shares as acquisition consideration	17,062	–	–	–	–	17,062	–	17,062
Issue of shares to non-controlling interests	–	–	–	–	–	–	16,162	16,162
Share-based payments	–	–	–	15,829	–	15,829	5,256	21,085
Purchase of treasury shares	–	(3,466)	–	–	–	(3,466)	–	(3,466)
Issue of treasury shares under Share Option Plan	–	12,478	–	–	–	12,478	–	12,478
Issue of treasury shares under Performance Share Plan	–	991	–	–	–	991	–	991
Issue of treasury shares under Restricted 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 S$'000	Group 2010 S$'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.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

	Group	
	2011	2010
	S$'000	S$'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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2011

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

		Group and Company	
		No. of ordinary shares	
	Note	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 S$'000	Group 2010 S$'000
Interests in associates	**843,127**	686,601

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

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

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

	Group 2011 S$'000	Group 2010 S$'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 S$'000	Group's share 2010 S$'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		Company	
	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'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

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'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

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'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

		Associates		Joint ventures		Related companies		Non-controlling interests		Total	
	Note	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'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:

		Group	
	Note	2011 S$'000	2010 S$'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

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'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

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'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

		Group		Company	
		2011	2010	2011	2010
	Note	S$'000	S$'000	S$'000	S$'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	2010
	S$'000	S$'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		Company	
	2011	2010	2011	2010
	S$'000	S$'000	S$'000	S$'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 S$'000	Interest S$'000	Principal S$'000	Payments S$'000	Interest S$'000	Principal S$'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	
	Note	2011 S$'000	2010 S$'000	2011 S$'000	2010 S$'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 S$'000	Tax expense S$'000	Net of tax S$'000	Before tax S$'000	Tax expense S$'000	Net of tax S$'000
Foreign currency translation differences for foreign operations	**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 S$'000	2010 S$'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	2010
	S$'000	S$'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	2010
	S$'000	S$'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	2010
	S$'000	S$'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	2010
	S$'000	S$'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	2010
	S$'000	S$'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.

			Fixed Interest Rate Repricing			
	Effective interest rate %	Floating interest S$'000	Within 1 year S$'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	USD	EURO	GBP	Others
	S$'000	S$'000	S$'000	S$'000	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	EURO	GBP	Others
	S$'000	S$'000	S$'000	S$'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	EURO	GBP	Others
	S$'000	S$'000	S$'000	S$'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	Profit before tax	Equity	Profit before tax
	S$'000	S$'000	S$'000	S$'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 Notional amount	2010 Notional 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:

		Cash Flows			
	Carrying amount S$'000	Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
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.

		Cash Flows			
	Carrying amount S$'000	Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
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 %	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 %	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

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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

Sembcorp Industries Financial Calendar 2012

February 27, 2012	Announcement of full year results for the period ending December 31, 2011
April 24, 2012	14th Annual General Meeting
April 26, 2012	Ex-dividend date for 2011 final dividend
May 11, 2012*	Announcement of first quarter results for the period ending March 31, 2012
May 15, 2012	Payment of 2011 final dividend
August 3, 2012*	Announcement of first half results for the period ending June 30, 2012
November 9, 2012*	Announcement of third quarter results for the period ending September 30, 2012

* *Provisional. Updates will be posted at www.sembcorp.com*

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RECYCLED CONTENT

FOREST MANAGEMENT

Identification no.: 003-031
The full-colour section of this report is printed on paper containing recycled pulp from pre-consumer and post-consumer waste. This report is printed using soy-based ink, which is more environmentally friendly as opposed to traditional petroleum-based ink.

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Co Regn No. 199802418D

Sembcorp's power and desalination facility in Salalah, Oman