Notes to the Financial Statements

Year ended December 31, 2012

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 26, 2013.

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 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.

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. Urban Development

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

iv. Others / Corporate

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

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 dollar which is the Company's functional currency. All financial information presented in Singapore dollar have been rounded to the nearest thousand (S$'000), unless otherwise indicated. The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

The preparation of the 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.

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 is discussed in Note 44.

With effect from January 1, 2012, the Group adopted the new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS does not have any significant impact on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

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.

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

b. Consolidation *(cont'd)*

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. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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

iii. Subsidiaries

Subsidiaries are those entities that are controlled by the Group.

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income 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.

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

b. Consolidation *(cont'd)*

vi. Associates (cont'd)

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. 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.

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 that joint control commences until the date that 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.

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

c. Foreign Currencies

i. Foreign Currency Transactions and Balances

Transactions in foreign currencies are translated into 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.

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 on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

ii. 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.

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

c. Foreign Currencies *(cont'd)*

ii. Foreign Operations (cont'd)

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.

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.

iii. 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.

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 costs 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. 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.

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

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

iii. 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.

iv. 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.

v. 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.

vi. 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. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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, if not insignificant, are reviewed annually and adjusted if appropriate.

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

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

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

e. Investment Properties

Investment properties are properties 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.

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 pre-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.

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

f. Intangible Assets *(cont'd)*

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.

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. Water Rights

Water rights are perpetual in nature. Water rights are measured at cost less accumulated impairment losses. Water rights are tested for impairment annually in accordance with Note 2(m).

vi. 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.

vii. 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.

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

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.

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.

<u>Cash and Cash Equivalents</u>

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

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

g. Financial Assets *(cont'd)*

iii. Loans and Receivables *(cont'd)*

Service Concession Arrangement

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

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

iv. Available-for-Sale Financial Assets

Other financial assets held by the Group that are either designated in this category or not classified in any other category, are classified as being available-for-sale. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. They are 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. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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

g. Financial Assets *(cont'd)*

iv. Available-for-Sale Financial Assets *(cont'd)*

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.

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.

Notes to the Financial Statements

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

i. Hedging Activities *(cont'd)*

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.

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.

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

j. Inventories *(cont'd)*

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".

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

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.

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 the CGU (group of CGUs) and then, to reduce the carrying amounts 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.

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

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

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.

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.

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 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.

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

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.

p. Employee Benefits

i. Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

ii. Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. 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.

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

p. Employee Benefits *(cont'd)*

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

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

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

iii. *Short-term Employee Benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

iv. *Staff Retirement Benefits*

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

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

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.

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

p. Employee Benefits *(cont'd)*

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

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including 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.

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.

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

p. Employee Benefits *(cont'd)*

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.

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, joint ventures and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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.

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

s. Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the reserve for own shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related 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 or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

t. Dividends

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

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

u. Revenue Recognition *(cont'd)*

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.

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

<u>When entities within the Group are lessees of an operating lease</u>

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.

<u>When entities within the Group are lessors of an operating lease</u>

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

<u>When entities within the Group are lessors of a finance lease</u>

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

Finance costs comprise of interest expense and termination of interest rate swaps. Interest expense and similar charges are expensed in profit or loss in the period using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset. The interest component of finance lease payments is recognised in profit or loss using the effective interest method. Termination of interest rate swaps are recognised in profit or loss.

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.

Notes to the Financial Statements

3. 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, 2012		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
Translation adjustments		(18,256)	(884)	(12)	(7,453)	(67,986)	–	(59)	(1,027)	(1,038)	(41,002)	(137,717)
Additions		22,209	1,061	946	16,978	182,310	401	4,627	10,637	39,980	1,026,683	1,305,832
Reclassification		196,088	3,229	8	(1,333)	1,026,404	–	383	2,461	94	(1,227,334)	–
Transfer from / (to) intangible assets	12	–	–	–	2,267	–	–	–	(8,732)	–	(5,122)	(11,587)
Disposals / Write-offs		(664)	–	(542)	(270)	(14,909)	–	(526)	(4,836)	(4,407)	(724)	(26,878)
Acquisition of subsidiary		4,678	–	–	–	1,822	–	–	331	6	210	7,047
Balance at December 31, 2012		1,012,693	47,926	356,894	262,423	4,112,602	17,751	47,805	122,407	91,178	1,274,809	7,346,488
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2012		302,899	27,343	188,463	3,171	1,250,841	10,323	35,020	103,669	38,487	–	1,960,216
Translation adjustments		(3,228)	(196)	(12)	(1,279)	(17,898)	–	(55)	(884)	(492)	–	(24,044)
Depreciation for the year	(v), 33(a)	31,763	2,769	20,231	4,112	189,746	897	3,639	9,227	4,378	–	266,762
Reclassification		(189)	217	–	(211)	210	–	(44)	17	–	–	–
Transfer from / (to) intangible assets	12	–	–	–	217	–	–	–	(6,269)	–	–	(6,052)
Disposals / Write-offs		(345)	–	(542)	(25)	(13,075)	–	(524)	(4,817)	(4,276)	–	(23,604)
Allowance made for impairment – net	33(a)	6	–	–	–	14,903	–	–	–	35	–	14,944
Balance at December 31, 2012		330,906	30,133	208,140	5,985	1,424,727	11,220	38,036	100,943	38,132	–	2,188,222
Carrying Amount												
At December 31, 2012		681,787	17,793	148,754	256,438	2,687,875	6,531	9,769	21,464	53,046	1,274,809	5,158,266
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	12	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	(v), 33(a)	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	12	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	33(a)	(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

Notes to the Financial Statements

3. 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, 2012		19,820	3,997	8,226	522,099	12,475	929	19,378	586,924
Additions		189	822	–	32,147	1,698	298	148,184	183,338
Reclassification		–	75	–	7,006	280	–	(7,361)	–
Transfer to intangible assets	12	–	–	–	–	–	–	(338)	(338)
Intercompany transfer		–	–	–	–	(17)	–	–	(17)
Disposals / Write-offs		(21)	–	–	(617)	(702)	–	–	(1,340)
Balance at December 31, 2012		19,988	4,894	8,226	560,635	13,734	1,227	159,863	768,567
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2012		3,723	2,453	1,619	118,327	9,912	625	–	136,659
Depreciation for the year		969	407	405	31,953	1,680	165	–	35,579
Intercompany transfer		–	–	–	–	(17)	–	–	(17)
Disposals / Write-offs		(5)	–	–	(211)	(699)	–	–	(915)
Allowance made for impairment – net		6	–	–	14,903	–	–	–	14,909
Balance at December 31, 2012		4,693	2,860	2,024	164,972	10,876	790	–	186,215
Carrying Amount									
At December 31, 2012		15,295	2,034	6,202	395,663	2,858	437	159,863	582,352
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	12	–	–	–	–	(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	12	–	–	–	–	(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

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

Group and Company

During the year, management noted indications of impairment with respect to 2 plants due to changes in projected operating costs updated based on market movements and management expectations. The Group tested the plants for impairment. The recoverable amounts of the plants were based on calculations of their value-in-use (VIU) and were determined by discounting the future cash flows generated from the continuing use of the plants. The calculations used cash flow projections from years 2013 to 2020 and 2013 to 2014, which are based on financial budgets / forecasts approved by management. No terminal value was assumed and a pre-tax discount rate of 4.8% has been used. Forward High Sulphur Fuel Oil (HSFO) rates were used to estimate the variable revenue and costs of direct materials for the cash flows projections. An impairment loss of S$14,909,000 was recognised in the cost of sales.

Group

In 2011, 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 VIU and was determined by discounting the future cash flows generated from the continuing use of the plant. These calculations used 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 Group reassessed its estimates and noted no further impairment was required. The impairment loss of S$14,935,000 was recognised in the cost of sales in 2011.

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

		Group	
		2012	2011
	Note	S$'000	S$'000
Freehold land and buildings		**–**	23,152
Leasehold land and buildings		**85,304**	40,481
Plant and machinery		**990,271**	548,963
Capital work-in-progress		**–**	635,020
Other assets		**–**	1,091
	25(a)	**1,075,575**	1,248,707

ii. Assets with net book value of S$19,014,000 (2011: S$10,868,000) 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 (2011: 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 (2011: 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$25,112,000 (2011: S$64,729,000) and S$7,058,000 (2011: S$8,225,000), respectively were capitalised as capital work-in-progress.

v. During the year, depreciation amounting to S$529,000 (2011: S$nil) was capitalised as work-in-progress.

4. Investment Properties

		Group	
		2012	2011
	Note	S$'000	S$'000
Cost			
Balance at January 1		**45,621**	45,802
Translation adjustments		**(290)**	(153)
Disposals		**(2,097)**	(28)
Balance at December 31		**43,234**	45,621
Accumulated Depreciation and Impairment Losses			
Balance at January 1		**22,614**	21,690
Depreciation for the year	33(a)	**1,033**	924
Disposals		**(2,097)**	–
Balance at December 31		**21,550**	22,614
Carrying Amount			
At December 31		**21,684**	23,007

The following amounts are recognised in profit or loss:

	Group	
	2012	2011
	S$'000	S$'000
Rental income	**8,790**	8,252
Operating expenses arising from rental of investment properties	**3,510**	4,276

In 2011, investment properties with net book value of S$9,211,000 have been pledged to secure loan facilities granted to a subsidiary. The loan facilities were repaid during the year. See Note 25 for details on pledge on investment properties.

The fair value of the investment properties as at the balance sheet date is S$51,975,000 (2011: S$54,485,000). 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.

5. Investments in Subsidiaries

	Company	
	2012	2011
	S$'000	S$'000
At cost and carrying value:		
Quoted equity shares	**713,048**	713,048
Unquoted equity shares	**603,911**	453,912
Preference shares	**387,500**	387,500
Share-based payments reserve	**4,092**	6,779
	1,708,551	1,561,239

5. Investments in Subsidiaries *(cont'd)*

The fair value of the equity interest of the listed subsidiary with carrying amount of S$713,048,000 (2011: S$713,048,000), amounts to S$5,820,705,514 (2011: S$4,833,716,318) based on the last transacted market price as at December 31, 2012 (December 31, 2011).

Details of significant subsidiaries are set out in Note 47.

6. Interests in Associates and Joint Ventures

	Group	
	2012	2011
	S$'000	S$'000
Interests in associates	**868,533**	843,127
Interests in joint ventures	**637,076**	501,573
	1,505,609	1,344,700

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

	Group	
	2012	2011
	S$'000	S$'000
Balance at beginning of the year	**2,093**	2,098
Translation during the year	**(106)**	(5)
Balance at end of the year	**1,987**	2,093

The fair value of the equity interest of a listed associate, with a carrying amount of S$203,829,000 (2011: S$205,025,000), amounts to S$164,461,000 (2011: S$138,494,000) based on the last transacted market price as at December 31, 2012 (December 31, 2011).

During the year, the Group acquired interest in joint ventures where the principal activities are the operation of four wind power assets which comprise three plants in Inner Mongolia and one plant in Hebei, People's Republic of China, for a consideration of S$58,313,000.

Summarised financial information of associates is as follows:

	Group	
	2012	2011
	S$'000	S$'000
Combined results		
Turnover	**5,766,482**	6,444,647
Profit for the year	**215,755**	266,272
Combined assets and liabilities		
Non-current assets	**6,486,964**	6,739,073
Current assets	**6,121,982**	5,189,589
Total assets	**12,608,946**	11,928,662
Non-current liabilities	**4,509,523**	3,685,440
Current liabilities	**4,419,646**	4,793,237
Total liabilities	**8,929,169**	8,478,677

6. Interests in Associates and Joint Ventures *(cont'd)*

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.

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

	Group's share	
	2012	2011
	S$'000	S$'000
Combined results		
Turnover	**466,578**	458,402
Expenses	**(369,434)**	(364,900)
Profit before tax	**97,144**	93,502
Tax expense	**(16,362)**	(13,556)
Profit for the year	**80,782**	79,946

	Group's share	
	2012	2011
	S$'000	S$'000
Combined assets and liabilities		
Non-current assets	**1,137,595**	598,262
Current assets	**418,270**	406,943
Current liabilities	**(232,246)**	(164,980)
Non-current liabilities	**(677,246)**	(331,961)
Non-controlling interests	**(10,926)**	(8,426)
Net assets	**635,447**	499,838
Capital commitments	**359,562**	706,810

The Group's interest in a joint venture with a carrying amount of S$58,899,000 (2011: S$56,736,000) as at the balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entity.

Details of the significant associates and joint ventures are set out in Note 48.

7. Other Financial Assets

	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'000
a. Non-current Assets				
Available-for-sale financial assets:				
– Equity shares	**151,277**	131,607	**–**	–
– Unit trusts and funds	**4,121**	1,300	**–**	–
	155,398	132,907	**–**	–
Financial assets at fair value through profit or loss, on initial recognition:				
– Interest rate swaps	**–**	11,412	**–**	–
– Equity shares	**45,044**	17	**–**	–
Cash flow hedges:				
– Forward foreign exchange contracts	**18,532**	885	**–**	–
– Fuel oil swaps	**2,125**	59	**–**	–
	221,099	145,280	**–**	–
b. Current Assets				
Financial assets at fair value through profit or loss, on initial recognition:				
– Forward foreign exchange contracts	**853**	330	**–**	24
– Foreign exchange swap contracts	**2,123**	3,914	**–**	–
Cash flow hedges:				
– Forward foreign exchange contracts	**33,195**	7,842	**–**	–
– Fuel oil swaps	**5,338**	4,459	**–**	–
	41,509	16,545	**–**	24

The financial assets designated at fair value through profit or loss relates to investment in equity shares, which owns, operates and manages a plant in the People's Republic of China. The acquisition consideration was S$44,380,000.

8. Long-term Receivables and Prepayments

	Note	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'000
Long-term trade receivables	9	**74**	881	**–**	–
Service concession receivables	(a)	**244,887**	253,438	**–**	–
Finance lease receivables due after 12 months	10	**–**	6,999	**–**	–
Amounts due from related parties	11	**114,598**	79,483	**–**	–
Staff loans		**83**	92	**–**	–
Other debtors	(b)	**6,952**	–	**–**	–
Loan and receivables	40(b)	**366,594**	340,893	**–**	–
Prepayments	(c)	**33,273**	36,080	**7,420**	7,730
Defined benefit assets	24(b)	**5,352**	3,491	**–**	–
		405,219	380,464	**7,420**	7,730

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

a. Service concession receivables

The subsidiaries in Singapore, Chile and Panama each have 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 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

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

b. Other debtors

Other debtors balance relates primarily to an amount placed into an escrow account by Sembcorp (UK) Limited for a steam condensing turbine project.

c. Prepayments

Prepayments are charged to profit or loss on a straight-line basis over the period of prepayments. It relates 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. Connection and capacity charges prepaid for the use of pipelines and piperacks.

9. Trade Receivables

	Note	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'000
Trade receivables including work completed but unbilled		**603,549**	563,153	**30,880**	33,686
Allowance for doubtful receivables		**(26,426)**	(19,195)	**(101)**	–
		577,123	543,958	**30,779**	33,686
Trade receivables due within 1 year	15	**(577,049)**	(543,077)	**(30,779)**	(33,686)
	8	**74**	881	**–**	–

10. 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						
2012						
Within 1 year		–	–	–	–	–
After 1 year but within 5 years		–	–	–	–	–
Amount due within 1 year	15	–	–	–	–	–
	8	–	–	–	–	–
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	15	(4,219)	–	(4,219)	386	(3,833)
	8	4,219	3,000	7,219	(220)	6,999

In 2012, the lease receivables were settled in full. Prior to the settlement, interest rate was charged at 4.25% (2011: 4.25%) per annum. Those lease receivables relate to the leases of marine vessels for which the lessees also had the option to purchase the marine vessels during the term of the leases. There were no contingent rents recognised.

11. Amounts Due from Related Parties

	Note	Associates 2012 S$'000	Associates 2011 S$'000	Joint ventures 2012 S$'000	Joint ventures 2011 S$'000	Related companies 2012 S$'000	Related companies 2011 S$'000	Non-controlling interests 2012 S$'000	Non-controlling interests 2011 S$'000	Total 2012 S$'000	Total 2011 S$'000
Group											
Amounts due from:											
Trade		5,292	4,028	86,772	18,966	570	986	46	31	92,680	24,011
Non-trade		1,473	1,719	37,288	13,582	–	–	49	–	38,810	15,301
Loans		25,683	31,365	45,543	49,154	–	–	–	–	71,226	80,519
		32,448	37,112	169,603	81,702	570	986	95	31	202,716	119,831
Allowance for doubtful receivables		(2,056)	(1,709)	(19)	(13,246)	138	38	–	–	(1,937)	(14,917)
		30,392	35,403	169,584	68,456	708	1,024	95	31	200,779	104,914
Amount due within 1 year	15	(5,683)	(5,074)	(79,695)	(19,302)	(708)	(1,024)	(95)	(31)	(86,181)	(25,431)
	8	24,709	30,329	89,889	49,154	–	–	–	–	114,598	79,483

The non-trade amounts 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 1.12% (2011: 0.88%) per annum.

The loan to a joint venture is unsecured, not expected to be repaid in the next 12 months and bears a weighted average rate of 0.41% (2011: 0.28%) per annum.

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

	Note	Subsidiaries 2012 S$'000	Subsidiaries 2011 S$'000	Associates 2012 S$'000	Associates 2011 S$'000	Joint ventures 2012 S$'000	Joint ventures 2011 S$'000	Related companies 2012 S$'000	Related companies 2011 S$'000	Total 2012 S$'000	Total 2011 S$'000
Company											
Amounts due from related parties		16,460	8,435	1,238	104	276	304	273	232	18,247	9,075
	15	16,460	8,435	1,238	104	276	304	273	232	18,247	9,075

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

12. Intangible Assets

	Note	Goodwill S$'000	Service concession arrangements S$'000	Intellectual property rights S$'000	Water rights S$'000	Others S$'000	Total S$'000
Group							
Cost							
Balance at January 1, 2012		141,707	148,266	33,559	12,241	15,578	351,351
Translation adjustments		(1,985)	(10,723)	–	(22)	(614)	(13,344)
Additions		–	6,961	–	–	3,137	10,098
Transfer from property, plant and equipment	3	–	3,033	–	–	8,554	11,587
Disposals		–	(567)	–	–	(18)	(585)
Write-offs	33(a)	–	–	–	–	(4)	(4)
Balance at December 31, 2012		139,722	146,970	33,559	12,219	26,633	359,103
Accumulated Amortisation and Impairment Losses							
Balance at January 1, 2012		1,901	10,105	2,685	–	4,777	19,468
Translation adjustments		–	(1,702)	–	–	(191)	(1,893)
Amortisation charge for the year	33(a)	–	8,711	3,356	–	2,287	14,354
Impairment loss	33(a)	–	–	–	–	5	5
Transfer (to) / from property, plant and equipment	3	–	(217)	–	–	6,269	6,052
Disposals		–	(146)	–	–	(11)	(157)
Write-offs	33(a)	–	–	–	–	(2)	(2)
Balance at December 31, 2012		1,901	16,751	6,041	–	13,134	37,827
Carrying Amount							
At December 31, 2012		137,821	130,219	27,518	12,219	13,499	321,276

12. Intangible Assets *(cont'd)*

	Note	Goodwill S$'000	Service concession arrangement S$'000	Intellectual property rights S$'000	Water rights S$'000	Others S$'000	Total S$'000
Group							
Cost							
Balance at January 1, 2011		141,708	127,749	–	12,289	40,452	322,198
Translation adjustments		(1)	(2,900)	–	(48)	(2,386)	(5,335)
Additions		–	3,740	33,559	–	1,279	38,578
Transfer (to) / from property, plant and equipment	3	–	(4,336)	–	–	332	(4,004)
Reclassification		–	24,013	–	–	(24,013)	–
Write-offs	33(a)	–	–	–	–	(86)	(86)
Balance at December 31, 2011		141,707	148,266	33,559	12,241	15,578	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	33(a)	–	6,394	2,685	–	2,394	11,473
Impairment loss	33(a)	–	–	–	–	5	5
Transfer (to) / from property, plant and equipment	3	–	(758)	–	–	8	(750)
Reclassification		–	2,183	–	–	(2,183)	–
Write-offs	33(a)	–	–	–	–	(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	12,241	10,801	331,883

12. Intangible Assets *(cont'd)*

	Note	Goodwill S$'000	Others S$'000	Total S$'000
Company				
Cost				
Balance at January 1, 2012		18,946	802	19,748
Additions		–	609	609
Transfer from property, plant and equipment	3	–	338	338
Balance at December 31, 2012		18,946	1,749	20,695
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2012		–	233	233
Amortisation charge for the year		–	454	454
Balance at December 31, 2012		–	687	687
Carrying Amount				
At December 31, 2012		18,946	1,062	20,008
Company				
Cost				
Balance at January 1, 2011		18,946	179	19,125
Additions		–	410	410
Transfer from property, plant and equipment	3	–	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	3	–	3	3
Balance at December 31, 2011		–	233	233
Carrying Amount				
At December 31, 2011		18,946	569	19,515

12. Intangible Assets *(cont'd)*

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 and Yanjiao 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 2 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.
- 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, with 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.

Water rights

The water rights have infinite useful lives and are perpetual in nature. The water rights as established in the acquisition contracts were obtained from the General Water Directorate (DGA), a regulatory body under the Ministry of Public Works in Chile. The rights allow the Group to extract water from the specific water sources and supply water to end customers.

12. Intangible Assets *(cont'd)*

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	
		2012	2011
	Note	S$'000	S$'000
Cash-generating Unit (CGU)			
SUT Division	(a)	**18,946**	18,946
Sembcorp Cogen Pte Ltd	(b)	**26,378**	26,378
Sembcorp Gas Pte Ltd	(c)	**41,986**	41,986
Sembcorp Bournemouth Water Limited / (2011: Water Segment comprising South Africa, United Kingdom and The Americas)	(d)	**29,857**	31,765
Multiple units with insignificant goodwill		**20,654**	20,731
		137,821	139,806

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 4.8% to 7.2% (2011: 4.7% to 12.0%) have been used.

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

a. SUT Division

i. 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 3% 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.

12. Intangible Assets *(cont'd)*

Goodwill (cont'd)

Group *(cont'd)*

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 of 3% 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 (HSFO) 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 of 3% 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.

d. Sembcorp Bournemouth Water Limited (2011: Water Segment comprising South Africa, United Kingdom and The Americas)

In 2012, there was a change in the Chief Operating Decision Maker for the operations in United Kingdom, South Africa and The Americas, as the Group reorganises its reporting structure in a way that changes the composition of its cash-generating units (CGU) to which goodwill has been allocated.

i. These calculations use cash flow projections from years 2013 to 2017;

ii. Terminal value is assumed based on cash flow in 2017 with 3.5% growth;

iii. Included capital expenditure necessary to maintain and run the water plant at the required capacity;

iv. Energy costs increase ranging from 4% to 8% per annum until 2017; and

v. Staff cost increases at rates between 2% to 2.5% until 2017.

Company

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

13. 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$'000	Recognised in profit or loss (Note 32) S$'000	Recognised in equity (Note 29) S$'000	Acquisition of subsidiary S$'000	Translation adjustments S$'000	At Dec 31 S$'000
Group						
2012						
Deferred tax liabilities						
Property, plant and equipment	363,822	35,623	–	127	(6,203)	393,369
Interests in associates	7,304	1,641	–	–	21	8,966
Fair value adjustments	30,322	–	6,904	–	(1)	37,225
Trade and other receivables	5,400	2,183	–	–	(79)	7,504
Other items	8,080	(944)	–	–	1,112	8,248
Total	414,928	38,503	6,904	127	(5,150)	455,312
Deferred tax assets						
Property, plant and equipment	(22,696)	(14,234)	–	–	1,203	(35,727)
Inventories	(373)	16	–	–	–	(357)
Trade receivables	(462)	313	–	–	1	(148)
Trade and other payables	(2,480)	13	–	–	(13)	(2,480)
Tax losses	(1,478)	(270)	–	–	(16)	(1,764)
Provisions	(16,182)	(856)	–	–	(1,034)	(18,072)
Fair value adjustments	(14,408)	(2,583)	1,657	–	55	(15,279)
Retirement benefit obligations	(3,868)	2,107	–	–	95	(1,666)
Other items	(25,985)	7	–	–	–	(25,978)
Total	(87,932)	(15,487)	1,657	–	291	(101,471)

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

	At Jan 1 S$'000	Recognised in profit or loss (Note 32) S$'000	Recognised in equity (Note 29) 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)

	At Jan 1, 2011 S$'000	Recognised in profit or loss S$'000	At Dec 31, 2011 S$'000	Recognised in profit or loss S$'000	Recognised in equity S$'000	At Dec 31, 2012 S$'000
Company						
Deferred tax liabilities						
Property, plant and equipment	42,084	(186)	41,898	(258)	–	41,640
Deferred tax assets						
Provisions	(1,549)	–	(1,549)	–	–	(1,549)
Derivative asset	–	–	–	–	(30)	(30)
Total	40,535	(186)	40,349	(258)	(30)	40,061

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

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheet are as follows:

	Group		Company	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'000
Deferred tax liabilities	**410,796**	387,651	**40,061**	40,349
Deferred tax assets	**(56,955)**	(60,655)	**–**	–
	353,841	326,996	**40,061**	40,349

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

	Group	
	2012	2011
	S$'000	S$'000
Deductible temporary differences	**6,786**	6,975
Tax losses	**25,916**	20,086
Capital allowances	**46,309**	6,287
	79,011	33,348

Tax losses of the Group amounting to S$10,821,000 (2011: S$12,745,000) will expire between 2014 and 2017 (2011: 2012 and 2017). The capital allowances of S$45.8 million (2011: S$5.5 million) will expire in 2017 (2011: 2017). The remaining tax losses and 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 certain subsidiaries of the Group can utilise the benefits.

14. Inventories and Work-In-Progress

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Raw materials		**88,157**	89,317	**4,117**	3,306
Finished goods		**102,857**	101,149	**5,640**	5,466
		191,014	190,466	**9,757**	8,772
Allowance for inventory obsolescence		**(17,758)**	(16,139)	**–**	–
		173,256	174,327	**9,757**	8,772
Work-in-progress	(a)	**1,713,290**	903,942	**32**	329
		1,886,546	1,078,269	**9,789**	9,101
a. Work-in-progress:					
Costs and attributable profits less allowance for foreseeable losses		**5,149,666**	4,052,154	**16,322**	329
Progress billings		**(4,322,418)**	(3,503,512)	**(16,290)**	–
		827,248	548,642	**32**	329
Comprising:					
Work-in-progress		**1,713,290**	903,942	**32**	329
Excess of progress billings over work-in-progress		**(886,042)**	(355,300)	**–**	–
		827,248	548,642	**32**	329

In 2012, the write-down of inventories to net realisable value by the Group amounted to S$3,859,000 (2011: S$8,228,000). The reversal of write-downs by the Group in 2012 amounted to S$30,000 (2011: S$154,000). The write-down and reversal are included in cost of sales.

15. Trade and Other Receivables

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Trade receivables	9	**577,049**	543,077	**30,779**	33,686
Current portion of finance lease	10	**–**	3,833	**–**	–
Service concession receivables	8(a)	**10,529**	10,686	**–**	–
Amounts due from related parties	11	**86,181**	25,431	**18,247**	9,075
Other receivables and deposits	16	**438,927**	433,295	**76,060**	52,239
Loans and receivables	40(b)	**1,112,686**	1,016,322	**125,086**	95,000
Prepayments		**44,905**	41,050	**5,570**	5,715
Advance to suppliers		**17,910**	32,887	**2**	149
		1,175,501	1,090,259	**130,658**	100,864

16. Other Receivables and Deposits

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Deposits		**7,189**	6,751	**1,789**	1,703
Sundry receivables	(a)	**77,762**	71,466	**163**	2,775
Unbilled receivables	(b)	**349,990**	348,386	**74,387**	46,758
Loan receivables		**4,116**	4,153	**–**	–
Recoverable		**3,795**	6,509	**(205)**	1,077
Interest receivable		**507**	499	**–**	–
		443,359	437,764	**76,134**	52,313
Allowance for doubtful receivables		**(4,432)**	(4,469)	**(74)**	(74)
Other receivables and deposits	15	**438,927**	433,295	**76,060**	52,239

a. Sundry receivables represent mainly GST receivables.

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

17. Assets Held For Sale

	Group	
	2012	2011
	S$'000	S$'000
Property, plant and equipment	**24,437**	24,437

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.

18. Cash and Cash Equivalents

	Group		Company	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'000
Fixed deposits with banks	**884,979**	2,135,152	**–**	–
Cash and bank balances	**1,174,821**	860,326	**524,601**	629,074
Cash and cash equivalents in the consolidated statement of cash flows	**2,059,800**	2,995,478	**524,601**	629,074

Fixed deposits with banks of the Group earn interest at rates ranging from 0.01% to 9.50% (2011: 0.01% to 9.00%) per annum.

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S$516.7 million (2011: S$621.8 million) placed with a bank under the Group's cash pooling arrangement by a subsidiary.

19. Trade and Other Payables

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Trade payables		**1,767,406**	1,888,872	**2,429**	2,872
Advance payments from customers		**34,671**	40,640	**715**	17
Amounts due to related parties	21	**128,110**	41,508	**360,545**	51,220
Other payables and accrued charges	22	**902,337**	775,253	**208,506**	125,774
		2,832,524	2,746,273	**572,195**	179,883

20. Provisions

	Loan undertakings	Obligations relating to disposal of business	Claims	Onerous contracts	Restoration costs	Warranty	Others	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group								
2012								
Balance at beginning of the year	–	1,010	65,312	4,140	32,316	47,027	4,804	154,609
Translation adjustments	–	–	(96)	–	(112)	(426)	(184)	(818)
Provisions (written back) / made during the year, net	–	(1,010)	(518)	–	14,695	(29,377)	999	(15,211)
Provisions utilised during the year	–	–	(2,843)	(1,500)	–	(40)	(423)	(4,806)
Balance at end of the year	–	–	61,855	2,640	46,899	17,184	5,196	133,774
Provisions due:								
– within 1 year	–	–	61,082	2,292	–	17,184	2,520	83,078
– after 1 year	–	–	773	348	46,899	–	2,676	50,696
	–	–	61,855	2,640	46,899	17,184	5,196	133,774

20. 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	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

20. Provisions *(cont'd)*

	Obligations relating to disposal of business S$'000	Claims S$'000	Restoration costs S$'000	Total S$'000
Company				
2012				
Balance at beginning of the year	1,010	19,756	593	21,359
Provisions (written back) / made during the year, net	(1,010)	(4,026)	–	(5,036)
Provisions utilised during the year	–	(1,637)	–	(1,637)
Balance at end of the year	–	14,093	593	14,686
Provisions due:				
– within 1 year	–	14,093	–	14,093
– after 1 year	–	–	593	593
	–	14,093	593	14,686
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

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 from weighting all possible outcomes by their associated probabilities and estimates made from historical warranty data associated with similar projects.

21. Amounts Due to Related Parties

		Associates		Joint ventures		Related companies		Non-controlling interests		Total	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	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		–	–	2,871	2,424	63	78	24	26	2,958	2,528
Non-trade		397	459	2,559	2,852	–	–	–	–	2,956	3,311
Advance payment											
– trade		1,858	2,341	–	32,510	–	–	–	–	1,858	34,851
Loans		–	–	–	–	–	–	128,071	140,410	128,071	140,410
		2,255	2,800	5,430	37,786	63	78	128,095	140,436	135,843	181,100
Amounts due after 1 year	26	–	–	–	–	–	(1)	(7,733)	(139,591)	(7,733)	(139,592)
	19	2,255	2,800	5,430	37,786	63	77	120,362	845	128,110	41,508

Loans from non-controlling interests of S$7,733,000 (2011: S$139,591,000) bear interest at rate of 7.94% (2011: 3.53% to 8.35%) per annum, are unsecured and not expected to be repaid in the next 12 months. The remaining loan amount of S$120,362,000 (2011: S$845,000) bears interest at rate of 7.94% (2011: nil) per annum, is unsecured and expected to be repaid within 12 months.

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

		Subsidiaries		Total	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Company					
Amounts due to related parties	(i)	**25,345**	51,220	**25,345**	51,220
Loans from a related party	(ii)	**644,700**	644,700	**644,700**	644,700
		670,045	695,920	**670,045**	695,920
Amounts due after 1 year	26	**(309,500)**	(644,700)	**(309,500)**	(644,700)
	19	**360,545**	51,220	**360,545**	51,220

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 (2011: S$644,700,000) bear effective interest rate of 3.09% (2011: 3.09%) per annum, are unsecured and repayable from December 31, 2013 onwards.

Notes to the Financial Statements

22. Other Payables and Accrued Charges

	Note	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'000
Accrued operating expenses		**606,226**	605,932	**138,711**	122,146
Deposits		**22,750**	18,522	**742**	342
Accrued interest payable		**10,746**	11,334	**–**	–
Other payables		**106,724**	77,861	**3,306**	3,286
Accrued capital expenditure		**155,891**	61,604	**65,747**	–
	19	**902,337**	775,253	**208,506**	125,774

23. Other Financial Liabilities

	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'000
Current Liabilities				
Financial liabilities at fair value through profit or loss, on initial recognition:				
– Forward foreign exchange contracts	**6**	67	**–**	–
– Foreign exchange swap contracts	**2,123**	4,359	**–**	–
Cash flow hedges:				
– Interest rate swaps	**6,071**	7,797	**–**	–
– Forward foreign exchange contracts	**5,509**	8,776	**177**	–
– Fuel oil swaps	**2,552**	1,510	**–**	–
	16,261	22,509	**177**	–
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	**159,968**	161,477	**–**	–
– Forward foreign exchange contracts	**1,199**	13,664	**–**	–
– Fuel oil swaps	**278**	772	**–**	–
	161,445	187,325	**–**	–

24. Retirement Benefit Obligations

	Note	Group 2012 S$'000	Group 2011 S$'000
Provision for retirement gratuities	(a)	**1,409**	1,343
Defined benefit obligations	(b)	**10,045**	16,397
		11,454	17,740
Non-current		**11,454**	17,740

a. Provision for Retirement Gratuities

	Group 2012 S$'000	Group 2011 S$'000
Balance at beginning of the year	**1,343**	1,110
Translation adjustments	**(21)**	–
Provision made during the year	**301**	646
Less: Amount due within 12 months	**(214)**	(413)
Balance at end of the year	**1,409**	1,343

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.

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, 2012.

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 2012 S$'000	Group 2011 S$'000
Present value of funded defined benefit obligations	**339,934**	327,785
Fair value of plan assets	**(321,055)**	(311,237)
Deficit in scheme	**18,879**	16,548
Unrecognised actuarial losses	**(14,186)**	(3,642)
Net liability recognised in the balance sheet	**4,693**	12,906

The amounts included in the balance sheet are as follows:

	Note	Group 2012 S$'000	Group 2011 S$'000
Defined benefit obligations		**10,045**	16,397
Defined benefit assets	8	**(5,352)**	(3,491)
		4,693	12,906

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

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

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

	Group	
	2012	2011
	%	%
Equity instruments	**34.9**	35.2
Debt instruments	**55.2**	55.1
Other assets	**9.9**	9.7
	100.0	100.0

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

	Group	
	2012	2011
	S$'000	S$'000
Opening defined benefit obligations	**327,785**	318,015
Translation adjustments	**(10,927)**	(4,904)
Current service cost	**1,571**	1,440
Past service cost	**–**	91
Interest cost	**14,658**	16,118
Actuarial losses	**19,937**	11,214
Benefits paid	**(13,359)**	(14,469)
Employee contributions	**269**	280
	339,934	327,785

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

	Group	
	2012	2011
	S$'000	S$'000
Opening fair value of plan assets	**311,237**	307,617
Translation adjustments	**(9,938)**	(4,745)
Expected return on plan assets	**16,116**	16,605
Actuarial gains	**9,393**	1,529
Contributions by employer	**7,337**	4,420
Benefits paid	**(13,359)**	(14,469)
Employee contributions	**269**	280
	321,055	311,237

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

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

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

	Group	
	2012	2011
	S$'000	S$'000
Current service cost	**1,571**	1,440
Past service cost	**–**	91
Interest cost	**14,658**	16,118
Expected return on plan assets	**(16,116)**	(16,605)
	113	1,044

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

	Group	
	2012	2011
	S$'000	S$'000
Cost of sales	**1,571**	1,200
Administrative expenses	**–**	331
Other expense (net)	**(1,458)**	(487)
	113	1,044
Actual return in value of plan assets	**25,509**	18,134

Principal actuarial assumptions

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

	Group	
	2012	2011
	%	%
Discount rate at December 31	**4.4**	4.7
Expected return on plan assets at December 31	**4.9 – 5.6**	5.3 – 5.7
Future rate of annual salary increases	**3.3**	3.3
Future rate of pension increases	**2.0 – 3.6**	2.1 – 3.6

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 11 to 12 years (2011: 9 to 12 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 (2011: 22) for male and 24 (2011: 24) for female.

The overall expected long-term rate of return on assets is 4.9% to 5.6% (2011: 5.3% to 5.7%). The expected rate of return on plan assets is a weighted average of the individual expected rate of return on each asset class.

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

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

Principal actuarial assumptions *(cont'd)*

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

	Group				
	2012	2011	2010	2009	2008
	S$'000	S$'000	S$'000	S$'000	S$'000
Present value of funded defined benefit obligations	339,934	327,785	318,015	209,474	151,053
Fair value of plan assets	(321,055)	(311,237)	(307,617)	(187,686)	(158,761)
Deficit / (surplus) in scheme	18,879	16,548	10,398	21,788	(7,708)

25. Interest-bearing Borrowings

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Current liabilities					
Secured term loans	(a)	**44,747**	40,822	**–**	–
Unsecured term loans	(b)	**66,240**	142,596	**–**	–
Finance lease liabilities	(c)	**4,074**	2,655	**100**	94
		115,061	186,073	**100**	94
Non-current liabilities					
Secured term loans	(a)	**1,018,212**	987,868	**–**	–
Unsecured term loans	(b)	**1,167,986**	861,384	**–**	–
Finance lease liabilities	(c)	**18,587**	7,113	**54**	156
		2,204,785	1,856,365	**54**	156
		2,319,846	2,042,438	**154**	250

Effective interest rates and maturity of liabilities (excluding finance lease liabilities)

	Group		Company	
	2012	2011	2012	2011
	%	%	%	%
Floating rate loans	**0.59 – 7.30**	1.05 – 8.29	**–**	–
Fixed rate loans	**1.63 – 12.61**	1.57 – 13.08	**–**	–
Bonds & notes	**1.14 – 5.00**	0.46 – 5.00	**–**	–

	Group		Company	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'000
Within 1 year	**110,987**	183,418	**–**	–
After 1 year but within 5 years	**939,873**	618,388	**–**	–
After 5 years	**1,246,325**	1,230,864	**–**	–
Total borrowings	**2,297,185**	2,032,670	**–**	–

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

a. Secured Term Loans

The secured term loans are collaterised by the following assets:

		Group	
		Net Book Value	
		2012	2011
	Note	S$'000	S$'000
Property, plant and equipment	3(i)	**1,075,575**	1,248,707
Investment property	4	**–**	9,211
Net assets of a subsidiary		**162,871**	157,714
		1,238,446	1,415,632

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 certain other 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.

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 2012 and 2011, no new medium term notes were issued.

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 (the "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, 2012 and 2011, there were no outstanding notes issued by SCM or any of the Issuing SCM subsidiaries.

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

c. Finance Lease Liabilities

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

	2012			2011		
	Payments S$'000	Interest S$'000	Principal S$'000	Payments S$'000	Interest S$'000	Principal S$'000
Group						
Within 1 year	**4,829**	**755**	**4,074**	2,699	44	2,655
After 1 year but within 5 years	**12,015**	**1,575**	**10,440**	7,150	37	7,113
After 5 years	**8,885**	**738**	**8,147**	–	–	–
Total	**25,729**	**3,068**	**22,661**	9,849	81	9,768

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 0.51% to 6.09% (2011: 0.51% to 6.09%) per annum.

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

	2012			2011		
	Payments S$'000	Interest S$'000	Principal S$'000	Payments S$'000	Interest S$'000	Principal S$'000
Company						
Within 1 year	**107**	**7**	**100**	107	13	94
After 1 year but within 5 years	**55**	**1**	**54**	164	8	156
Total	**162**	**8**	**154**	271	21	250

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is 6.09% (2011: 6.09%) per annum.

26. Other Long-term Liabilities

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Deferred income	(a)	**168,370**	162,607	**10,431**	9,262
Deferred grants	(b)	**5,112**	4,461	**–**	–
Other long-term payables	(c)	**53,971**	21,638	**–**	–
Amounts due to related parties	21	**7,733**	139,592	**309,500**	644,700
		235,186	328,298	**319,931**	653,962

26. Other Long-term Liabilities *(cont'd)*

a. Deferred income relates mainly to:

i. advance payments received from customers in respect of connection and capacity charges for the supply and delivery of gas and utilities; and

ii. 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.

27. Share Capital

	Group and Company No. of ordinary shares	
	2012	2011
Issued and fully paid, with no par value:		
At the beginning of the year	**1,787,547,732**	1,788,981,732
Cancellation of shares	**–**	(1,434,000)
At the end of the year	**1,787,547,732**	1,787,547,732

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

28. Other Reserves

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Distributable					
Reserve for own shares	(a)	**(8,163)**	(18,455)	**(8,163)**	(18,455)
Non-distributable					
Currency translation reserve	(b)	**(331,720)**	(229,340)	**–**	–
Capital reserve	(c)	**338,337**	334,585	**(69,005)**	(50,012)
Merger reserve	(d)	**29,201**	29,201	**–**	–
Share-based payments reserve	(e)	**(5,794)**	(3,088)	**71,267**	58,583
Fair value reserve	(f)	**33,550**	15,894	**–**	–
Hedging reserve	(g)	**(157,733)**	(175,119)	**(147)**	–
		(102,322)	(46,322)	**(6,048)**	(9,884)

a. Reserve for Own Shares

At December 31, 2012, the Company held 1,606,279 (2011: 3,929,773) of its own uncancelled shares as treasury shares.

28. Other Reserves *(cont'd)*

b. Currency Translation Reserve

The currency translation reserve comprises:

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

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

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

c. 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.

d. 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.

e. 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.

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

g. 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.

29. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income:

	Group 2012			Group 2011		
	Before tax S$'000	Tax expense S$'000	Net of tax S$'000	Before tax S$'000	Tax expense S$'000	Net of tax S$'000
Foreign currency translation differences for foreign operations	(131,501)	–	(131,501)	13,192	–	13,192
Exchange differences on monetary items forming part of net investment in a foreign operation	(506)	–	(506)	(223)	–	(223)
Share of other comprehensive income of associates and joint ventures	662	–	662	(5,869)	–	(5,869)
Cash flow hedges: net movement in hedging reserves (Note (a))	36,868	(8,183)	28,685	(164,731)	23,019	(141,712)
Available-for-sale financial assets: net movement in fair value reserve (Note (b))	22,498	(378)	22,120	(156,177)	23,957	(132,220)
Other comprehensive income	(71,979)	(8,561)	(80,540)	(313,808)	46,976	(266,832)

	Group 2012 S$'000	Group 2011 S$'000
a. Cash flow hedges:		
Net change in fair value of hedging instruments	**44,757**	(131,658)
Amount transferred to profit or loss	**(7,889)**	(33,073)
Tax	**(8,183)**	23,019
Net movement in the hedging reserve during the year recognised in other comprehensive income	**28,685**	(141,712)
b. Available-for-sale financial assets:		
Changes in fair value	**22,498**	(156,177)
Tax	**(378)**	23,957
Net change in fair value during the year recognised in other comprehensive income	**22,120**	(132,220)

30. Turnover

	Group 2012 S$'000	Group 2011 S$'000
Sale of gas, water, electricity and related services	**5,387,723**	4,771,780
Ship and rig repair, building, conversion and related services	**4,393,109**	3,921,807
Construction and engineering related activities	**94,126**	152,519
Service concession revenue	**100,223**	87,475
Others	**213,877**	113,485
	10,189,058	9,047,066

31. Finance Income and Finance Costs

	Group 2012 S$'000	Group 2011 S$'000
Finance income		
– associates and joint ventures	**1,402**	1,345
– bank and others	**27,150**	63,223
	28,552	64,568
Finance costs		
Interest paid and payable to:		
– banks and others	**119,224**	60,977
Amortisation of capitalised transaction costs and transactions costs written off	**9,867**	4,793
Interest rate swap		
– fair value through profit or loss	**–**	(101)
– ineffectiveness of cash flow hedge	**(767)**	(1)
– termination of interest rate swap	**11,673**	–
	139,997	65,668

32. Tax Expense

	Group 2012 S$'000	Group 2011 S$'000
Current tax expense		
Current year	**147,385**	185,798
Over provided in prior years	**(48,703)**	(70,472)
	98,682	115,326
Deferred tax expense		
Movements in temporary differences	**37,685**	18,451
(Over) / under provided in prior years	**(6,089)**	1,609
Changes in tax rates	**(8,580)**	(10,617)
	23,016	9,443
Tax expense	**121,698**	124,769
Reconciliation of effective tax rate		
Profit for the year	**1,033,058**	1,145,810
Total tax expense	**121,698**	124,769
Share of results of associates and joint ventures	**(163,251)**	(170,573)
Profit before share of results of associates and joint ventures, and tax expense	**991,505**	1,100,006
Tax using Singapore tax rate of 17%	**168,556**	187,001
Effect of changes in tax rates	**(8,580)**	(10,617)
Effect of different tax rates in foreign jurisdictions	**(2,505)**	5,092
Tax incentives and income not subject to tax	**(18,405)**	(11,384)
Expenses not deductible for tax purposes	**29,230**	22,742
Utilisation of deferred tax benefits not previously recognised	**(942)**	(1,091)
Over provided in prior years*	**(54,792)**	(68,863)
Deferred tax benefits not recognised	**6,893**	4,547
Others	**2,243**	(2,658)
Tax expense	**121,698**	124,769

* In 2012, a subsidiary of the Company wrote back S$41,317,000 of tax provision relating to prior year's gain on disposal of equity investments. 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 the tax provision of S$54,392,000 which had been provided for in 2007 and 2008.

33. Profit For The Year

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

	Note	Group 2012 S$'000	Group 2011 S$'000
a. Expenses			
Allowance made for impairment losses			
– property, plant and equipment	3	**14,944**	15,149
– associate		**–**	99
– joint ventures		**–**	921
– interests in other investments		**150**	82
– receivables		**1,987**	1,567
– inventory obsolescence		**3,829**	8,074
– intangible assets	12	**5**	5
Amortisation of intangible assets	12	**14,354**	11,473
Audit fees paid / payable			
– auditors of the Company		**1,439**	1,215
– overseas affiliates of the auditors of the Company		**1,286**	1,205
– other auditors		**343**	270
Non-audit fees paid / payable			
– auditors of the Company		**902**	329
– overseas affiliates of the auditors of the Company		**68**	81
– other auditors		**1,192**	318
Depreciation			
– property, plant and equipment	3	**266,233**	222,419
– investment properties	4	**1,033**	924
Professional fee paid to directors or a firm in which a director is a member		**3**	294
Operating lease expenses		**33,756**	28,529
Property, plant and equipment written off		**2,666**	1,643
Intangible assets written off	12	**2**	23
Bad debts (written back) / written off		**(2,663)**	181
Staff costs			
Staff costs		**800,224**	753,527
Included in staff costs are:			
Equity-settled share-based payments		**29,746**	26,559
Cash-settled share-based payments		**9,733**	6,761
Contributions to:			
– defined benefit plan		**1,571**	1,530
– defined contribution plan		**41,815**	36,063

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

	Group 2012 S$'000	Group 2011 S$'000
b. Other income		
Grants received		
– income related	**1,124**	2,491
Gross dividend income	**3,623**	4,650
c. Other expenses (net)		
Net exchange loss	**(23,018)**	(6,569)
Net change in fair value of derivative instruments	**1,149**	(7,280)
Gain / (loss) on disposal of		
– property, plant and equipment	**329**	980
– intangible assets	**82**	–
– investment properties	**7,858**	822
– subsidiaries	**38**	(63)
– associates	**96**	–
– other investments and financial assets	**46**	355
– assets held for sale	**–**	163

34. Earnings Per Share

	Group 2012 S$'000	Group 2011 S$'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to owners of the Company	**753,283**	809,282
	No. of shares '000	**No. of shares '000**
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of the year	**1,783,618**	1,787,750
Effect of share options exercised, performance shares and restricted shares released	**3,507**	3,192
Effect of own shares held	**(791)**	(4,739)
Effect of shares cancelled	**–**	(532)
Weighted average number of ordinary shares at the end of the year	**1,786,334**	1,785,671

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

	Group 2012 S$'000	Group 2011 S$'000
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to owners of the Company	**753,283**	809,282

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	**1,786,334**	1,785,671
Weighted average number of unissued ordinary shares from:		
– share options	**2,278**	3,277
– performance shares	**3,515**	3,642
– restricted shares	**9,241**	8,296
Number of shares that would have been issued at fair value	**(969)**	(1,501)
Weighted average number of ordinary shares	**1,800,399**	1,799,385

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares outstanding is 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 owners 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 owners of the Company.

35. Dividends

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 15.0 cents per share (2011: 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 per share) amounting to an estimated net dividend of S$267,891,000 (2011: S$303,215,000) in respect of the year ended December 31, 2012, based on the number of issued shares as at December 31, 2012.

The proposed dividend of 15.0 (2011: 17.0) cents per share has not been included as a liability in the financial statements.

36. 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.

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

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 Plan is as follows:

i. The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange 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 2012 and 2011, 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.

36. 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
2012

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2012	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2012	Options exercisable at Jan 1, 2012	Options exercisable at Dec 31, 2012	Exercise period
07/05/2002	S$1.23	157,250	(126,500)	(30,750)	–	157,250	–	08/05/2003 to 07/05/2012
17/10/2002	S$0.62	52,500	(26,500)	(26,000)	–	52,500	–	18/10/2003 to 17/10/2012
02/06/2003	S$0.78	31,000	(7,000)	–	24,000	31,000	24,000	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	72,000	(39,500)	–	32,500	72,000	32,500	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	174,250	(72,000)	–	102,250	174,250	102,250	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	178,625	(77,500)	–	101,125	178,625	101,125	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	383,650	(120,625)	–	263,025	383,650	263,025	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	646,000	(133,875)	–	512,125	646,000	512,125	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	1,190,664	(201,865)	–	988,799	1,190,664	988,799	10/06/2007 to 09/06/2016
		2,885,939	**(805,365)**	**(56,750)**	**2,023,824**	**2,885,939**	**2,023,824**	

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**	

36. 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
2012

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2012	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2012	Options exercisable at Jan 1, 2012	Options exercisable at Dec 31, 2012	Exercise period
07/11/2002	S$0.64	125,650	(11,900)	(113,750)	–	125,650	–	08/11/2003 to 07/11/2012
08/08/2003	S$0.71	73,420	(3,000)	–	70,420	73,420	70,420	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	241,010	(47,400)	(4,200)	189,410	241,010	189,410	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	1,503,750	(551,450)	(4,200)	948,100	1,503,750	948,100	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	1,856,482	(525,830)	(22,325)	1,308,327	1,856,482	1,308,327	03/10/2007 to 02/10/2016
		3,800,312	**(1,139,580)**	**(144,475)**	**2,516,257**	**3,800,312**	**2,516,257**	

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.

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

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

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.

Sembcorp Industries Ltd's options exercised in 2012 and 2011 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$5.24 (2011: S$4.65).

Sembcorp Marine Ltd's options exercised in 2012 resulted in 1,139,580 (2011: 7,467,337) ordinary shares being issued at a weighted average price of S$2.16 (2011: S$1.93). Sembcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$4.78 (2011: S$3.84).

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 2012 to 2014 will be vested to the senior management participants only if the restricted shares for the performance period 2013 to 2014 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.

36. 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:

	2012	2011
At January 1	**2,633,333**	2,611,665
Conditional performance shares awarded	**1,272,500**	820,000
Conditional performance shares lapsed	**–**	(205,832)
Conditional performance shares released	**(1,357,500)**	(592,500)
At December 31	**2,548,333**	2,633,333

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010), a total of 1,357,500 (2011: 592,500) 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 2012, was 2,548,333 (2011: 2,633,333). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,822,500 (2011: 3,950,000) 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:

	2012	2011
At January 1	**1,765,000**	1,970,000
Conditional performance shares awarded	**675,000**	585,000
Conditional performance shares lapsed	**(93,610)**	(242,916)
Additional performance shares awarded arising from targets met	**240,694**	385,000
Conditional performance shares released	**(722,084)**	(932,084)
At December 31	**1,865,000**	1,765,000

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 2009 to 2011 (2011: performance period 2008 to 2010), a total of 722,084 (2011: 932,084) performance shares were released via the issuance of treasury shares.

In 2012, there were additional 240,694 (2011: 385,000) performance shares awarded for over-achievement of the performance targets for the performance period 2009 to 2011 (2011: performance period 2008 to 2010).

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, 2012, was 1,865,000 (2011: 1,765,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,797,500 (2011: 2,647,500) performance shares.

36. 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 May 2, 2012	Fair value of Sembcorp Industries Ltd performance shares granted on April 29, 2011	Fair value of Sembcorp Marine Ltd performance shares granted on May 21, 2012	Fair value of Sembcorp Marine Ltd performance shares granted on July 15, 2011
Fair value at measurement date	S$4.35	S$3.44	S$3.76	S$3.40
Assumptions under the Monte Carlo model				
Share price	S$5.16	S$5.40	S$4.48	S$5.28
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	28.0%	33.4%	27.9%	29.8%
Morgan Stanley Capital International (MSCI)				
AC Asia Pacific excluding Japan Industrials Index	25.9%	38.1%	21.8%	24.1%
Correlation with MSCI	85.5%	85.8%	84.3%	85.1%
Risk-free interest rate	0.3%	0.5%	0.5%	0.4%
Expected dividend	3.5%	3.4%	4.5%	2.9%

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

During the year, the Group charged S$5,224,000 (2011: S$4,579,000) to the profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

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

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 2012.

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.

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.

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 shares awards under the SCI RSP 2010.

From 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). In 2012, the awards granted consisted 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 awarded to each non-executive director was 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 was rounded down to the nearest hundred and any residual balance was settled in cash.

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

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

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:

	2012	2011
At January 1	**6,170,329**	5,515,446
Conditional restricted shares awarded	**2,454,400**	2,305,800
Conditional restricted shares lapsed	**(148,307)**	(267,668)
Additional restricted shares awarded arising from targets met	**419,370**	399,560
Conditional restricted shares released	**(2,187,355)**	(1,782,809)
At December 31	**6,708,437**	6,170,329

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011, a total of 863,127 restricted shares were released in 2012. For awards in relation to the performance period 2009 to 2010, a total of 737,169 (2011: 872,309) were released in 2012. For awards in relation to the performance period 2008 to 2009, a total of 495,035 (2011: 548,312) restricted shares were released in 2012. For awards in relation to the performance period 2007 to 2008, a total of 398 (2011: 279,488) restricted shares were released in 2012. In 2012, there were 76,900 (2011: 82,700) shares released to non-executive directors. In 2012, there were additional 14,726 shares released to employees upon retirement or death in service. Of the restricted shares released, 14,726 (2011: 35,490) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2012, additional 419,370 (2011: 399,560) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2012, was 6,708,437 (2011: 6,170,329). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,565,100 (2011: 4,244,200). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,847,650 (2011: 6,366,300) 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 2010 to 2011 (2011: performance period 2009 to 2010), a total of S$3,458,548, equivalent to 580,274 (2011: S$2,661,000, equivalent to 494,042) notional restricted shares, were paid. A total of 400,000 (2011: 600,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2012 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 2012, was 1,000,000 (2011: 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 1,500,000 (2011: 1,800,000).

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

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

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:

	2012	2011
At January 1	**10,150,285**	11,380,303
Conditional restricted shares awarded	**2,864,700**	3,085,800
Conditional restricted shares lapsed	**(523,398)**	(914,752)
Additional restricted shares awarded arising from targets met	**1,466,001**	1,641,205
Conditional restricted shares released	**(4,414,058)**	(5,042,271)
At December 31	**9,543,530**	10,150,285

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2011, a total of 1,709,403 restricted shares were released in 2012. For awards in relation to the performance period 2009 to 2010, a total of 1,434,630 (2011: 1,888,581) restricted shares were released in 2012. For awards in relation to the performance period 2008 to 2009, a total of 1,185,425 (2011: 1,531,500) restricted shares were released in 2012. In 2011, 1,502,177 restricted shares were released for awards in relation to the performance period 2007 to 2008; and 16,413 restricted shares were released for awards in relation to the performance period 2006 to 2007. In 2012, there were 84,600 (2011: 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 2012, additional 1,466,001 (2011: 1,641,205) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2010 to 2011 (2011: performance period 2009 to 2010).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2012, was 9,543,530 (2011: 10,150,285). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,688,200 (2011: 6,242,400). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,532,300 (2011: 9,363,600) 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 2010 to 2011 (2011: performance period 2009 to 2010), a total of S$8,163,619 (2011: S$7,336,725), equivalent to 1,533,650 (2011: 1,373,250) notional restricted shares, were paid.

A total of 1,031,300 (2011: 1,122,200) notional restricted shares were awarded on May 21, 2012 (2011: July 15, 2011) 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, 2012, was 1,974,400 (2011: 2,167,200). 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 2,961,600 (2011: 3,250,800).

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

c. Restricted Share Plan *(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 May 2, 2012	Fair value of Sembcorp Industries Ltd restricted shares granted on April 29, 2011	Fair value of Sembcorp Marine Ltd restricted shares granted on May 21, 2012	Fair value of Sembcorp Marine Ltd restricted shares granted on July 15, 2011
Fair value at measurement date	S$4.61	S$3.94	S$3.92	S$4.36
Assumptions under the Monte Carlo model				
Share price	S$5.16	S$5.40	S$4.48	S$5.28
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	28.0%	33.4%	27.9%	29.8%
Risk-free interest rate	0.2% – 0.4%	0.4% – 0.7%	0.5% – 0.8%	0.3% – 0.5%
Expected dividend	3.5%	3.4%	4.5%	2.9%

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

During the year, the Group charged S$24,522,000 (2011: S$21,980,000) 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$9,733,000 (2011: S$6,761,000) 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.

37. Acquisition of subsidiary

On September 25, 2012, our subsidiary, Sembcorp Marine Ltd (SCM) through its wholly-owned subsidiary, SMOE Pte Ltd (SMOE) acquired from Smulders Group the entire share capital in its wholly-owned subsidiary, SLP Engineering Limited (SLP), for a consideration of £1.

On September 27, 2012, SLP, based in Lowestoft Suffolk, United Kingdom (UK), was renamed Sembmarine SLP Limited and was held through newly incorporated company Sembmarine North Sea Limited (SNS). SNS is 70% owned by SMOE and 30% owned by eight members of the SLP Management team.

The principal activity of SLP is that of design, engineering, fabrication and installation of platforms, modules and structures for the oil and gas industry. This acquisition was strategic to the Group as the Group will now have a footprint in the UK, providing synergistic support and reach out to its North Sea clientele. SLP offers the opportunity for future growth in new business areas within the renewable energy sector as well as in the fabrication of minimum facilities platform for marginal oil and gas fields in the North Sea and Asia Pacific waters.

38. 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 for various reliefs, including the transfer of the remaining 15 per cent of the shares in PPL Shipyard Pte Ltd (PPLS) to SCM.

On May 30, 2012, the High Court released its judgement together with the Grounds of Decision. The decision was not favourable to SCM. On June 29, 2012, SCM filed an appeal to the Court of Appeal which was heard on November 8, 2012 and judgement was reserved. Pending the outcome of the appeal, the Group will continue to consolidate its 85 per cent interest in PPLS and separately account for the 15 per cent as "non-controlling interest".

39. Related Parties

Group

a. Related party transactions

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

	Group	
	2012	2011
	S$'000	S$'000
Related Corporations		
Sales	**20,860**	77,644
Purchases including rental	**64,930**	52,836
Payment on behalf	**11,198**	7,602
Purchase of investment and property, plant and equipment	**2,150**	3,141
Sale of investment property and property, plant and equipment	**8,503**	–
Rental income	**78**	–
Associates and Joint Ventures		
Sales	**92,627**	41,288
Purchases including rental	**21,143**	13,569
Rental income	**891**	–
Payment on behalf	**216**	3,627

39. Related Parties *(cont'd)*

Group *(cont'd)*

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 Development Ltd, the Group Chief Financial Officer and the Executive Vice President of Group Business Development and Commercial 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	
	2012	2011
	S$'000	S$'000
Directors' fees and remuneration	**6,333**	6,191
Other key management personnel remuneration	**11,013**	10,580
	17,346	16,771
Fair value of share-based compensation	**5,185**	4,425

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.

40. Financial Instruments

Financial risk management objectives and policies

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

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

The Group utilises foreign exchange contracts, foreign exchange swaps, interest rate swaps, interest rate options, 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 exposure to market risk for changes in interest rate environment relates mainly to its fixed deposits and debt obligations.

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.

At December 31, 2012, the Group had interest rate swaps with an aggregate notional amount of S$1,101,865,000 (2011: S$1,254,000,000), of which S$955,445,000 (2011: S$1,254,000,000) was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.74% to 4.35% (2011: 2.74% to 4.35%) per annum on the notional amount.

40. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

Sensitivity analysis

It is estimated that 100 basis points (bp) 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.

	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, 2012				
Variable rate financial instruments	16,536	(16,536)	63,404	(63,404)
December 31, 2011				
Variable rate financial instruments	12,157	(12,157)	75,297	(75,297)
Company				
December 31, 2012				
Variable rate financial instruments	2,823	(2,823)	–	–
December 31, 2011				
Variable rate financial instruments	4,020	(4,020)	–	–

Notes to the Financial Statements

40. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

ii. Foreign currency risk

The Group operates globally and is exposed to foreign currency exchange rate volatility primarily for Singapore dollar (SGD), United States dollar (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					
2012					
Financial assets					
Cash and cash equivalents	81,672	284,467	51,573	9,668	8,439
Trade and other receivables	13,786	747,718	16,186	138,432	60,727
Other financial assets	–	3,004	–	–	35,730
	95,458	1,035,189	67,759	148,100	104,896
Financial liabilities					
Trade and other payables	143,697	556,113	88,846	11,858	72,454
Interest-bearing borrowings	–	136,195	–	–	8,265
	14,3697	692,308	88,846	11,858	80,719
Net financial (liabilities) / assets	(48,239)	342,881	(21,087)	136,242	24,177
Less: Foreign exchange contract	–	(315,661)	–	(140,788)	4,013
Net currency exposure of financial (liabilities) / assets	(48,239)	(27,220)	(21,087)	(4,546)	28,190
Cash flow hedges for future dated transactions					
Foreign exchange forward contracts	83,851	(1,133,920)	22,873	–	4,818
Foreign exchange swap agreements	–	(29,623)	54,310	–	84,157
Fuel oil swap contracts	–	243,962	–	–	–
	83,851	(919,581)	77,183	–	88,975

40. Financial Instruments *(cont'd)*
a. Market risk *(cont'd)*

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

	SGD S$'000	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
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	(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

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

	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
Company				
2012				
Financial assets				
Cash and cash equivalents	12,965	–	7	–
Trade and other receivables	37,035	–	–	–
	50,000	–	7	–
Financial liabilities				
Trade and other payables	32,973	2,001	523	294
Net financial assets / (liabilities)	17,027	(2,001)	(516)	(294)
Cash flow hedges for future dated transactions				
Foreign exchange forward contracts	–	8,783	–	–

40. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
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)

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 2011.

	Group		Company	
	Equity S$'000	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000
2012				
SGD	3,131	(429)	–	–
USD	(60,767)	(4,753)	–	1,702
EURO	4,538	(191)	713	(200)
GBP	–	(455)	–	(52)
Others	10,252	(779)	–	(29)
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)

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.

40. 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 2012 S$'000	Group 2011 S$'000
Equity	**15,532**	13,291
Profit before tax	**4,504**	2

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 2011 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 as a result of fair value changes on cash flow hedges will be:

	Group 2012 S$'000	Group 2011 S$'000
Equity	**22,801**	19,989

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 2011 and assumes that all other variables remain constant.

40. 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	
	2012 Notional amount S$'000	2011 Notional amount S$'000
Fuel oil swap agreements	**270,083**	238,594

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	
	Note	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'000
By business activity					
Utilities		**922,838**	804,942	**125,086**	95,000
Marine		**494,899**	518,780	**–**	–
Urban Development		**42,795**	7,864	**–**	–
Others		**18,748**	25,629	**–**	–
		1,479,280	1,357,215	**125,086**	95,000
Loans and receivables					
Non-current	8	**366,594**	340,893	**–**	–
Current	15	**1,112,686**	1,016,322	**125,086**	95,000
		1,479,280	1,357,215	**125,086**	95,000

40. Financial Instruments *(cont'd)*

b. Credit risk *(cont'd)*

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

	Gross 2012 S$'000	Impairment 2012 S$'000	Gross 2011 S$'000	Impairment 2011 S$'000
Group				
Not past due	**933,313**	**333**	843,378	303
Past due 0 to 3 months	**103,638**	**1,375**	122,004	1,389
Past due 3 to 6 months	**21,059**	**2,417**	18,083	1,762
Past due 6 to 12 months	**25,412**	**7,246**	11,185	2,488
More than 1 year	**35,471**	**20,172**	31,960	18,143
	1,118,893	**31,543**	1,026,610	24,085
Company				
Not past due	**111,924**	**5**	87,022	–
Past due 0 to 3 months	**4,211**	**12**	7,001	–
Past due 3 to 6 months	**2,674**	**12**	437	–
Past due 6 to 12 months	**4,705**	**36**	295	–
More than 1 year	**163**	**110**	319	74
	123,677	**175**	95,074	74

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

	Group		Company	
	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'000
Balance at beginning of the year	**39,541**	46,268	**74**	408
Currency translation difference	**(807)**	(588)	**–**	–
Allowance made	**9,727**	4,648	**101**	–
Allowance utilised	**(7,926)**	(7,706)	**–**	(203)
Allowance written back	**(7,740)**	(3,081)	**–**	(131)
Balance at end of the year	**32,795**	39,541	**175**	74

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.

40. Financial Instruments *(cont'd)*

c. Liquidity risk

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

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

		Cash Flows			
	Carrying amount S$'000	Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2012					
Derivatives					
Derivative financial liabilities	177,706				
– inflow		589,194	545,422	43,772	–
– outflow		(769,151)	(584,202)	(159,113)	(25,836)
Derivative financial assets	(62,166)				
– inflow		1,951,341	1,308,015	643,326	–
– outflow		(1,889,175)	(1,266,506)	(622,669)	–
Non-derivative financial liabilities					
Trade and other payables*	2,833,072	(2,854,684)	(2,794,796)	(26,570)	(33,318)
Interest-bearing borrowings	2,319,846	(2,858,472)	(181,815)	(1,193,460)	(1,483,197)
	5,268,458	(5,830,947)	(2,973,882)	(1,314,714)	(1,542,351)

* 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					
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)

40. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

		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
Company					
2012					
Trade and other payables*	879,851	(927,083)	(590,409)	(227,979)	(108,695)
Interest-bearing borrowings	154	(161)	(106)	(55)	–
	880,005	(927,244)	(590,515)	(228,034)	(108,695)
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)

* 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.

		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					
2012					
Derivative financial liabilities	175,577				
– inflow		336,260	292,488	43,772	–
– outflow		(514,068)	(329,119)	(159,113)	(25,836)
Derivative financial assets	(59,190)				
– inflow		1,651,235	1,007,909	643,326	–
– outflow		(1,592,045)	(969,376)	(622,669)	–
	(116,387)	(118,618)	1,902	(94,684)	(25,836)
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)

40. 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					
2012					
Derivative financial liabilities					
– inflow	177	8,606	8,606	–	–
– outflow	–	(8,783)	(8,783)	–	–
	177	(177)	(177)	–	–
2011					
Derivative financial liabilities					
– inflow	–	–	–	–	–
– outflow	–	–	–	–	–
	–	–	–	–	–

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.

40. 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 profit or loss upon settlement.

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.

40. Financial Instruments *(cont'd)*

e. Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2012. 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. The 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, 2012				
Available-for-sale financial assets	135,425	19,895	–	155,320
Financial assets at fair value through profit or loss	8	–	45,036	45,044
Derivative financial assets	–	62,166	–	62,166
	135,433	82,061	45,036	262,530
Derivative financial liabilities	–	(177,706)	–	(177,706)
	135,433	(95,645)	45,036	84,824
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)
Company				
At December 31, 2012				
Derivative financial liabilities	–	(177)	–	(177)
	–	(177)	–	(177)
At December 31, 2011				
Derivative financial liabilities	–	–	–	–
	–	–	–	–

40. Financial Instruments *(cont'd)*

e. Fair value hierarchy *(cont'd)*

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

	Fair value through profit or loss
	$'000
Group	
At January 1, 2012	–
Acquisition	44,380
Currency translation adjustments	(1,057)
Total gain recognised in profit or loss	1,713
At December 31, 2012	45,036

See Note 7 for details on the investment in equity shares designated at fair value through profit or loss.

Although the Group believes that its estimates of fair value are appropriate, the use of different assumption could lead to different measurement of fair value.

For fair value measurement in Level 3, changing one of the assumptions used to reasonably possible alternative assumption would have the following effect:

	Profit or loss	
	Favourable	(Unfavourable)
	$'000	$'000
Group		
December 31, 2012		
Fair value through profit or loss	26,311	(14,475)

The favourable and unfavourable effect of using reasonably possible alternative assumption has been calculated by recalibrating the model using alternative estimates of expected cash flows that might reasonably have been considered by a market participant for the purpose of pricing the instruments at the reporting date.

The fair value of the investment in equity shares is calculated by using expected cash flows and risk-adjusted discount rate based on weighted average cost of capital of the Group. Key input and assumption used in the model at December 31, 2012 include coal prices used in the forecasts provided by management to derive the expected cash flows.

Notes to the Financial Statements

40. 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, 2012									
Cash and cash equivalents	18	–	–	–	2,059,800	–	–	2,059,800	2,059,800
Trade receivables	9	–	–	–	577,123	–	–	577,123	577,123
Service concession receivables	8,15	–	–	–	255,416	–	–	255,416	255,416
Amounts due from related parties	11	–	–	–	200,779	–	–	200,779	200,779
Staff loans	8	–	–	–	83	–	–	83	83
Other receivables and deposits	16	–	–	–	438,927	–	–	438,927	438,927
Available-for-sale financial assets:									
– Equity shares	7	–	–	151,277	–	–	–	151,277	151,277
– Unit trusts and funds	7	–	–	4,121	–	–	–	4,121	4,121
Financial assets at fair value through profit or loss, on initial recognition									
– Forward foreign exchange contracts	7	853	–	–	–	–	–	853	853
– Equity shares	7	45,044	–	–	–	–	–	45,044	45,044
– Foreign exchange swap contracts	7	2,123	–	–	–	–	–	2,123	2,123
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	51,727	–	–	–	–	51,727	51,727
– Fuel oil swaps	7	–	7,463	–	–	–	–	7,463	7,463
		48,020	59,190	155,398	3,532,128	–	–	3,794,736	3,794,736
Trade payables	19	–	–	–	–	1,767,406	–	1,767,406	1,767,406
Amounts due to related parties*	21	–	–	–	–	133,985	–	133,985	133,985
Other payables*		–	–	–	–	890,248	–	890,248	890,248
Other long-term payables	26	–	–	–	–	53,971	–	53,971	53,971
Financial liabilities at fair value through profit or loss, on initial recognition									
– Forward foreign exchange contracts	23	6	–	–	–	–	–	6	6
– Foreign exchange swap contracts	23	2,123	–	–	–	–	–	2,123	2,123
Cash flow hedges:									
– Forward foreign exchange contracts	23	–	6,708	–	–	–	–	6,708	6,708
– Interest rate swaps	23	–	166,039	–	–	–	–	166,039	166,039
– Fuel oil swaps	23	–	2,830	–	–	–	–	2,830	2,830
Interest-bearing borrowings									
– Short-term borrowings	25	–	–	–	–	110,987	–	110,987	110,987
– Long-term borrowings	25	–	–	–	–	2,186,198	–	2,186,198	2,220,946
– Finance lease liabilities	25	–	–	–	–	–	22,661	22,661	22,668
		2,129	175,577	–	–	5,142,795	22,661	5,343,162	5,377,917

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

40. 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, 2011									
Cash and cash equivalents	18	–	–	–	2,995,478	–	–	2,995,478	2,995,478
Trade receivables	9	–	–	–	543,958	–	–	543,958	543,958
Service concession receivables	8,15	–	–	–	264,124	–	–	264,124	264,124
Finance lease receivables	10	–	–	–	10,832	–	–	10,832	10,832
Amounts due from related parties	11	–	–	–	104,914	–	–	104,914	104,914
Staff loans	8	–	–	–	92	–	–	92	92
Other receivables and deposits	16	–	–	–	433,295	–	–	433,295	433,295
Available-for-sale financial assets:									
– Equity shares	7	–	–	131,607	–	–	–	131,607	131,607
– Unit trusts and funds	7	–	–	1,300	–	–	–	1,300	1,300
Financial assets at fair value through profit or loss, on initial recognition									
– Forward foreign exchange contracts	7	330	–	–	–	–	–	330	330
– Equity shares	7	17	–	–	–	–	–	17	17
– Interest rate swaps	7	11,412	–	–	–	–	–	11,412	11,412
– Foreign exchange swap contracts	7	3,914	–	–	–	–	–	3,914	3,914
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	8,727	–	–	–	–	8,727	8,727
– Fuel oil swaps	7	–	4,518	–	–	–	–	4,518	4,518
		15,673	13,245	132,907	4,352,693	–	–	4,514,518	4,514,518
Trade payables	19	–	–	–	–	1,888,872	–	1,888,872	1,888,872
Amounts due to related parties*	21	–	–	–	–	146,249	–	146,249	146,249
Other payables*		–	–	–	–	765,354	–	765,354	765,354
Other long-term payables	26	–	–	–	–	21,638	–	21,638	21,638
Financial liabilities at fair value through profit or loss, on initial recognition									
– Interest rate swaps	23	11,412	–	–	–	–	–	11,412	11,412
– Forward foreign exchange contracts	23	67	–	–	–	–	–	67	67
– Foreign exchange swap contracts	23	4,359	–	–	–	–	–	4,359	4,359
Cash flow hedges:									
– Forward foreign exchange contracts	23	–	22,440	–	–	–	–	22,440	22,440
– Interest rate swaps	23	–	169,274	–	–	–	–	169,274	169,274
– Fuel oil swaps	23	–	2,282	–	–	–	–	2,282	2,282
Interest-bearing borrowings									
– Short-term borrowings	25	–	–	–	–	183,418	–	183,418	183,418
– Long-term borrowings	25	–	–	–	–	1,849,252	–	1,849,252	1,874,308
– Finance lease liabilities	25	–	–	–	–	–	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.

40. Financial Instruments *(cont'd)*

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

	Note	Fair value – hedging instruments 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, 2012							
Cash and cash equivalents	18	–	524,601	–	–	524,601	524,601
Trade receivables	9	–	30,779	–	–	30,779	30,779
Amounts due from related parties	11	–	18,247	–	–	18,247	18,247
Other receivables and deposits	16	–	76,060	–	–	76,060	76,060
		–	649,687	–	–	649,687	649,687
Trade payables	19	–	–	2,429	–	2,429	2,429
Amounts due to related parties	21	–	–	670,045	–	670,045	670,045
Other payables*		–	–	207,377	–	207,377	207,377
Interest-bearing borrowings							
– Finance lease liabilities	25	–	–	–	154	154	161
Cash flow hedges							
– Forward foreign exchange contracts	23	177	–	–	–	177	177
		177	–	879,851	154	880,182	880,189
December 31, 2011							
Cash and cash equivalents	18	–	629,074	–	–	629,074	629,074
Trade receivables	9	–	33,686	–	–	33,686	33,686
Amounts due from related parties	11	–	9,075	–	–	9,075	9,075
Other receivables and deposits	16	–	52,239	–	–	52,239	52,239
		–	724,074	–	–	724,074	724,074
Trade payables	19	–	–	2,872	–	2,872	2,872
Amounts due to related parties	21	–	–	695,920	–	695,920	695,920
Other payables*		–	–	124,982	–	124,982	124,982
Interest-bearing borrowings							
– Finance lease liabilities	25	–	–	–	250	250	269
		–	–	823,774	250	824,024	824,043

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

Notes to the Financial Statements

40. Financial Instruments *(cont'd)*

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 gearing ratio of 0.07 as at December 31, 2012 (2011: 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.

41. Contingent Liabilities (Unsecured)

	Group	
	2012	**2011**
	S$'000	**S$'000**
Guarantees given to banks to secure banking facilities provided to:		
– Associates	**27,643**	28,713
– Joint venture	**559,203**	595,323
– Others	**125,242**	26,261
Performance guarantees to external party	**17,099**	–
Performance guarantees granted for contracts awarded to the Group	**36,645**	717

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 2014.

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

Company

a. The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, Sembcorp Financial Services Pte Ltd. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Estimates of the Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S$2,889 million (2011: S$3,158 million), which includes S$855 million (2011: S$806 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2012	**2011**
	S$'000	**S$'000**
Less than 1 year	**23,560**	106,218
Between 1 to 5 years	**506,440**	200,000
More than 5 years	**690,000**	1,020,000
	1,220,000	1,326,218

b. The Company has provided corporate guarantees of S$83.2 million (2011: S$64.8 million) 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, 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 in 2010 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.

42. Commitments

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

	Group	
	2012	2011
	S$'000	S$'000
Commitments in respect of contracts placed	**476,618**	855,814
Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments	**306,881**	261,225
	783,499	1,117,039

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	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'000
Lease payments due:				
Within 1 year	**34,714**	31,344	**9,060**	8,294
Between 1 and 5 years	**101,784**	90,306	**30,863**	31,720
After 5 years	**390,730**	372,749	**64,704**	54,153
	527,228	494,399	**104,627**	94,167

On January 15, 1999, SembGas entered into a long-term Gas Sales Agreement to purchase 2,625,000 BBtu (Billion British thermal units) of 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 an additional tranche of 90 BBtu per day of 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	
	2012	2011
	S$'000	S$'000
Lease receivable:		
Within 1 year	**10,460**	3,408
Between 1 and 5 years	**14,084**	2,612
	24,544	6,020

43. 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, on-site logistics and solid waste management to industrial and municipal customers. 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 principally on providing integrated solutions in the repair, building and conversion of ships and rigs, and offshore engineering and construction.

iii. The Urban Development (formally known as Integrated Urban Development) segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space 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 ASEAN, Australia & India, 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.

43. Segment Reporting *(cont'd)*

a. Operating Segments *(cont'd)*

	Utilities S$'000	Marine S$'000	Urban Development S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2012						
Turnover						
External sales	5,615,449	4,428,011	11,605	133,993	–	10,189,058
Inter-segment sales	48,886	2,112	4,018	44,727	(99,743)	–
Total	5,664,335	4,430,123	15,623	178,720	(99,743)	10,189,058
Results						
Segment results	534,666	554,773	6,271	7,240	–	1,102,950
Finance income	5,776	21,439	189	47,981	(46,833)	28,552
Finance costs	(130,841)	(3,262)	(563)	(52,164)	46,833	(139,997)
	409,601	572,950	5,897	3,057	–	991,505
Share of results of associates and joint ventures	71,967	44,001	37,695	9,588	–	163,251
	481,568	616,951	43,592	12,645	–	1,154,756
Tax (expense) / credit	(71,726)	(49,717)	1,408	(1,663)	–	(121,698)
Non-controlling interests	(35,201)	(240,523)	(3,885)	(166)	–	(279,775)
Profit for the year	374,641	326,711	41,115	10,816	–	753,283
Assets						
Segment assets	6,041,185	5,368,451	192,761	1,632,196	(1,919,256)	11,315,337
Interests in associates and joint ventures	436,553	433,303	563,768	71,985	–	1,505,609
Tax assets	59,752	2,471	1,560	126	–	63,909
Total assets	6,537,490	5,804,225	758,089	1,704,307	(1,919,256)	12,884,855
Liabilities						
Segment liabilities	4,048,842	3,008,683	137,621	1,320,642	(1,919,256)	6,596,532
Tax liabilities	392,449	229,054	8,519	13,874	–	643,896
Total liabilities	4,441,291	3,237,737	146,140	1,334,516	(1,919,256)	7,240,428
Capital expenditure	777,069	535,980	28	2,853	–	1,315,930
Significant non-cash items						
Depreciation and amortisation	180,696	94,415	1,459	5,050	–	281,620
Allowance made for impairment in value of assets and assets written off (net)	17,150	464	153	–	–	17,767

43. Segment Reporting *(cont'd)*

a. Operating Segments *(cont'd)*

	Utilities S$'000	Marine S$'000	Urban Development S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'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
Finance 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 and joint ventures	65,133	53,275	46,385	5,780	–	170,573
	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 and joint ventures	404,512	395,951	478,860	65,377	–	1,344,700
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
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
Allowance made for impairment in value of assets and assets written off (net)	17,143	930	(166)	15	–	17,922

Notes to the Financial Statements

43. Segment Reporting *(cont'd)*

b. Geographical Segments

	Singapore S$'000	China S$'000	Rest of ASEAN, Australia & India S$'000	Middle East & Africa S$'000	UK S$'000	Rest of Europe S$'000	Others S$'000	Consolidated S$'000
2012								
Revenue from external customers	5,212,045	100,454	907,890	764,446	551,625	1,255,674	1,396,924	10,189,058
Total assets	8,463,743	1,226,366	744,247	1,383,619	825,746	127	241,007	12,884,855
Non-current assets	3,697,617	1,142,668	677,983	1,190,209	777,594	–	204,037	7,690,108
Capital expenditure	952,892	50,883	38,928	185,175	38,705	–	49,347	1,315,930
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	7,546,508	947,856	800,370	1,259,582	988,369	37	209,903	11,752,625
Non-current assets	2,743,114	885,639	756,092	1,151,478	818,420	–	180,821	6,535,564
Capital expenditure	638,309	23,606	16,132	351,118	39,824	–	22,903	1,091,892

44. Significant Accounting Estimates and Judgements

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

Key sources of estimation uncertainty

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

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the 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 12.

44. 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. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. 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. The tax expense is disclosed in Note 32.

c. Pension assumptions

The Group has decided on certain principal actuarial assumptions, as detailed in Note 24, 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 3. 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. Movements in provisions and disclosure of contingent liabilities are detailed in Note 20 and Note 41 respectively.

44. 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. Revenue from construction contract, ship and rig repair, building and conversion is disclosed in Note 30.

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. The carrying amounts of trade receivables, amounts due from related parties and other receivables are disclosed in Note 9, Note 11 and Note 16 respectively.

45. Subsequent Events

Subsequent to year end, the Group has increased its shareholding in Sembcorp Utilities (Netherlands) N.V. (SUNNV), from 98.49% to 100% following the completion of squeeze-out proceedings under the Dutch Civil Code. The Group paid a consideration of US$10.13 per share as set by the court order on the remaining 465,870 shares to the Dutch Ministry of Finance on January 11, 2013 and SUNNV became a wholly-owned subsidiary of the Group.

46. 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, 2013 or later periods and which the Group has not early adopted:

Applicable for the Group's 2013 financial statements

Amendments to FRS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* requires items of other comprehensive income that would be reclassified to profit or loss in the future to be presented separately from those that would never be reclassified to profit or loss. Consequently, where these items are presented before their related tax effects, the aggregated tax amount would also have to be allocated between these sections.

FRS 19 *Employee Benefits* (revised 2011), which revises certain principles of the current FRS 19, including the elimination of the option to defer recognition of re-measurement gains and losses for defined benefit plans and requiring these re-measurements to be presented in other comprehensive income. The standard also requires a re-assessment of the basis used for determining the income and expense related to defined benefit plans. In addition, there are changes to the definition of employee benefits as short-term or other long-term employee benefits. 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.

FRS 113 *Fair Value Measurement* provides consistent guidance across FRSs on how fair value should be determined and which disclosures should be made in the financial statements. The adoption of this standard will require the Group to re-assess the bases used for determining the fair values computed for both measurement and disclosure purposes. On initial application of the standard, the Group does not expect substantial changes to the bases used for determining fair values.

Applicable for the Group's 2014 financial statements

FRS 110 *Consolidated Financial Statements* replaces all of the guidance on control and consolidation in FRS 27 "Consolidated and Separate Financial Statements" and INT FRS 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of FRS 110 and intends to apply the standard from January 1, 2014.

FRS 111 *Joint Arrangements* introduces a number of changes. The "types" of joint arrangements have been reduced to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated and equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations currently. The Group has yet to assess the full impact of FRS 111 and intends to adopt the standard from January 1, 2014.

FRS 112 *Disclosure of Interests in Other Entities* requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities. The Group has yet to assess the full impact of FRS 112 and intends to adopt the standard from January 1, 2014.

47. Subsidiaries

Details of significant subsidiaries are as follows:

Name of significant subsidiaries	Country of incorporation	Effective equity held by the Group 2012 %	Effective equity held by the Group 2011 %
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]	The Netherlands	**98.49**	97.66
Sembcorp Bournemouth Water Limited [2]	United Kingdom	**98.49**	97.66
Sembcorp Environment Pte. Ltd. [1]	Singapore	**100**	100
SembWaste Pte Ltd [1]	Singapore	**100**	100
Sembcorp Investments (UK) Limited [2]	United Kingdom	**98.49**	97.66
Sembcorp Utilities (South Africa) Pty Limited [2]	South Africa	**98.49**	97.66
Sembcorp Silulumanzi (Pty) Limited [2]	South Africa	**98.49**	97.66
The China Water Company Limited [3]	Cayman Islands	**98.69**	97.96
Marine			
Sembcorp Marine Ltd [1]	Singapore	**60.61**	60.76
Jurong Shipyard Pte Ltd [1]	Singapore	**60.61**	60.76
PPL Shipyard Pte Ltd [1]	Singapore	**51.52**	51.65
Sembawang Shipyard Pte Ltd [1]	Singapore	**60.61**	60.76
SMOE Pte Ltd [1]	Singapore	**60.61**	60.76
Urban Development			
Sembcorp Development Ltd [1]	Singapore	**100**	100
Vietnam Singapore Industrial Park Pte Ltd [1]	Singapore	**92.88**	79.29
Singapore Technologies Industrial Corp Ltd [1]	Singapore	**100**	100
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.
3. Audited by Shu Lun Pan Certified Public Accountants Co., Ltd.

48. Associates and Joint Ventures

Details of significant associates and joint ventures are as follows:

			Effective equity held by the Group	
		Country of	2012	2011
	Name of significant associates and joint ventures	incorporation	%	%
	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**	49.00
	Marine			
##	COSCO Shipyard Group	People's Republic of China	**18.18**	18.23
	Urban Development			
@@	Gallant Venture Ltd	Singapore	**23.92**	23.92
^^	Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	**47.37**	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
##	Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	People's Republic of China	**25.00**	–

The auditors of significant associates and joint ventures are as follows:

^ Audited by Ernst & Young Vietnam Limited.

Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company.

@ Audited by Shenzhen Dahua Tiancheng Certified Public Accountants.

* Audited by Ernst & Young LLP.

^^ Audited by overseas affiliates of KPMG 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 Jiangsu GongZheng Tain Ye Certified Public Accountant Co., Ltd, China.

*** Audited by Ernst & Young, Abu Dhabi.

See Note 6 for details on pledge on the Company's interests in its associate and joint venture.