Powering the Future

sembcorp

Sembcorp Industries Annual Report 2012

Contents

Sembcorp powers the future, providing innovative solutions to the challenges our world is facing. With strong positions in key markets across six continents, our businesses meet the growing demand for energy, water and other essential needs. Backed by solid growth platforms and a capable and committed team, Sembcorp is well-positioned to power growth and deliver value well into the future.

The Right Businesses

At Sembcorp, we believe that we are in the right businesses – businesses that meet growing needs of the future and provide innovative solutions to the challenges our world is facing. Our *Utilities* business provides energy and water for industry and communities, supporting industrialisation and enhancing quality of life. Our *Marine* business serves the needs of major oil and gas players and ship operators with a comprehensive range of integrated solutions, while our *Urban Development* business supports sustainable development and provides the economic engine to drive investments into emerging markets.


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


Sembcorp Marine's Jurong Shipyard in Singapore


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

Solid Platforms for Growth

With an established track record and global operations spanning six continents, we are building solid platforms for growth. We have a healthy pipeline of energy and water projects, strong marine orderbook and sizeable urban development landbank. We are well-positioned in emerging markets with attractive growth opportunities, and constantly work at sharpening our competitive edge and enhancing the value of our businesses through innovation.

Sembcorp's multi-utilities facilities on Jurong Island, Singapore

Sembcorp's combined power and desalination facility in Salalah, Oman

Sembcorp Marine's Integrated New Yard Facility in Singapore is expected to be operational in 2013

A Strong Team

At Sembcorp, our ability to deliver outstanding performance well into the future depends on the commitment and expertise of our employees. With a keen understanding of our customers' needs, our team of talented employees around the world leverages the integrated strength and expertise of the Sembcorp Group to deliver essential solutions to our customers and sustainable value to our shareholders.

The Sembcorp team on Jurong Island, Singapore

The Sembcorp team in China

The Sembcorp team in Salalah, Oman

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

Letter to Shareholders

Sembcorp's Utilities business has a solid track record as a developer, owner and operator of energy and water assets. Our Marine business is a global leader in marine and offshore facilities while our Urban Development business has established a strong reputation in Asia's emerging growth markets for its expertise in developing, marketing and managing large-scale urban developments.

Dear Shareholders,

In a year marked by considerable global economic uncertainty, Sembcorp delivered a satisfactory set of results. For 2012, our net profit was S$753.3 million compared to S$809.3 million in 2011, while turnover was S$10.2 billion compared to S$9.0 billion in the previous year. The Utilities and Marine businesses continued to be our main profit contributors, accounting for 48% and 42% of Group net profit respectively. Our Utilities business delivered excellent growth to become our largest profit contributor, with net profit growing 23% to S$374.6 million. Meanwhile, our Marine business contributed S$326.7 million in net profit compared to S$456.2 million in 2011 and our Urban Development business recorded a net profit of S$41.1 million compared to S$38.7 million in the previous year.

The Group's return on equity was 17.5%, and our earnings per share amounted to 42.2 cents. Economic value added was a positive S$620.7 million, while cash and cash equivalents stood at S$2.1 billion.

For 2012, we are pleased to inform you that the Board of Directors is proposing a final tax exempt one-tier dividend of 15.0 cents per ordinary share.

Strong Businesses to Support Long-term Growth

Sembcorp's Utilities business has a solid track record as a developer, owner and operator of energy and water assets. Our Marine business is a global leader in marine and offshore facilities while our Urban Development business has established a strong reputation in Asia's emerging growth markets for its expertise in developing, marketing and managing large-scale urban developments. This balanced portfolio of businesses provides the Group with resilience as well as the ability to deliver value to our shareholders and growth in the long term. During the year, we continued to focus on strengthening these key businesses and positioning them for the future.

Our *Utilities* business turned in a stellar performance for the year, registering record profits and demonstrating the success of our growth strategy. Operations in Singapore delivered strong profit growth mainly due to additional gas sales following the delivery of a further 90 billion British thermal units per day of natural gas imported from Indonesia's West Natuna Sea starting November 2011. While Singapore operations remained the

Letter to Shareholders

In 2012, we continued to focus on building platforms for the business' future growth. We achieved significant milestones in the execution and development of our pipeline of projects and actively broadened our asset portfolio for greater recurring income.

business' largest profit contributor, contributions from our overseas operations also grew with operations in China, Vietnam, Australia and the Middle East delivering an improved performance over 2011.

In 2012, we continued to focus on building platforms for the business' future growth. In Singapore and key target emerging markets, we achieved significant milestones in the execution and development of our pipeline of projects and actively broadened our asset portfolio for greater recurring income.

In Singapore, we commenced operations to serve customers in the emerging Banyan, Angsana and Tembusu growth areas of the Jurong Island petrochemical hub with the start-up of a new 9,600 cubic metres per day industrial wastewater treatment plant. Capable of treating multiple streams of complex industrial wastewater, the plant doubles our industrial wastewater treatment capacity in Singapore. This facility, along with an upcoming multi-utilities facility and 400-megawatt cogeneration plant, is set to extend our successful utilities offering to Jurong Island's new growth wing and also strengthen our position as a global leader in the provision of energy, water and on-site logistics to industrial sites.

In Oman, we successfully completed the US$1 billion Salalah Independent Water and Power Plant, which commenced full commercial operation in May 2012. Our second project in the Middle East, the plant is set to play a major role in meeting growing power and water needs in southern Oman as the largest and most energy-efficient facility in the Governorate of Dhofar. Capable of producing 490 megawatts of power and 15 million gallons (approximately 69,000 cubic metres) of desalinated water per day, the facility provides power and water to the Oman Power and Water Procurement Company under a 15-year long-term supply agreement.

In India, construction of our upcoming 1,320-megawatt power project in Andhra Pradesh continued to progress well. Set to begin commercial operation in the second half of 2014, the upcoming S$1.9 billion facility will help support India's rapid development by serving its fast-growing power demand. It will employ supercritical technology which allows for enhanced efficiency and reduced emissions of carbon dioxide and other pollutants.

Meanwhile, we took steps to expand our recurring income base and build on the healthy growth of our business in China, establishing a presence for our Utilities business in two new locations during the year. In Qidong in Jiangsu, we announced plans to build, own and operate an industrial wastewater treatment plant to serve a new industrial park in the Qidong Lvsi Port Economic Development Zone. Meanwhile in Fushun in Liaoning, we will be developing centralised utilities facilities in the Fushun Petrochemical and Fine Chemical Park. Comprising a service corridor network as well as facilities for industrial water treatment and industrial water and firewater supply, these facilities will serve customers in what is set to be the largest integrated refining and petrochemical base in northeastern China. During the year, we also successfully acquired four wind power assets in Inner Mongolia and Hebei, as well as a coal-fired power plant in Shanxi for US$85.5 million. These new assets will strengthen our business in China, a key growth market where our Utilities footprint now spans 22 operations across 11 provinces.

As a responsible energy player, Sembcorp aims to have a portfolio of assets with a diversified fuel mix, including a growing component of low carbon generation capacity. In line with this strategy, we achieved significant milestones in 2012 towards the growth of our renewable energy capabilities. In Singapore, we opened our first energy-from-waste facility on Jurong Island with a woodchip boiler capable of producing 20 tonnes per hour of steam and are in the process of expanding the facility by a further 40 tonnes per hour. Leveraging synergies between our energy and solid waste management businesses, this facility will offer a sustainable and economical source of energy to our customers and enhance our competitiveness on the petrochemical hub. Meanwhile in China, we added wind energy to our global renewable energy portfolio following our acquisition of the wind power assets in Inner Mongolia and Hebei. With a combined gross power capacity of 248 megawatts, these wind power facilities will provide a platform to accelerate our growth in the renewable energy sector and in China, the largest wind power market in the world. With these strategic investments, our renewable energy capacity in operation and under development around the world now represents around 5% of our total power portfolio.

Amidst the volatile global economic environment and a competitive market, our *Marine* business delivered satisfactory results underpinned by its rig building, ship conversion and offshore and ship repair operations. The business achieved a record net orderbook of S$13.6 billion as at February 21, 2013, with completions and deliveries stretching to 2019. This includes S$11.9 billion in contract orders secured from the start of 2012 to date, excluding ship repair contracts.

During the year, the business continued to lay the foundations for its long-term growth. Strengthening its leadership in the growing market for ultra-deepwater solutions, our Marine business successfully expanded its product offering, securing orders for new products including a US$385.5 million semi-submersible well intervention rig from Helix Energy Solutions, a US$568 million harsh-environment semi-submersible rig from North Atlantic Drilling and a second unit of harsh-environment accommodation semi-submersible rig worth US$295.2 million from Prosafe. In 2012, our

Marine business also successfully broke into the high-specification drillship market, securing orders for the construction of seven new drillships worth over US$5.6 billion for Sete Brasil. Scheduled for deliveries between 2015 to 2019, the drillships will be among the first to be built in Brazil to cater to oil and gas discoveries in the offshore giant pre-salt fields of the Santos Basin. They will be built based on our proprietary Jurong Espadon design, which represents the next generation of high-specification drillships with state-of-the-art capabilities for efficient operation in ultra-deepwater conditions. With the strong demand for these units, Sembcorp's Marine business is poised to become a leading builder of drillships in Brazil and a strategic partner in the country's ambitious drillship programme for its deepwater oil fields.

In 2012, the business made progress in the strengthening of its global network of shipyards. Construction of our Integrated New Yard Facility in Singapore's Tuas View Extension remains on track, with the 73.3-hectare first phase due to become fully operational in the second half of 2013. In addition, we acquired a 34.5-hectare site for the second phase development of the yard. Located adjacent to the new yard facility's upcoming first phase, this second phase will be developed in stages over a period of four to five years. Meanwhile, Sembcorp Marine's wholly-owned shipyard Estaleiro Jurong Aracruz in Brazil remains on track to be fully completed by end 2014.

In December 2012, a jack-up rig under construction at our Marine business' Jurong Shipyard in Singapore tilted. At the time of the incident, the company acted quickly, successfully evacuating all workers off the rig in around 20 minutes and ensuring all were accounted for within an hour. In mid-January 2013, the tilted rig was successfully restored to an upright position and this was followed by the resumption of work on the rig at the end of the month. There were no fatalities or serious injuries. Safety is of the utmost importance to us, and we are fully committed to strengthening our businesses' safety provisions and ability to respond to emergencies.

In 2012, our *Urban Development* business performed well despite challenging global economic conditions. The business sold a total of 158 hectares of land in Vietnam and China during the year and received commitments from customers for a further 167 hectares of land, bringing the total commitment as at year-end to 236 hectares.

During the year, the business took major steps to position itself for growth and expand its landbank. It increased its total gross project size in Vietnam, China and Indonesia by more than 40% with new projects in these key emerging markets. In Vietnam, the business launched its fifth Vietnam Singapore Industrial Park (VSIP) project, a 1,120-hectare urban development in Quang Ngai, following government issuance of the investment licence. VSIP Quang Ngai is set to build on the success of our first four VSIP projects and expand the reach of our brand in Vietnam. In China, we broke ground for our newest project in the country, the Singapore-Sichuan Hi-tech Innovation Park.

At Sembcorp, we believe that we are in the right businesses, businesses that power the future, providing solutions that are essential to support the world's development.

Spanning 1,000 hectares and targeting modern, innovative and knowledge-intensive industries, the project is set to become a vibrant mixed-use work-live development encompassing industrial, commercial and residential space. The project is strategically located within the central business district of Tianfu New City and is part of a newly established national-level economic development zone in Chengdu, one of the cities identified by the government to spearhead development in western China. Meanwhile, in Indonesia, we formed a joint venture with a wholly-owned subsidiary of PT Kawasan Industri Jababeka for a new urban development. The 860-hectare project will be located along the Jakarta-Semarang-Surabaya Economic Corridor in Kendal Regency, Central Java.

Our Urban Development business now has a portfolio of projects totalling more than 10,257 hectares in gross project size. With continued urbanisation and industrialisation in emerging markets, the demand for industrial, commercial and residential space is set to grow. With the ability to deliver the economic engine to support industrialisation through attracting local and international investments to its urban developments, Sembcorp is a valued partner to governments. Together with our strong track record in the development of raw land, including land preparation and infrastructure development, as well as our ability to extract further value from our landbank through selective commercial and residential development, we believe our Urban Development business is in a good position to grow to become a third pillar to support Sembcorp's growth, alongside our Utilities and Marine businesses.

Powering the Future

At Sembcorp, we believe that we are in the right businesses, businesses that power the future, providing solutions that are essential to support the world's development. Our businesses operate in some of the world's fastest growing markets, where urbanisation and industrialisation drive demand for our solutions. From growing energy needs and increasing water scarcity to the varied demands of international oil and gas players, as well as the pressing challenges of urbanisation, Sembcorp helps to address issues foremost on the minds of companies and governments today. Strategically positioned in emerging growth markets, we are building strong platforms for growth with a healthy pipeline of energy and water projects, a strong marine orderbook and a sizeable urban development landbank.

We also recognise the importance of technology and innovation in enabling us to provide solutions that meet the needs of the future and in maintaining our relevance and competitiveness. In 2012, we continued to invest in

Underpinning Sembcorp's businesses is a commitment to long-term sustainability. We aim to generate lasting value for all our stakeholders. This means seeking opportunities to increase our competitiveness through addressing our sustainability impacts and by better meeting society's needs and expectations.

strengthening our technological edge, announcing the development of a new technology and innovation centre comprising laboratories and applied research and development facilities. Targeted for completion in the second half of 2013, the centre will house Sembcorp researchers and engineers who will provide technological support for our global utilities operations, as well as develop innovative processes and run test-beds for relevant emerging technologies aimed at further enhancing efficiency, cost and environmental performance.

Underpinning Sembcorp's businesses is a commitment to long-term sustainability. We aim to generate lasting value for all our stakeholders. This means seeking opportunities to increase our competitiveness through addressing our sustainability impacts and by better meeting society's needs and expectations. As we strive for excellence and continuous improvement in identifying, understanding and responding to changing economic, social and environmental challenges facing our businesses today, we have evolved our approach to focus our sustainability agenda on issues of the greatest significance to our businesses and our stakeholders. We have also aligned our reporting with this approach and the Global Reporting Initiative G3.1 Level B sustainability report within this annual report is now centred on these material issues. We believe that this approach will serve to drive progress, performance and transparency as we play our part in contributing to a sustainable future.

A Note of Welcome and of Thanks

We would like to take this opportunity to extend a warm welcome to Dr Teh Kok Peng, who joined our board as an independent director on October 15, 2012. He brings to the board a wealth of valuable experience, including a distinguished background in finance, international economics and private equity, as well as many years of investment experience in China, a key target market for the Group.

We would also like to thank Low Sin Leng, who retired on December 31, 2012, for her significant contributions to Sembcorp. A key executive of the Group, Sin Leng played a critical role in driving the growth of the Urban Development business as Executive Chairman of Sembcorp Development. She is succeeded as head of the business by Kelvin Teo, previously its President and COO. We have every confidence that Kelvin will build on the success of our Urban Development business and take it to even greater heights.

As a company, much of the credit for our success is due to our dedicated employees. With their keen understanding of our customers' needs, Sembcorp's talented employees around the world leverage the strength and expertise of our entire Group to deliver essential solutions to our customers and sustainable value to our shareholders. We would like to thank them for their passion and hard work, and also you, our shareholders, for your continued confidence in Sembcorp. With your support and driven by the commitment and expertise of the Sembcorp team, we believe that the company is well-positioned to power growth and deliver value well into the future.

Ang Kong Hua
Chairman
February 26, 2013

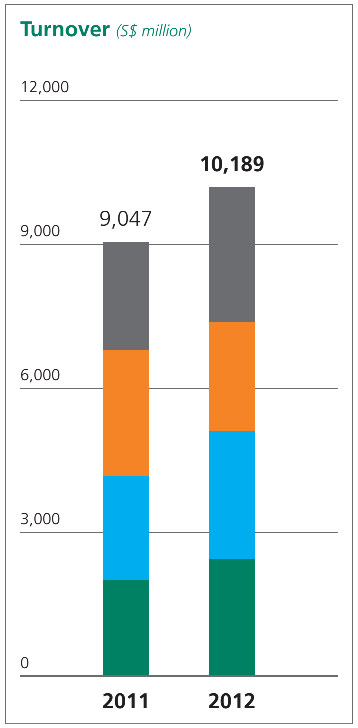
Tang Kin Fei
Group President & CEO
February 26, 2013

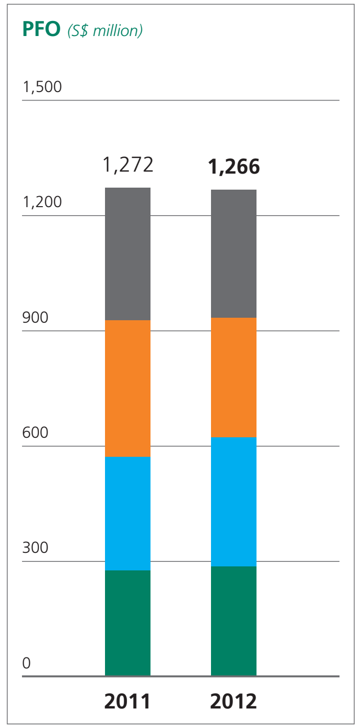
Group Financial Highlights

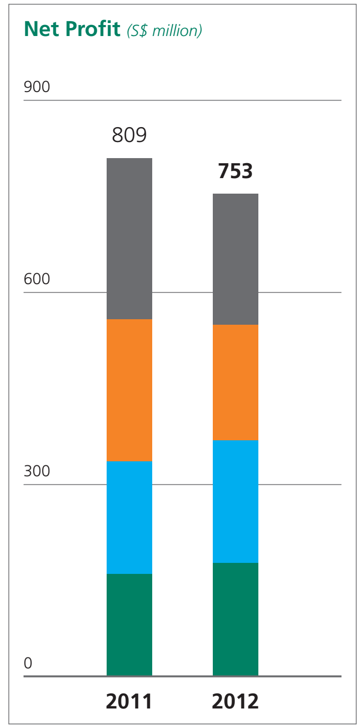
	2012	2011	Change (%)
For The Year *(S$ million)*			
Turnover	**10,189**	9,047	13
Earnings before interest, tax, depreciation and amortisation	**1,385**	1,336	4
Profit from operations	**1,266**	1,272	–
– Earnings before interest and tax	**1,103**	1,101	–
– Share of results: Associates & JVs, net of tax	**163**	171	(4)
Profit before tax	**1,155**	1,271	(9)
Net profit	**753**	809	(7)
Capital expenditure and equity investment	**1,519**	1,290	18
At Year End *(S$ million)*			
Owners' funds	**4,503**	4,115	9
Total assets	**12,885**	11,753	10
Net debt / (cash)	**388**	(811)	NM
Operating cash flow	**620**	913	(32)
Free cash flow	**689**	866	(20)
Per Share			
Earnings *(cents)*	**42.17**	45.32	(7)
Net assets *(S$)*	**2.52**	2.31	9
Net ordinary dividends (including bonus dividends) *(cents)*	**15.00**	17.00	(12)
Financial Ratios			
Return on equity *(%)*	**17.5**	20.4	(14)
Return on total assets *(%)*	**9.5**	10.7	(11)
Interest cover *(times)*	**9.9**	20.3	(51)
Net gearing *(times)*	**0.07**	Net cash	NM
Economic value added *(S$ million)*	**621**	728	(15)

Group Quarterly Performance *(S$ million)*

	2012 1Q	2012 2Q	2012 3Q	2012 4Q	2012 Total	2011 1Q	2011 2Q	2011 3Q	2011 4Q	2011 Total
Turnover	**2,432**	**2,668**	**2,274**	**2,815**	**10,189**	2,003	2,166	2,632	2,246	9,047
Earnings before interest, tax, depreciation and amortisation	**311**	**365**	**337**	**372**	**1,385**	297	309	362	368	1,336
Profit from operations	**286**	**336**	**310**	**334**	**1,266**	275	296	355	346	1,272
– Earnings before interest and tax	**248**	**298**	**265**	**292**	**1,103**	240	253	304	304	1,101
– Share of results: Associates & JVs, net of tax	**38**	**38**	**45**	**42**	**163**	35	43	51	42	171
Profit before tax	**276**	**318**	**273**	**288**	**1,155**	262	283	384	342	1,271
Net profit	**177**	**191**	**181**	**204**	**753**	160	175	222	252	809
Earnings per share *(cents)*	**9.90**	**10.67**	**10.14**	**11.46**	**42.17**	8.95	9.80	12.45	14.12	45.32







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

Five-year Performance Profile

2012

Sembcorp reported a net profit of S$753.3 million for the full year 2012, compared to S$809.3 million in 2011. Turnover grew 13% to S$10.2 billion from S$9.0 billion in the previous year.

In 2012, our Utilities business achieved record profits of S$374.6 million, growing 23% from S$304.4 million in 2011. This was due to better performance from our Singapore operations, attributable to additional gas sales during the year.

Our Marine business contributed S$326.7 million in net profit for the year. The business achieved a record net orderbook of S$13.6 billion as at February 2013, with completion and deliveries stretching into 2019.

Earnings per share for the Group amounted to 42.2 cents for the year and return on equity was a healthy 17.5%.

2011

Sembcorp delivered a strong performance in 2011. Net profit for the full year grew 2% from S$792.9 million in 2010 to S$809.3 million, while turnover was up 3% from S$8.8 billion in the previous year to S$9.0 billion.

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

2010

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

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

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

2009

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

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

2008

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

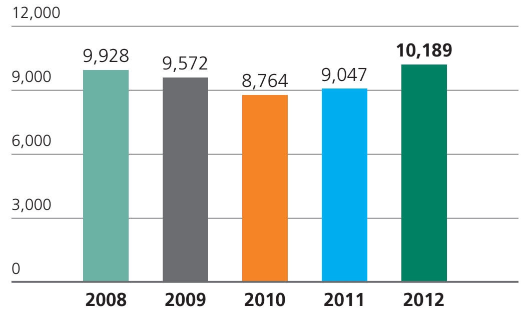
The Marine business' contribution to net profit rose 75% to S$263.7 million, mainly due to higher revenue and operating margins from its rig building and ship repair businesses. The Utilities business' net profit stood at S$202.4 million mainly due to contributions from our Singapore and UK operations.

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

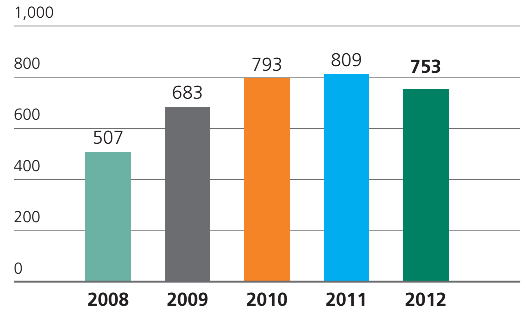
	2012	**2011**	**2010**	**2009**	**2008**
For The Year *(S$ million)*					
Turnover	**10,189**	9,047	8,764	9,572	9,928
Earnings before interest, tax, depreciation and amortisation	**1,385**	1,336	1,478	1,316	940
Profit from operations	**1,266**	1,272	1,396	1,225	871
– Earnings before interest and tax	**1,103**	1,101	1,236	1,116	745
– Share of results: Associates & JVs, net of tax	**163**	171	160	109	126
Profit before tax	**1,155**	1,271	1,367	1,218	862
Net profit	**753**	809	793	683	507
At Year End *(S$ million)*					
Property, plant and equipment and investment properties	**5,180**	4,273	3,463	2,721	2,525
Other non-current assets	**2,510**	2,263	2,064	1,616	1,372
Net current assets	**1,028**	1,520	1,900	1,061	374
Non-current liabilities	**(3,074)**	(2,815)	(2,407)	(1,162)	(1,006)
Net assets	**5,644**	5,241	5,020	4,236	3,265
Share capital and reserves	**4,503**	4,115	3,815	3,320	2,594
Non-controlling interests	**1,141**	1,126	1,205	916	671
Total equity	**5,644**	5,241	5,020	4,236	3,265
Per Share					
Earnings *(cents)*	**42.17**	45.32	44.44	38.37	28.50
Net assets *(S$)*	**2.52**	2.31	2.13	1.86	1.46
Net ordinary dividends (including bonus dividends) *(cents)*	**15.00**	17.00	17.00	15.00	11.00
Financial Ratios					
Return on equity *(%)*	**17.5**	20.4	22.2	23.1	18.0
Return on total assets *(%)*	**9.5**	10.7	12.2	11.9	9.0
Interest cover *(times)*	**9.9**	20.3	24.2	31.9	21.2
Net gearing *(times)*	**0.07**	Net cash	Net cash	Net cash	Net cash

Five-year Performance Profile

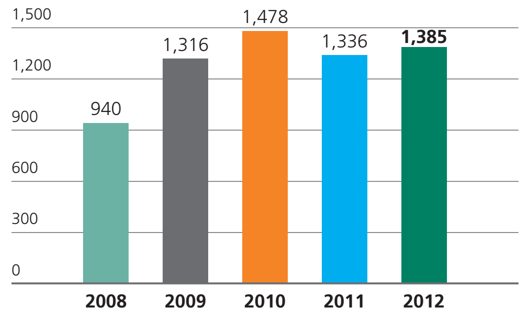
Turnover *(S$ million)*



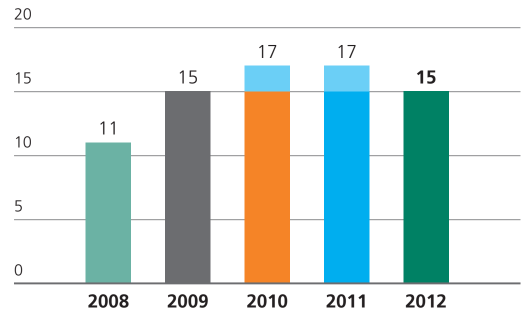
Net Profit *(S$ million)*



EBITDA *(S$ million)*

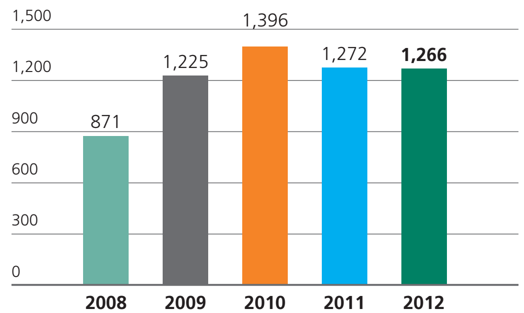


Net Ordinary Dividends Per Share *(cents)*

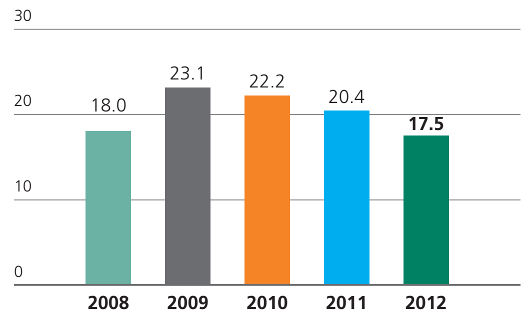


Bonus dividends of 2 cents per share

PFO *(S$ million)*



ROE *(%)*



Review by Business *(S$ million)*

	2012	%	2011	%	2010	%	2009	%	2008	%
Turnover by Activity										
Utilities	**5,615**	**55**	4,893	54	3,993	46	3,680	38	4,692	47
Marine	**4,428**	**44**	3,957	44	4,554	52	5,723	60	5,061	51
Urban Development	**12**	**–**	9	–	16	–	15	–	16	–
Others / Corporate	**134**	**1**	188	2	201	2	154	2	159	2
	10,189	**100**	9,047	100	8,764	100	9,572	100	9,928	100
Profit from Operations by Activity										
Utilities	**607**	**48**	421	33	314	22	307	25	313	36
Marine	**599**	**47**	793	62	1,045	75	878	72	531	61
Urban Development	**44**	**4**	46	4	40	3	34	3	35	4
Others / Corporate	**16**	**1**	12	1	(3)	–	6	–	(8)	(1)
	1,266	**100**	1,272	100	1,396	100	1,225	100	871	100
Net Profit by Activity										
Utilities	**375**	**50**	304	38	231	29	227	33	202	40
Marine	**327**	**43**	456	56	525	66	430	63	264	52
Urban Development	**41**	**6**	39	5	37	5	28	4	32	6
Others / Corporate	**10**	**1**	10	1	–	–	(2)	–	9	2
	753	**100**	809	100	793	100	683	100	507	100

Significant Events

January

Sembcorp signs a memorandum of understanding with Vietnam's Quang Ngai provincial government to explore developing a 1,200-megawatt coal-fired power plant in the Dung Quat Economic Zone in central Vietnam.

February

Sembcorp Marine's Estaleiro Jurong Aracruz secures a US$792.5 million drillship design and construction contract from Sete Brasil Participações.

Sembcorp Marine's PPL Shipyard secures a US$213 million contract to build a Pacific Class 400 jack-up drilling rig for Safin Gulf.

Sembcorp's 49%-owned joint venture in India, Thermal Powertech Corporation India, secures a multi-year coal supply contract for its 1,320-megawatt power plant in Andhra Pradesh, India.

Sembcorp increases its interest in Singapore-Sichuan Investment Holdings, the Singapore consortium involved in the development of the 1,000-hectare Singapore-Sichuan Hi-tech Innovation Park in Chengdu, from 40% to 50%.

March

Sembcorp Industrial Parks is rebranded Sembcorp Urban Development.

Sembcorp Marine's Sembawang Shipyard invests S$10 million for a 20% equity interest in Ecospec Global Technology to jointly develop innovative and effective turnkey solutions to meet future maritime regulatory environmental requirements.

Sembcorp Marine's Jurong Shipyard secures a US$385.5 million contract to build a semi-submersible well intervention rig for Helix Energy Solutions Group.

April

Sembcorp Marine's Jurong Shipyard secures a US$568 million contract to build a Moss Maritime CS60 harsh-environment ultra-deepwater semi-submersible rig for North Atlantic Drilling.

Sembcorp Marine's PPL Shipyard secures a US$218.5 million contract to build a Pacific Class 400 jack-up drilling rig for Gulf Drilling International.

Sembcorp's Vietnam Singapore Industrial Park (VSIP) joint venture is awarded the investment certificate by Vietnam's Quang Ngai provincial government for its fifth VSIP project.

Sembcorp opens its first S$34 million woodchip-fuelled biomass steam production plant on Jurong Island and announces further plans to expand its energy-from-waste capacity.

Sembcorp is ranked joint fourth out of 674 Singapore-listed companies in The Business Times and the NUS Business School's Centre for Governance, Institutions and Organisations' Governance & Transparency Index 2012.

May

Sembcorp announces the acquisition of its first wind power assets and a coal-fired power plant in China for US$85.5 million, a significant milestone in its strategy to grow its renewable energy capabilities.

Sembcorp breaks ground for its new Singapore-Sichuan Hi-tech Innovation Park in Chengdu's Tianfu New City central business district in China.

Sembcorp Marine's PPL Shipyard secures a US$208 million contract to construct a Pacific Class 400 jack-up drilling rig for Perisai.

Sembcorp Marine's Sembawang Shipyard secures FSO repair and upgrading and LNG carriers' life extension contracts worth S$130 million.

Sembcorp successfully completes its US$1 billion Salalah Independent Water and Power Plant in Oman.

June

Sembcorp Marine's PT SMOE Indonesia secures a contract worth US$63 million for the engineering and construction of two wellhead platforms for Premier Oil Natuna Sea.

Sembcorp signs a joint venture agreement to build, own and operate an industrial wastewater treatment plant in the Qidong Lvsi Port Economic Development Zone in Jiangsu province, China.

Group President & CEO Tang Kin Fei is ranked third for Best CEO and Group CFO Koh Chiap Khiong is ranked second for Best CFO in Institutional Investor magazine's 2012 All-Asia Executive Team, a survey that identifies the top CEOs, CFOs and investor relations professionals in Asia (ex-Japan). Both are nominated by buy-side portfolio managers and analysts.

August

Sembcorp begins commercial operation of its S$40 million industrial wastewater treatment facility on Jurong Island. The 9,600 cubic metres per day plant more than doubles Sembcorp's current industrial wastewater treatment capacity in Singapore.

Sembcorp Marine's Jurong Offshore secures US$4 billion in contracts from Sete Brasil Participações for the design and construction of five drillships based on Jurong Shipyard's proprietary Jurong Espadon drillship design.

Sembcorp Marine's Jurong Shipyard secures a US$135 million contract for the Ocean Apex deep water semi-submersible rig project for Diamond Offshore Drilling.

Sembcorp signs a joint venture agreement to co-develop an 860-hectare urban development in Kendal Regency, Central Java, Indonesia.

Sembcorp Marine's Jurong do Brasil Prestação de Serviços secures a US$674 million contract for the fabrication of eight modules and module integration works of two FPSO vessels for Tupi.

September

Sembcorp successfully completes the acquisition of its first wind power assets and a coal-fired power plant in China for US$85.5 million.

Sembcorp plans to invest up to RMB326.6 million to develop centralised utilities facilities in the Fushun Hi-tech Industrial Zone in Liaoning province, China.

Sembcorp is selected as an index component of the Dow Jones Sustainability Asia Pacific Index in 2012.

Sembcorp Marine's SMOE acquires UK-based SLP Engineering (renamed Sembmarine SLP) from Smulders Group and establishes its footprint in the UK.

Sembcorp increases its interest in Vietnam Singapore Industrial Park Pte Ltd (VSIPPL) from 87.6% to 92.9%. VSIPPL is the Singapore consortium involved in the development of VSIP projects in Vietnam.

October

Sembcorp is the runner-up for "Most Transparent Company" in the Oil & Gas category at the Securities Investors Association (Singapore) Investors' Choice Awards 2012.

Sembcorp signs a joint venture agreement to co-develop a residential project, *Gateway*, over several phases, within its VSIP in Thuan An district, Binh Duong province, Vietnam.

Dr Teh Kok Peng joins the board as an independent director.

November

Sembcorp is ranked 36th in Energy Intelligence's New Energy Top 100 Green Utilities, a global ranking of the top 100 utilities companies based on carbon emissions and renewable energy capacity.

Sembcorp Marine's Jurong Shipyard secures a US$295.2 million contract to build an accommodation semi-submersible rig with options for another two units from Prosafe.

Sembcorp Marine secures a US$806.4 million contract from Sete Brasil Participações for the design and construction of a Jurong Espadon drillship, the seventh that it has secured in 2012.

December

Sembcorp Marine's PPL Shipyard secures a contract worth US$434 million to build two Pacific Class 400 jack-up drilling rigs for Integradora de Servicios Petroleros Oro Negro.

Sembcorp Marine's Sembawang Shipyard secures a favoured customer contract from Royal Caribbean Cruises to provide ship repair, revitalisation, upgrading and related marine services for its fleet of cruise ships.

Sembcorp Marine acquires a 34.5-hectare site for the second phase development of its Integrated New Yard Facility in Singapore.

Low Sin Leng, Executive Chairman of Sembcorp Development, retires. Tang Kin Fei assumes chairmanship of Sembcorp Development, while Kelvin Teo succeeds her as head of the unit.

Governance & Transparency

Board of Directors

Ang Kong Hua
Chairman
Non-executive & Independent Director
Appointed February 26, 2010

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

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

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

Past directorships in listed companies and major appointments 2010–2012:

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

Tang Kin Fei
Group President & CEO
Appointed May 1, 2005

Mr Tang is Group President & CEO of Sembcorp Industries. With 25 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents. Mr Tang also sits on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries, as a non-executive director.

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

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

Goh Geok Ling
Non-executive & Independent Director
Appointed May 3, 2000

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

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

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

Past directorships in listed companies and major appointments 2010–2012:

- Venture Corporation

Evert Henkes
Non-executive & Independent Director
Appointed April 30, 2004

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

He has extensive experience in the petrochemical industry as the former CEO of Shell's global chemicals business. Mr Henkes is a director of Air Products and Chemicals and TNK-BP.

He holds a BSc from Cornell University, USA.

Past directorships in listed companies and major appointments 2010–2012:

- Outokumpu
- Tate & Lyle

Bobby Chin Yoke Choong

Non-executive & Independent Director

Appointed December 1, 2008

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

The Managing Partner of KPMG Singapore from 1992 until his retirement in September 2005, Mr Chin is a director of NTUC Fairprice Co-operative, the Deputy Chairman of NTUC Enterprise Co-operative and a board member of the Singapore Labour Foundation. He serves as a member of the Council of Presidential Advisers and sits on the boards of AV Jennings, Ho Bee Investment, Oversea-Chinese Banking Corporation, Yeo Hiap Seng and Singapore Telecommunications.

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

Past directorships in listed companies and major appointments 2010–2012:

- Neptune Orient Lines
- Singapore Indian Development Association
- Singapore Totalisator Board
- Competition Commission of Singapore

Margaret Lui

Non-executive & Non-independent Director

Appointed June 1, 2010

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

Currently, Mrs Lui is Chief Operating Officer of Pavilion Capital International. In addition, she serves on the boards of Brookstone Company, Singapore Cruise Centre, Singbridge International Singapore and Pavilion Capital Holdings. Mrs Lui also chairs the PSA Marine Supervisory Committee.

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

Past directorships in listed companies and major appointments 2010–2012:

- CitySpring Infrastructure Management

Board of Directors

Tan Sri Mohd Hassan Marican

Non-executive & Independent Director

Appointed June 16, 2010

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

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

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

Past directorships in listed companies and major appointments 2010–2012:

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

Tham Kui Seng

Non-executive & Independent Director

Appointed June 1, 2011

Mr Tham is an independent director.

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

Currently, Mr Tham is a non-executive director on the boards of Banyan Tree Holdings, Global Logistic Properties, The Straits Trading Company, SPI (Australia) Assets and Maxwell Chambers. He is also a member of the board of the Housing & Development Board.

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

Past directorships in listed companies and major appointments 2010–2012:

- Alexandra Health
- Raffles Medical Group
- CapitaLand China Holdings

Dr Teh Kok Peng
Non-executive & Independent Director
Appointed October 15, 2012

Dr Teh is an independent director and serves on the Technology Advisory Panel.

He is Advisor to the Government of Singapore Investment Corporation (GIC) Group Executive Committee and Chairman of its China Business Group. Previously, Dr Teh was President of GIC Special Investments, Deputy Managing Director of GIC, Deputy Managing Director of the Monetary Authority of Singapore and an economist at the World Bank. Dr Teh is a director of Oversea-Chinese Banking Corporation, Ascendas and GIC Special Investments. He is a member of the Trilateral Commission and the International Monetary Fund's Asia & Pacific Regional Advisory Group, and serves on the boards of the National University of Singapore and the Lee Kuan Yew School of Public Policy.

Dr Teh holds a First Class Honours in Economics from La Trobe University, Australia and a PhD in Economics from the University of Oxford. He also completed the Advanced Management Programme at Harvard Business School.

Past directorships in listed companies and major appointments 2010–2012:

- GIC Special Investments
- Government of Singapore Investment Corporation (GIC)
- Urban Redevelopment Authority

Technology Advisory Panel

The Technology Advisory Panel advises Sembcorp on its technological developments, in line with the company's growth strategies. The Panel oversees the application of significant emerging technologies in the energy and water sectors, and ensures the appropriate management of specialised research and development projects and systems for intellectual property protection, with the aim of enhancing Sembcorp's leading position in the energy and water sectors. It also reviews and approves the vision and strategy for technology developments, including projects or technologies identified for research and development, as well as advises Sembcorp's leadership on technological trends and opportunities.

Ang Kong Hua
Chairman
BSc (Honours) in Economics, University of Hull, UK

Mr Ang chairs our Technology Advisory Panel and is also the Chairman of our board. A well-known corporate figure in Singapore, Mr Ang brings with him many years of rich experience in the manufacturing and services sectors, including the chemicals, electronics, engineering and construction sectors. Currently, he is also Chairman of Global Logistic Properties and serves on the board of the Government of Singapore Investment Corporation.

Technology Advisory Panel

Tang Kin Fei

BEng (First Class Honours) in Mechanical Engineering, University of Singapore

Advanced Management Programme, INSEAD

Mr Tang is Group President & CEO of Sembcorp Industries. With 25 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents, bringing with him in-depth knowledge of Sembcorp's businesses. He is also the Council Chairman of Ngee Ann Polytechnic and previously served as President of the Singapore Water Association.

Dr Teh Kok Peng

BA (First Class Honours) in Economics, La Trobe University, Australia

PhD in Economics, University of Oxford

Advanced Management Programme, Harvard Business School

Dr Teh sits on our board as a non-executive and independent director. He is also Advisor to the Government of Singapore Investment Corporation (GIC) Group Executive Committee and Chairman of its China Business Group. Dr Teh was previously President of GIC Special Investments where he oversaw investments in venture capital funds globally, among other things. Dr Teh also serves on the boards of the National University of Singapore and the Lee Kuan Yew School of Public Policy.

Dr Josephine Kwa Lay Keng

BSc (Honours) in Mechanical Engineering and PhD, University of Leeds, UK

Dr Kwa is the Chairman of Raffles Marina Holdings, a director of Southern Steel and a member of the Management Board at the Energy Studies Institute. She was formerly Chief Executive Officer of NSL, and had served in various functions during her 23 years as Chief Operating Officer and Head of Technology within the NSL Group. As Head of Technology, she was responsible for the Information Technology, Environment and Research & Development functions in the company.

Dr Ng How Yong

BEng (First Class Honours) in Civil Engineering, National University of Singapore

PhD in Environmental Engineering, University of California Berkeley, USA

Dr Ng is an Associate Professor and Director of the Centre for Water Research in the Department of Civil and Environmental Engineering at the National University of Singapore. He has over 15 years of experience in biological wastewater treatment and membrane processes for water reuse and seawater desalination. He had served as a consultant on industrial wastewater treatment, city effluent reuse, seawater desalination and membrane technologies for companies in Singapore, China and Japan. Dr Ng is also a Fellow of the International Water Association (IWA) and a member of the Management Committee of IWA Specialist Group on Membrane Technology.

Prof Lui Pao Chuen

BSc in Physics, University of Singapore

MSc in Operations Research and Systems Analysis, Naval Postgraduate School, USA

Prof Lui joins our Technology Advisory Panel in March 2013. He is an Advisor to the National Research Foundation at the Prime Minister's Office and was formerly the Chief Defence Scientist at the Ministry of Defence for 22 years. He currently holds board appointments in several corporations, agencies and institutes including Singapore Technologies Dynamics and the Executive Committee for Environmental and Water Technologies. He is also Chairman of the Project Evaluation Panel of the Environment & Water Industry Development Council, and Chairman of the Technical Board of the National Environment Agency's Environment Technology Research Programme. Prof Lui is an Adjunct Professor of the Faculty of Engineering in the National University of Singapore and the College of Engineering in Nanyang Technological University.

Key Executives

Tang Kin Fei

Group President & CEO

Joined 1987

Mr Tang is Group President & CEO of Sembcorp Industries. With 25 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents. Mr Tang also sits on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries, as a non-executive director.

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

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

Koh Chiap Khiong

Group Chief Financial Officer

Joined 2008

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

Mr Koh brings with him extensive expertise in areas of financial reporting, tax, corporate finance, mergers and acquisitions, treasury, risk management and audit. He has more than 20 years of experience in diverse areas and in managing infrastructure businesses, with a strong knowledge of the energy and water sectors. He rejoined Sembcorp in 2008 after a three-year stint with Power Seraya as its CFO. Prior to that, he spent seven years in Sembcorp and served as the Utilities business' Head of Finance and Chief Risk Officer.

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

Key Executives

Wong Weng Sun
President & CEO
Sembcorp Marine
Joined 1988

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

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

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

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

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

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

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

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

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

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

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

GROWTH & PERFORMANCE

Group Business Development & Commercial
Tan Cheng Guan
Executive Vice President & Head

Richard Quek
Executive Vice President & Head
Commercial

Group Project Development
Venkat Ram
Senior Vice President

Group Asset Management
Lau Gar Ning
Executive Vice President

Technology
Kwan Yuet Wing
Chief Technology Officer

Corporate Headquarters
Koh Chiap Khiong
Group Chief Financial Officer

Frank Koh
Senior Vice President
Group Corporate Finance

Goh Han Leng
Senior Vice President
Group Tax

Lim Suet Boey
Executive Vice President & General Counsel
Group Legal

Lau Gar Ning
Chief Health, Safety & Environment Officer

Kwong Sook May
Company Secretary

Lee Swee Chee
Chief Risk Officer

Lillian Lee
Senior Vice President
Group Human Resource

Jasmine Teo
Senior Vice President
Group Information Technology

Ng Lay San
Vice President
Group Corporate Relations

Group Internal Audit
David Wong
Vice President

BUSINESS KEY MANAGEMENT

Utilities
SINGAPORE & ASEAN
Ng Meng Poh
Executive Vice President & Head

CHINA
Alan Yau
CEO

INDIA
Atul Nargund
Director
Sembcorp Utilities India

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

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

Marius Van Aardt
Managing Director
Sembcorp Silulumanzi, South Africa

Shyam P Misra
Managing Director
Sembcorp Siza Water, South Africa

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

Roger Harrington
Managing Director
Sembcorp Bournemouth Water

THE AMERICAS
Martin Greenhalgh
Executive President
Chile

Frederic Gautheron
General Manager
Panama and the Caribbean

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

Ong Poh Kwee
Deputy President
Sembcorp Marine
Managing Director
Sembawang Shipyard

Douglas Tan
Managing Director
PPL Shipyard

Ho Nee Sin
Managing Director
SMOE

Freddie Woo
Executive Director
Jurong SML

Urban Development
Kelvin Teo
CEO

Design & Construction
Lim Kah Hing
Managing Director

Mint
Yip Pak Ling
Senior Vice President & Mint Director

Corporate Governance

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

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

This report sets out the company's corporate governance processes and activities for the financial year with reference to the principles set out in the revised Singapore Code of Corporate Governance 2012 (2012 Code). Although the 2012 Code only takes effect in respect of annual reports relating to financial years commencing from November 1, 2012, the company is committed to high standards of corporate governance and believes in the early adoption of best practices. The board is pleased to report that the company has complied in all material aspects with the principles and guidelines set out in the 2012 Code. Deviations from the 2012 Code, if any, are explained under the respective sections. The company continually reviews and refines its processes in light of the best practice, consistent with the needs and circumstances of the Group.

Board Matters

Board's Conduct of Affairs (Principle 1)

Effective board to lead and effect controls

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is headed by Ang Kong Hua. He is joined on the board by Tang Kin Fei, Goh Geok Ling, Evert Henkes, Bobby Chin Yoke Choong, Margaret Lui, Tan Sri Mohd Hassan Marican, Tham Kui Seng and Dr Teh Kok Peng, who joined the board on October 15, 2012.

Role of the board

The board is collectively responsible for the long-term success of the company. Each director exercises his independent judgement to act in good faith and in the best interest of the company for the creation of long-term value for shareholders.

The board oversees the business affairs of the Group. It provides leadership and guidance to management on the Group's overall strategy, taking into consideration sustainability issues and ensuring that the necessary financial and human resources are in place, and also reviews management performance. As part of its role, the board also ensures the adequacy of the Group's control and risk framework and standards including ethical standards, and that obligations to its shareholders and other identified key stakeholders are understood and met.

The board is responsible for the Group's overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestment and funding proposals, quarterly and full year financial performance reviews, risk management and corporate governance practices. It also provides guidance on sustainability issues such as environmental and social factors, as part of its overall business strategy.

To assist the board in the efficient discharge of its responsibilities and provide independent oversight of management, several board committees, including the Executive Committee, Audit Committee, Executive Resource & Compensation Committee, Nominating Committee and Risk Committee, have been established with written Terms of Reference (TOR). The committees' respective composition, roles and responsibilities are further explained in this report. Minutes of board committee meetings are

Corporate Governance

circulated to the board to keep directors updated on the activities of each committee. Special purpose committees are also established as dictated by business imperatives. For instance, the Technology Advisory Panel formed in early 2013 is chaired by Mr Ang to lead the Group in setting up a framework to better manage existing and new technologies and research and development activities relating to the businesses of the Group. More details are explained in the Technology Advisory Panel section of this annual report.

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

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

Executive Committee

The Executive Committee (ExCo) is chaired by Mr Ang and its members include Mr Goh, Mr Tang and Mrs Lui.

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

Meetings and attendance

The schedule of all board and board committee meetings as well as the Annual General Meeting (AGM) for the next calendar year is planned in advance, and telephonic attendance and conference via audio-visual communication are allowed under the company's Articles of Association. Board meetings are scheduled on a quarterly basis to review and approve the release of the quarterly results and discuss reports prepared by management on the Group's performance, business development plans and prospects. A board meeting is also held at the end of each financial year to review the Group's strategy going forward and to consider and approve the Group's budget for the following year. Further board meetings may also be held to specifically consider other issues arising. The board also sets aside time during its scheduled meetings without the presence of management to discuss, among other matters, management's performance. Decisions of the board and board committees may also be obtained via circular resolutions. A full day board and management strategy meeting was organised in November 2012 to review in depth the strategic direction of the Group. The directors' attendance at board and committee meetings held during the financial year is set out on page 43.

Board orientation and training

A formal letter of appointment is sent to newly-appointed directors upon their appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. The newly-appointed director also receives an information pack which contains the Group's organisation structure, senior management's contact details, the company's Memorandum & Articles of Association, respective committees' TORs, Group Policy relating to disclosure of interests in securities and prohibition on dealings in Sembcorp securities, and guidelines on directors' fees.

The company conducts orientation programmes for newly-appointed directors where comprehensive presentations on Sembcorp's strategic plans and direction, financial performance as well as business activities in the various geographical markets are given by senior management. In addition, the Group President & CEO briefs the board at each meeting on the business and project developments.

As part of the training and professional development programmes for the board, the company ensures that directors are briefed on changes to regulations, guidelines and accounting standards from time to time. These are done either during board meetings or at specially convened sessions, including sponsored training sessions and seminars conducted by external professionals. Articles and reports relevant to the Group's businesses are also circulated to the directors for information. Facility visits to our subsidiaries' operation sites are also arranged to provide directors with an understanding of the Group's business operations. In 2012, briefing sessions by external lawyers were organised for the board to have an in-depth understanding of the 2012 Code and directors' obligations and responsibilities.

Board Composition and Guidance (Principle 2)

Strong and independent board exercising objective judgement

Board composition

The current board comprises nine directors, of whom seven are independent directors. Excluding the Group President & CEO, all the directors are non-executive. The board members comprise business leaders and professionals with strong relevant experience in the Group's businesses. Best efforts have been made to ensure that, in addition to contributing their valuable expertise and insight to board deliberations, each director brings to the board an independent and objective perspective to enable balanced and well-considered decisions to be made. The board is of the view that, given that the majority of the board comprises non-executive directors who are independent of management and independent in terms of character and judgement, objectivity on issues deliberated is assured. Profiles of the directors may be found on pages 26 to 30.

Review of directors' independence

The independence of each non-executive director is assessed annually. This year, each director is required to complete a Director's Independence Checklist drawn up based on the guidelines provided in the 2012 Code. The checklist further requires each director to assess whether he considers himself independent despite not being involved in any of the relationships identified in the 2012 Code. Thereafter, the Nominating Committee reviews the completed checklists, assesses the independence of the directors and recommends its assessment to the board. Particular scrutiny is applied when assessing the continued independence of directors who have served more than nine years.

The board, after taking into account the views of the Nominating Committee, determined that with the exception of Mr Tang, Group President & CEO and an executive director, and Mrs Lui, Chief Operating Officer of Pavilion Capital International, a related company of Temasek Holdings who holds more than 10% interest in the Group, all the other non-executive directors are independent.

Mr Goh and Tan Sri Mohd Hassan Marican sit on the board of Sembcorp Marine, a listed subsidiary of the company from which the company has received payment in excess of S$200,000 in aggregate for consultancy services and provision of utilities services to Sembcorp Marine.

The board has assessed and is of the view that the payment received from Sembcorp Marine is insignificant in the context of the Group's earnings. The board believes that Mr Goh and Tan Sri Mohd Hassan Marican's directorships on Sembcorp Marine will not interfere, or be reasonably perceived to interfere, with their ability to exercise independent judgement and act in the best interests of Sembcorp Industries.

Mr Goh has served on the board of the company since his appointment in 2000. The board established that despite serving as a director for more than nine years, Mr Goh continues to demonstrate the essential characteristics of independence expected by the board. His length of service and in-depth knowledge of Group's businesses are viewed by the board as especially valuable, particularly given the changes to the board in the recent years.

The board also determined that Tan Sri Mohd Hassan Marican, who is appointed a Senior International Advisor of Temasek International Advisors, a subsidiary of Temasek Holdings, is independent. The board believes that Tan Sri Mohd Hassan Marican is able to exercise strong independent judgement in his deliberations and act in the best interest of the company as his appointment is non-executive in nature and does not entail involvement in the day-to-day conduct of Temasek Holdings' businesses.

Chairman and Chief Executive Officer (Principle 3)

Clear division of responsibilities between the board and management

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

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

Board Members for 2012

Director	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Ang Kong Hua	Chairman	Feb 26, 2010	Apr 22, 2010*	Non-executive / Independent
Tang Kin Fei	Director	May 1, 2005	Apr 21, 2011*	Executive / Non-independent
Goh Geok Ling	Director	May 3, 2000	Apr 24, 2012*	Non-executive / Independent
Evert Henkes	Director	Apr 30, 2004	Apr 24, 2012	Non-executive / Independent
Bobby Chin Yoke Choong	Director	Dec 1, 2008	Apr 24, 2012	Non-executive / Independent
Margaret Lui	Director	Jun 1, 2010	Apr 21, 2011*	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 21, 2011	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 24, 2012	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	N.A.*	Non-executive / Independent

** Up for retirement at AGM*

Composition of Board and Board Committees for 2012

Board Member	Executive Committee	Audit Committee	Risk Committee	Executive Resource & Compensation Committee	Nominating Committee
Ang Kong Hua	Chairman			Chairman	Chairman
Tang Kin Fei	Member				
Goh Geok Ling	Member			Member	Member
Evert Henkes		Member	Chairman		
Bobby Chin Yoke Choong		Chairman	Member		
Margaret Lui	Member			Member	Member
Tan Sri Mohd Hassan Marican		Member	Member		
Tham Kui Seng					
Dr Teh Kok Peng[1]					

Directors' Attendance at Board and Board Committee Meetings in 2012

Board Member	Board Meeting		Executive Committee Meeting	Audit Committee Meeting		Risk Committee Meeting	Executive Resource & Compensation Committee Meeting	Nominating Committee Meeting
	Scheduled	Ad-hoc		Scheduled	Ad-hoc			
Total No. of Meetings Held in 2012	**4**	**2**	**6**	**4**	**1**	**4**	**3**	**1**
Ang Kong Hua	4/4	2/2	6/6	–	–	–	3/3	1/1
Tang Kin Fei	4/4	2/2	6/6	–	–	–	–	–
Goh Geok Ling	4/4	2/2	5/6	–	–	–	3/3	0/1
Evert Henkes	4/4	2/2	–	4/4	1/1	4/4	–	–
Bobby Chin Yoke Choong	4/4	2/2	–	4/4	1/1	4/4	–	–
Margaret Lui	3/4	1/2	5/6	–	–	–	3/3	1/1
Tan Sri Mohd Hassan Marican	3/4	1/2	–	3/4	1/1	3/4	–	–
Tham Kui Seng	4/4	2/2	–	–	–	–	–	–
Dr Teh Kok Peng[1]	1/1	1/1	–	–	–	–	–	–

[1] Dr Teh Kok Peng was appointed an independent non-executive director on Oct 15, 2012.

Board Membership (Principle 4)

Formal and transparent process for the appointment and re-appointment of directors

Nominating Committee

The Nominating Committee (NC) comprises non-executive directors, namely Mr Ang, Mr Goh and Mrs Lui. Two out of three directors in the NC (including the Chairman) are independent.

The NC is charged with the responsibility of ensuring that Sembcorp's board is reviewed to ensure strong, independent and sound leadership for the continuous success of the company and its businesses. It ensures that the board has a balance of skills, attributes, background, knowledge and experience in business, finance and related industries, as well as management skills critical to the company's businesses.

The NC reviews and makes recommendations to the board on independence of the directors, new appointments, re-appointments and re-elections to the board and board committees to ensure the board maintains at an appropriate size. The NC is also responsible for reviewing the succession plans for the board, developing a process for performance evaluation of the board and board committees, and reviewing training and professional development programmes for the board.

Appointment & re-appointment of directors
All appointments to the board are made on merit and against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group. The board also recognises the contribution of directors who, over time, have developed deep insights into the Group's businesses and exercises its discretion to retain the services of such directors where appropriate.

When the need for a new director is identified, the NC will prepare a shortlist of candidates with the appropriate profile and qualities for nomination. The board reviews the recommendation of the NC and appoints the new director. In accordance with the company's Articles of Association, the new director will hold office until the next AGM, and if eligible, the director can stand for re-appointment.

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

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

Pursuant to the one-third rotation rule, Mr Ang, Mr Tang and Mrs Lui will retire and submit themselves for re-election at the forthcoming AGM. Dr Teh, who was newly appointed to the board on October 15, 2012, will also submit himself for retirement and re-election by shareholders at the forthcoming AGM.

Mr Goh, who is above the age of 70, will also submit his retirement and offer himself for re-appointment pursuant to the Companies Act.

Review of directors' time commitments
While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other board directorship representations and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. Taking into consideration the total time commitment required at the board and committee level of Sembcorp and the other directorships and committee duties of all its board members, the board has determined that the maximum number of listed company board representations which any director may hold should not exceed six.

Board Performance (Principle 5)
Active participation and valuable contributions are key to overall effectiveness of the board
Board evaluation process and performance criteria
The board believes that board performance is ultimately reflected in the long-term performance of the Group. In consultation with the NC, the board assesses its performance annually to identify key areas for improvement and requisite follow-up actions. To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board, board committees and directors' contribution and performance. The evaluation considers factors such as the size and composition of the board and board committees, directors' access to information, board processes, communication with senior management and accountability. The evaluation and feedback are then consolidated and presented to the board for discussion on areas of strengths and weaknesses to improve the effectiveness of the board and its committees.

Access to Information (Principle 6)
Directors have complete, adequate and timely information and resources
Complete, adequate and timely information
The company recognises that directors should be provided with complete, adequate and timely information on an on-going basis and prior to board meetings. This is to enable the board to make informed decisions to discharge its duties and to keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Sembcorp's management furnishes adequate management and operation reports as well as financial statements to the board on a regular basis. Financial highlights of the Group's performance and key developments are presented on a quarterly basis at board meetings. The Group President & CEO, Group Chief Financial Officer and members of senior management are present at these board meetings to address any queries which the board may have.

As a general rule, board and board committee papers are submitted to directors at least three working days before each meeting so that they may better understand the matters prior to the meeting and discussions may be focused on questions that the directors have on these matters. Members of senior management who may provide insight into the matters to be discussed are also called on to be present during the relevant discussions.

The board has ready and independent access to the Group President & CEO, senior management, the Company Secretary and internal and external auditors at all times to request for additional information.

Company Secretary
The Company Secretary facilitates good information flow between the board and its committees and senior management, in addition to attending to corporate secretarial matters such as arranging orientation for newly-appointed directors. In consultation with the Chairman and the Group President & CEO, the Company Secretary assists the board with the preparation of meeting agendas, and administers, attends and prepares minutes of board proceedings. She also assists the board on the compliance of the Group with the Memorandum and Articles of Association and regulations, including requirements of the Companies Act, Securities & Futures Act and the SGX-ST. She liaises with the SGX-ST, the Accounting and Corporate Regulatory Authority and, when necessary, shareholders.

Independent professional advice
In the furtherance of its duties, the board exercises its discretion to seek independent professional advice at the company's expense, if deemed necessary.

Remuneration Matters

Procedures for Developing Remuneration Policies (Principle 7)
Remuneration of directors adequate and not excessive
With the assistance of the Executive Resource & Compensation Committee (ERCC), the board ensures that a formal and transparent procedure for developing a policy on remuneration of executives and directors is in place.

Executive Resource & Compensation Committee
The ERCC is chaired by Mr Ang, an independent non-executive director, and is joined on the

committee by Mr Goh and Mrs Lui.

The ERCC is responsible for developing, reviewing and recommending to the board the framework of remuneration for the board and key management personnel. It assists the board to ensure that competitive remuneration policies and practices are in place. The ERCC also reviews and recommends to the board the specific remuneration packages for each director as well as for key management personnel. The ERCC's recommendations are submitted to the entire board for endorsement. In its deliberations, the ERCC takes into consideration industry practices and norms of compensation. The Group President & CEO does not attend discussions relating to his own compensation, terms and conditions of service, or the review of his performance. In addition, no ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself.

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

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultations. In 2012, external consultants Carrots Consulting and Mercer were engaged to provide such advice. In engaging external consultants, the company ensures that the relationship, if any, between the company and its external consultants will not affect the independence and objectivity of the external consultants.

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

Level and Mix of Remuneration (Principle 8)

Competitive reward system to ensure highest performance and retention of directors and key management personnel

Sembcorp believes that its remuneration and reward system is aligned with the long-term interest and risk policies of the company and that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talents.

The Group President & CEO, as an executive director, does not receive director's fees from Sembcorp. As a lead member of management, his compensation consists of his salary, allowances, bonuses and share-based incentives conditional upon meeting certain performance targets. Details on the share-based incentives and the performance targets are available in the Directors' Report and Note 36 in the Notes to the Financial Statements.

Non-executive directors' fees

The directors' fees payable to non-executive directors are paid in cash and in the form of share awards under the Sembcorp Industries Restricted Share Plan 2010. The ERCC has determined that up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards. The directors' cash fees and share awards will only be paid and granted upon approval by shareholders at the AGM of the company.

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

Directors' Compensation by Type of Appointment

	S$
Board of Directors	
▪ Basic fee	65,000
▪ Chairman's allowance	80,000
Executive Committee	
▪ Chairman's allowance	40,000
▪ Member's allowance	25,000
Audit Committee	
▪ Chairman's allowance	40,000
▪ Member's allowance	25,000
Executive Resource & Compensation Committee / Nominating Committee	
▪ Chairman's allowance	25,000
▪ Member's allowance	15,000
Risk Committee	
▪ Chairman's allowance	25,000
▪ Member's allowance	15,000
Attendance Fees	
▪ Board	4,500
▪ Committee	2,200
▪ Teleconference (Board meeting)	2,000
▪ Teleconference (Committee meeting)	1,000
Travel Allowance for Overseas Directors	
▪ ≤ 4 hours (to and fro air travel time)	2,000
▪ > 4 to 15 hours (to and fro air travel time)	5,000
▪ > 15 hours (to and fro air travel time)	10,000

Notes:
1 Tang Kin Fei, as an executive director, does not receive director's fees.
2 The Executive Resource & Compensation Committee and the Nominating Committee have the same members, who each receives one payment for service on both committees.
3 Attendance fee for committee meetings also applies to attendance at general meetings.

For the year 2012, the share awards granted under the Sembcorp Industries Restricted Share Plan 2010 to all directors as part of their directors' fees (except for Mr Tang, who is the Group President & CEO and does not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S$65,000); any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the board.

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

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

Key management personnel's remuneration

Key management personnel are rewarded based on actual performance relative to pre-agreed performance targets, which include financial and non-financial performance indicators such as economic value added (EVA), total shareholder return and promoting and maintaining health, safety and environmental standards. The Group believes that the current reward systems are in line with market norms and formulated to motivate executives to give their best to the Group. Rewards include long-term share-based incentives, which would further ensure the retention of the most talented and high-performing executives in the Group. For further details on the share-based incentives and performance targets, please refer to the Directors' Report and Note 36 in the Notes

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to the Financial Statements.

The Group has an incentive compensation plan for key management personnel that is tied to the creation of EVA, as well as to the achievement of individual and Group performance goals. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance in the bonus bank is paid out in cash each year and the balance two-thirds carried forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding bonus bank in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the company.

In 2012, a pay-for-performance alignment study was commissioned to review if the Group's executive pay programme is aligned with actual business results and shareholder returns on a relative basis against a pre-selected set of comparator companies. The study shows that there is strong alignment between the Group's executive pay programme and business results and shareholder returns.

Disclosure on Remuneration (Principle 9)
The computation of non-executive directors' fees totalled S$1,198,842 in 2012, (2011: S$1,280,613) comprising S$839,189 in cash derived using the compensation structure above and S$359,653 to be paid in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010. More information on directors and key management personnel's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements.

Accountability and Audit

Accountability (Principle 10)

The board is accountable to the shareholders
Sembcorp is committed to open and honest communication with shareholders at all times. The company presents a balanced and clear assessment of the Group's performance, position and prospects to shareholders through the timely release of its quarterly and annual financial reports. The company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the company. In line with stock exchange requirements, negative assurance statements were issued by the board to accompany the company's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the company's quarterly results false or misleading.

Risk Management and Internal Controls (Principle 11)
The board has overall responsibility for the governance of risk of the Group. The board and management of the company are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The board also determines the company's levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Risk Committee
The Risk Committee (RC) assists the board in overseeing risk management for the Group. The RC is chaired by Mr Henkes and its other members include Mr Chin and Tan Sri Mohd Hassan Marican. The RC's main role is to appraise the adequacy and effectiveness of the Group's risk management plans, systems, processes and procedures, group-wide risk policies, guidelines and limits, as well as its risk portfolio, risk levels and risk mitigation strategies.

Adequate and effective system of internal controls
Sembcorp strives to maintain and improve its risk management and internal control systems to ensure that they remain sound and relevant. During the year under review, the board was assured by the Group President & CEO and Group Chief Financial Officer that financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances, and that the risk management and internal control systems of the Group are adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by external and internal auditors, and reviews performed by senior management, the board, with the concurrence of the Audit Committee, is of the opinion that the company's internal controls are adequate and effective in addressing the financial, operational and compliance risks of the company. Internal controls, because of their inherent limitations, can provide reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the board will ensure that if any significant internal control failings or weaknesses were to arise, necessary remedial actions would be swiftly taken.

A dedicated Enterprise Risk Management (ERM) function has been set up to facilitate the implementation of the ERM framework. Through this framework, risk capabilities and competencies are continuously enhanced. The Group has engaged KPMG Risk Consulting Services to further assist in enhancing the ERM framework over the identification, prioritisation, assessment, management and monitoring of key risks. The risk management process in place covers, *inter alia*, financial, operational and compliance risks faced by the Group. The key risks identified are deliberated by management, with the support of the ERM function, and reported to the RC. The RC reviews the adequacy and effectiveness of the ERM programme and process against leading practices in risk management and vis-à-vis the external and internal environment which the Group operates in.

Complementing the ERM programme is a group-wide system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes. The Group has also considered the various financial risks, details of which are found on page 59 of the annual report.

For more information on the company's enterprise risk management system, please refer to the Risk Management & Mitigation Strategies section of this annual report.

Audit Committee (Principle 12)
The Audit Committee (AC) comprises directors who are both independent and non-executive. During the year under review, the AC was chaired by Mr Chin. The other members are Tan Sri Mohd Hassan Marican and Mr Henkes.

Authority and duties of the AC
The AC assists the board in fulfilling its fiduciary responsibilities relating to the internal controls, audit, accounting and reporting practices of the Group. Its main responsibilities are to review the company's policies and control procedures with the external auditors, internal auditors and management and act in the interest of the shareholders in respect of interested person

transactions as well as any matters or issues that affect the financial performance of the Group. The AC reviews the quarterly, half-yearly and full year results announcements, accompanying press releases and presentation slides as well as the financial statements of the Group and company for adequacy and accuracy of information disclosed prior to submission to the board for approval.

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

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

External auditors

Each year, the AC reviews the independence of the company's external auditors and makes recommendations to the board on the re-appointment of the company's external auditors.

The AC reviews and approves the external audit plan to ensure the adequacy of audit scope. It also reviews the external auditors' management letter and monitors the timely implementation of the required corrective or improvement measures. The AC meets the external and internal auditors at least once a year without the presence of management. The AC has reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year, excluding services provided to Sembcorp Marine, a listed subsidiary that has its own audit committee. The AC is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Details of non-audit fees payable to the external auditors are found in Note 33(a) in the Notes to the Financial Statements.

Whistle-blowing policy

The AC also oversees the Group's whistle-blowing policy implemented by the company to strengthen corporate governance and ethical business practices across the Group. Employees are provided with accessible channels to the Group Internal Audit department to report suspected fraud, corruption, dishonest practices or other misdemeanours. The aim of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will, to the extent possible, be protected from reprisal.

For more information on the whistle-blowing policy, please refer to page 56.

Internal Audit (Principle 13)

Independent internal audit function

The Group Internal Audit department (GIA) is an independent function of the Group. The AC approves the hiring, termination, evaluation and compensation of the Head of GIA, who reports directly to the AC on audit matters and to the Group President & CEO on administrative matters.

Adequacy of the internal audit function

The AC reviews the effectiveness of the internal audit function on an annual basis, including the adequacy of audit resources. GIA adopts a risk-based methodology in defining its annual internal audit plan, which is reviewed and approved by the AC. GIA also assists the board and management in the discharge of their corporate governance responsibilities as well as in improving and promoting effective and efficient business processes within the Group. The internal audits performed are aimed at ensuring that the Group maintains a sound system of internal controls and that the operations comply with the internal control framework. Internal audit reports issued are reviewed by the AC.

Professional standards and competency

GIA employs qualified staff and identifies and provides training and development opportunities for them so that their technical knowledge remains current and relevant. GIA is guided by and has met the standards for the professional practice of internal audit promulgated by the Institute of Internal Auditors (IIA). In 2012, an external assessment of GIA was conducted and the results affirmed that the internal audit activity generally conformed to the standards set by IIA.

Shareholder Rights and Responsibilities

Shareholder Rights (Principle 14)

Sembcorp ensures that all shareholders are treated fairly and equitably. The company recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements.

The company is committed to ensuring that all shareholders have easy access to clear, reliable and meaningful information in order to make informed investment decisions. The company regularly communicates major developments in its business operations via SGXNET, press releases, circulars to shareholders and other appropriate channels.

The company also encourages shareholder participation and voting at general meetings of shareholders.

Communication with Shareholders (Principle 15)

Regular, effective and fair communication with shareholders

Sembcorp is committed to upholding high standards of corporate transparency and disclosure. This commitment is embodied in the company's Investor Relations policy which adheres to fair disclosure principles and emphasises active dialogue and engagement with shareholders, investors and analysts.

Disclosure of information on timely basis

Sembcorp makes every effort to ensure that shareholders and all capital market players have easy access to clear, meaningful and timely information on the company in order to make informed investment decisions. To do this, various channels including announcements, press releases, shareholder circulars and annual reports are utilised. All price-sensitive and material information are disseminated via SGXNET on a non-selective basis and in a timely and consistent manner. The company's press releases are also uploaded on the corporate website, www.sembcorp.com, after dissemination on SGXNET.

The date of the release of quarterly results is disclosed at least two weeks prior to the date of announcement via SGXNET. On the day of announcement, the financial statements as well as the accompanying press release and presentation slides are released via SGXNET and on the company website. Thereafter, a briefing or teleconference by management is jointly held for the media and analysts. For first half and full year results announcements, results briefings are concurrently broadcast live via webcast. Investor relations officers are also available by email or telephone to answer questions from shareholders, analysts and the media as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

The company also maintains a dedicated Investor Relations section on its corporate website which caters to the specific information needs of shareholders, investors, analysts and the financial community. Designed to provide a convenient location for investors' information needs, the site includes filings on the company's results announcements since the company's listing in 1998, an archive of the company's results briefings webcasts, downloadable five-year financial data,

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a calendar of upcoming events as well as pertinent stock information such as dividend history, share price charts and analyst coverage. Investor relations contact information is also displayed on the website for direct shareholder enquiries.

Establishing and maintaining regular dialogue with shareholders

Sembcorp employs multiple communication platforms to engage with its shareholders. In addition to its results briefings, the company also maintains regular dialogue with its shareholders through investor-targeted events such as AGMs, roadshows, conferences, site visits, group briefings as well as one-to-one meetings. These platforms offer opportunities for senior management and directors to interact first-hand with the shareholders, understand their views, gather feedback as well as address concerns.

To keep senior management and the board abreast of market perception and concerns, the Investor Relations team provides regular updates on analyst consensus estimates and views. On an annual basis, a more comprehensive update is presented, which includes updates and analysis of the shareholder register, highlights of key shareholder engagements for the year as well as market feedback.

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

Dividend policy

Sembcorp is committed to achieving sustainable income and growth to enhance total shareholder return. The Group's policy aims to balance cash return to shareholders and investment for sustaining growth, while aiming for an efficient capital structure. The company strives to provide consistent and sustainable ordinary dividend payments to its shareholders on an annual basis.

Conduct of Shareholder Meetings (Principle 16)

Greater shareholder participation at general meetings

All shareholders are invited to participate in the company's general meetings.

The company disseminates information on general meetings through notices in the annual reports or circulars. These notices are also released via SGXNET, published in local newspapers as well as posted on the company website ahead of the meetings to give ample time for shareholders to review the documents.

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

Voting in absentia by mail, facsimile or email is currently not permitted as such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identity.

At each AGM, the Group President & CEO delivers a short presentation to shareholders to update them on the performance of Sembcorp's businesses. At general meetings, every matter requiring approval is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are present to address these questions and obtain feedback from shareholders. The external auditors and legal advisors (if necessary) are also present to assist the board.

To ensure greater transparency of the voting process, the company conducts electronic poll voting at the shareholder meetings for all the resolutions to be put to vote to allow shareholders present or represented at the meetings to vote on a one share, one vote basis. The total number of votes cast for or against each resolution is announced after the meetings via SGXNET.

Minutes of shareholder meetings are available upon request by shareholders.

Dealings in Securities

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

Interested Person Transactions

Shareholders have adopted an Interested Person Transaction (IPT) Mandate in respect of interested person transactions of the company. The IPT Mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT Mandate is available on the company website, www.sembcorp.com. All business units are required to be familiar with the IPT Mandate and report any interested person transactions to the company. The Group maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. Information on interested person transactions for 2012 may be found in the related item under the Supplementary Information section of the Financial Statements in this annual report.

The Sembcorp NEWater Plant, Singapore

Risk Management & Mitigation Strategies

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

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

Enterprise Risk Management

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

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

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

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

System of Financial Discipline

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

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

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

Whistle-blowing

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

Internal Audit

The Group Internal Audit department assists the Audit Committee in promoting a sound system of internal controls and good corporate governance across the Group. Our internal auditors perform periodic audits to assess the effectiveness and efficiency of the Group's internal control system in addressing financial, operational and compliance risks, as well as its information technology controls and risk management system using a risk-based methodology. For more information on the company's independent internal audit function, please refer to the relevant section on page 50 in the Corporate Governance chapter of this annual report.

Mitigation Strategies

Our risk management efforts are focused on the following risks:

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

a. Financial and counterparty / credit risk

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

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

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

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

Liquidity risk

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

Interest rate risk

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

Foreign exchange risk

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

Commodity risk

The Group endeavours to incorporate pricing formulae for oil, natural gas and raw material costs such that these costs may be passed on to and be borne by its customers and, in accordance with its risk management policy, hedges the residual risks arising from price fluctuations. The Group hedges against fluctuations in commodity prices that affect revenue and cost via swaps, purchase of options, contracts for differences and forward contracts.

Contracts for differences are entered into with appropriate counterparties to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising from the purchase of fuel is managed via fuel oil swaps, where the price of fuel is indexed to a benchmark fuel price index, for example the Singapore High Sulphur Fuel Oil 180-CST.

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

Counterparty / credit risk

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

b. Operational risk

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

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

Insurance

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

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

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

During the year, the Group also established a global insurance programme for property damage, business interruption and public liability for its water operations in the UK, South Africa and the Americas, under the advice of established global insurance broker and risk adviser Willis. This enables the Group to provide more dedicated and focused insurance for our portfolio of global water operations.

c. Investment and commercial risk

The Group's capital investment decision process is guided by investment parameters instituted on a group-wide basis. All investments are subject to rigorous scrutiny to ensure that they are in line with the Group's strategic business focus, meet the relevant hurdle rates of return and take into account all other relevant risk factors, such as political risks, market risks, operating risks, environmental risks and foreign exchange risks. In 2012, the Group also formalised a Country Investment Limit framework to provide better clarity and guidance for country investment decisions based on prevailing country ratings and the Group's strategic intent. In addition, the board requires that each major investment proposal submitted to the board for decision is accompanied by a comprehensive risk assessment and management's proposed mitigation strategies.

d. Compliance and legal risk

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

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

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

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

e. Interested person transaction risk

In respect of transactions entered into by the Group, its subsidiaries and associated companies that are "entities at risk" with interested persons (namely its controlling shareholders, Group President & CEO, directors and their respective associates), the Group is guided by and complies with the provisions of Chapter 9 of the SGX-ST Listing Manual. This is to ensure that such interested person transactions (IPTs) are entered into on an arm's length basis and on normal commercial terms, which are generally not any more favourable than those extended to unrelated third parties.

The Group has internal control procedures to ensure that transactions carried out with interested persons comply with the provisions of Chapter 9 and Sembcorp Industries' Shareholders' Mandate. This mandate is renewed on an annual basis and will be updated at the extraordinary general meeting to be convened on April 25, 2013. These internal control procedures are intended to ensure that IPTs are conducted at arm's length and on normal commercial terms that are not prejudicial to the interests of minority shareholders.

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

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

f. Human resource risk

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

In this respect, the Group places great emphasis on establishing comprehensive human resource policies for the recruitment, compensation and development of staff. This ensures that the

Group's human assets – its skilled workforce and competent senior management – are nurtured and retained, so that the Group's competitive edge is preserved. The board's Executive Resource & Compensation Committee has oversight of the Group's remuneration policies and oversees management, development and succession plans for key management positions. Further details on the Executive Resource & Compensation Committee as well as people development may be found on pages 45 to 46 and 116 to 120 of this annual report.

g. Fraud risk

The Group has established the Group Fraud Risk Management Framework to manage the risks of fraud and misconduct. In 2011, as part of its ongoing framework review and continuous improvement process, the Group has enhanced its Fraud Risk Management Framework by updating its strategies and improving its existing anti-fraud measures to manage the risks of fraud and misconduct more effectively. In 2012, all major businesses within the Group have undergone fraud awareness training as part of the Group's Fraud Risk Management Framework. In addition, all major businesses have put in place fraud control plans to guide them in fraud management. The Group Fraud Risk Management Framework, together with the various anti-fraud initiatives, will be reviewed on a regular basis.

h. Crisis risk

As the Group grows its presence globally and expands its operations into overseas markets and the municipal sector, it becomes increasingly important for the Group to continuously review its crisis management framework and maintain a robust and effective framework that is relevant to the current business environment. This will enable us to safeguard the company's image and reputation as well as prevent or minimise the loss of assets and disruption to business operations. In 2012, the Group enhanced its Group Crisis Management Framework to formulate and update its strategies with regard to crisis management and to improve existing crisis management, communication and emergency response protocols across the various business entities. The Group also addresses crisis and emergency events through the implementation of appropriate prevention, preparedness, response and recovery programmes.

i. Information technology risk

The Group has maintained an uncompromising stand on information availability, control and governance, as well as data security. Over the years, the Group has adopted a multi-pronged approach to effectively manage our information risks. Up-to-date information security policies are implemented and enforced group-wide. High availability and resilience are built into all critical information systems. The corporate information technology (IT) systems and infrastructures are constantly monitored to proactively identify and mitigate risks. IT disaster recovery exercises are carried out regularly to ensure uptime business recovery objectives are met. At the staff level, regular information security awareness programmes are put in place to educate employees of the prevailing risks when handling corporate data. Finally, to ensure effective IT risk management, external security consultants are engaged annually to review and enhance our IT risk posture.

Investor Relations

At Sembcorp, we are committed to ensuring that shareholders, investors and analysts have easy access to clear, reliable and meaningful information on our company in order to make informed investment decisions.

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

Proactive Communication with the Financial Community

During the year, senior management and the investor relations team continued to actively maintain open communication channels with the financial community. We held over 160 one-on-one and group meetings with shareholders, analysts and potential investors. These included non-deal roadshows in major international financial centres. In Asia, we covered Singapore and Hong Kong; in Europe, Frankfurt, London, Geneva and Zurich; and in North America, New York, Boston and Toronto. We also participated in five investor conferences in Singapore during the year: the Deutsche Bank Access Asia Conference, HSBC Annual ASEAN Conference and CIMB ASEAN Series in May, the CLSA ASEAN Access Day in June, and the Macquarie ASEAN Conference in August. We also organised site visits to our Utilities operations on Jurong Island to provide analysts and investors a better understanding of our capabilities in energy and water.

In June 2012, our Group President & CEO Tang Kin Fei was ranked third for Best CEO and our Group CFO Koh Chiap Khiong was ranked second for Best CFO in Institutional Investor magazine's 2012 All-Asia Executive Team. They were both nominated by buy-side portfolio managers and analysts under the conglomerates sector. The All-Asia Executive Team is a survey that identifies the top CEOs, CFOs and investor relations professionals and teams in Asia (ex-Japan) in relation to the quality of a company's investor relations programme.

In terms of corporate governance and sustainability, Sembcorp improved its ranking from eleventh to fourth in Singapore's Governance and Transparency Index 2012. Jointly launched by The Business Times and the NUS Business School's Centre for Governance, Institutions and Organisations, the index assesses the transparency of 674 listed companies' financial disclosures as well as governance, ethics and rigour in financial reporting. In addition, Sembcorp was again selected as an index component of the Dow Jones Sustainability Index (DJSI) Asia Pacific, for the second year running. The index represents the top 20% in terms of sustainability out of the largest 600 companies in the developed Asia Pacific region.

Total Shareholder Return

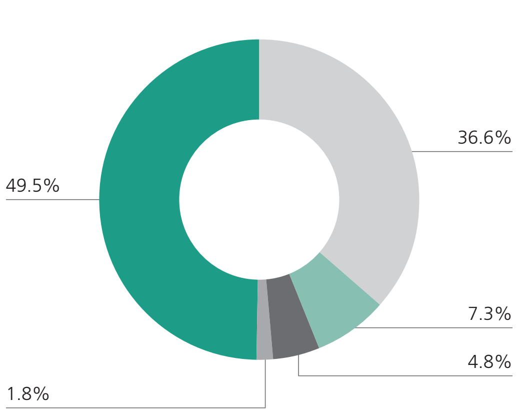
Sembcorp Industries' share price closed the year at S$5.25 with a market capitalisation of S$9.4 billion. The company's share price averaged S$5.16 during the year, registering a low of S$4.11 on January 5, 2012 and a high of S$5.76 on October 2, 2012. Daily turnover in 2012 averaged 3.0 million shares. In May 2012, we paid out a final tax exempt one-tier dividend of 17 cents per ordinary share, comprising a final ordinary dividend of 15 cents per ordinary share and a final bonus dividend of 2 cents per ordinary share. For the year, Sembcorp Industries shares delivered a total shareholder return of 30%, outperforming the Straits Times Index's 21% and MSCI Asia Pacific ex-Japan Industrial Index's 9%.

Shareholder Information

In 2012, other than our major shareholder Temasek Holdings, which held 49.5% of our shares as at the end of 2012, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Institutional shareholders accounted for 36.6% of our issued share capital or 72.4% of free float. Retail shareholders, shareholders holding less than 100,000 shares, and others held the remaining 13.9% of issued share capital or 27.6% of free float. In terms of geographical breakdown, excluding the stake held by Temasek Holdings, Singapore shareholders accounted for 11% of issued share capital. Our largest geographical shareholding base was North America with 14% of issued share capital. Shareholders from Europe and Asia excluding Singapore accounted for 11% and 7% of issued share capital respectively.

Share Ownership by Investor Category

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

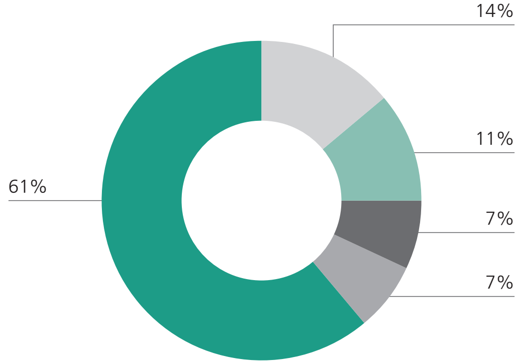


* *Includes indirect interest*

As at December 31, 2012

Share Ownership by Geographical Distribution

- Singapore
- North America
- Europe
- Rest of the world*
- Asia (ex-Singapore)



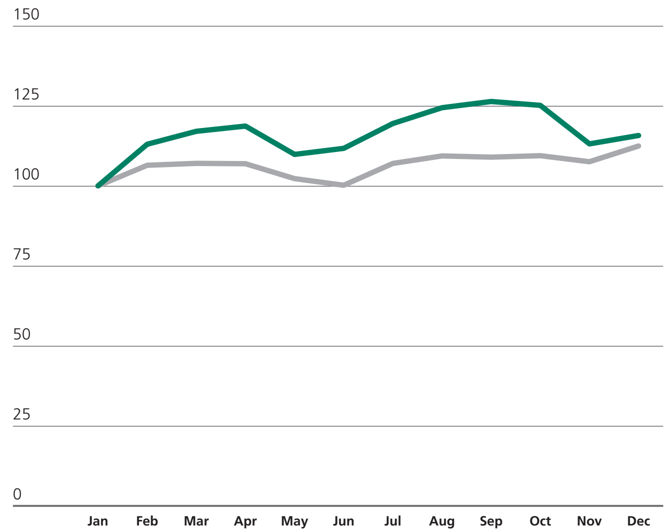
* *'Rest of the world' also includes shareholders from all geographies who hold less than 100,000 shares. These shareholders collectively hold 7% of total shares.*

As at December 31, 2012

Average Monthly Sembcorp Industries Share Price and Straits Times Index in 2012 *(Rebased)*

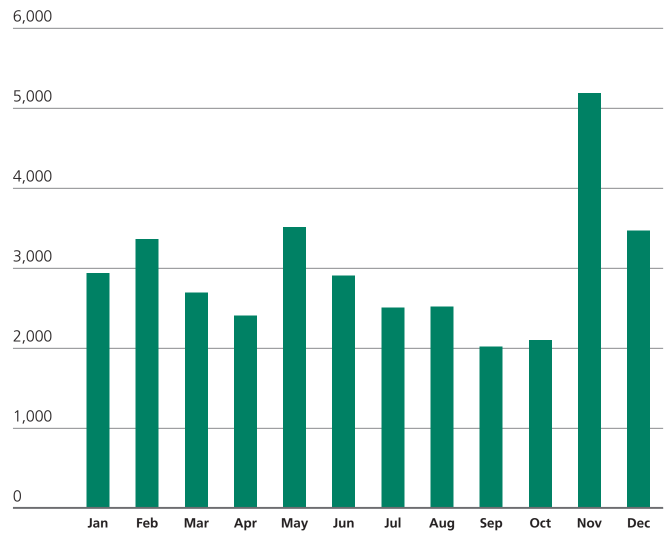
- Sembcorp Industries
- Straits Times Index

Month	Sembcorp Industries (S$)	Straits Times Index
January	4.44	2,791.95
February	5.02	2,971.29
March	5.20	2,988.12
April	5.27	2,984.87
May	4.88	2,854.93
June	4.96	2,797.13
July	5.30	2,987.49
August	5.52	3,052.85
September	5.61	3,042.28
October	5.56	3,054.99
November	5.02	3,002.41
December	5.14	3,139.68



Average Monthly Trade Volume of Sembcorp Industries Shares in 2012 *(in thousands)*

Month	Average Volume ('000)
January	2,934
February	3,358
March	2,692
April	2,406
May	3,509
June	2,906
July	2,500
August	2,516
September	2,015
October	2,097
November	5,184
December	3,463




Sembcorp's cogeneration plant in Shanghai, China

Operating & Financial Review

Company Overview

Sembcorp's aim is to build sustainable businesses that deliver long-term shareholder value and growth.

Business Description

Sembcorp Industries is a Singapore-listed company with assets totalling more than S$12.5 billion. The Group is primarily involved in the following businesses:

- Utilities
- Marine
- Urban Development

The *Utilities* business provides energy and water to industrial and municipal customers. It operates in 14 countries with an established presence in Asia and a strong growing presence in emerging markets around the world. Key activities in the energy sector include power generation and retail, process steam production and supply, as well as natural gas import, supply and retail. In the water sector, the business offers industrial and municipal wastewater treatment, as well as the production and supply of reclaimed, desalinated and potable water and water for industrial use. Together with energy and water, the business also offers on-site logistics as part of a bundled offer to industrial customers, as well as solid waste management services.

The *Marine* business has a strong global reputation and 50 years of proven track record in providing a full spectrum of integrated solutions from ship repair, shipbuilding, ship conversion, rig building to offshore engineering and construction. With operations spanning across Singapore, Indonesia, China, Brazil, India, the UK and USA, it offers one of the largest marine and offshore engineering facilities in the region. By leveraging on complementary facilities and capabilities, the business provides customers a full range of integrated customised solutions, from conceptualisation and design, engineering, procurement and construction, to commissioning and delivery.

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

Objective & Strategies

Sembcorp's aim is to build sustainable businesses that deliver long-term shareholder value and growth. The Group pursues the following strategic directions:

Build upon strong business models and brand name

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

Our Utilities business has established itself as a leading energy and water player. We have a strong track record in supplying power, steam and natural gas to industrial customers and to the grid, and are a trusted provider of total water and wastewater solutions to both industries and households. Leveraging on our expertise in energy and water, we have established a niche as a global leader for the provision of bundled energy, water and on-site logistics to customers in energy-intensive industrial sites, and as a developer, owner and operator of large-scale combined power and water plants.

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

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

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

Leverage capabilities for growth

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

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

A developer, owner and operator of energy and water assets, we have a proven track record in identifying, securing, financing and executing greenfield and brownfield projects. On the energy front, we apply technologies for greater efficiency and lower emissions, including combined cycle gas turbine, wind power and combined power and desalination technologies. We also have the ability to produce energy from a diversity of fuels including natural gas, coal as well as renewable sources such as biomass, energy-from-waste and wind. On the water front, we have developed distinctive capabilities as operators of reliable and efficient facilities serving both industrial customers and households. Our specialised expertise includes the treatment of complex high concentration industrial wastewater from multiple sources for industrial sites, as well as the production of water through desalination and water reclamation for water-stressed regions.

Our Marine business' proprietary technologies and designs for rigs, drillships and vessels allow us to serve our customers with technologically-advanced solutions. For instance, our proprietary Jurong Espadon drillship design represents the next generation of high specification drillships with advanced capabilities for operational efficiency and ultra-deepwater operations worldwide. This strategic expansion of our product offering to cover the drillship market will enable us to deliver a complete solution in the ultra-deepwater segment, strengthening our leadership in this growing market. Our trusted brand name and reputation for quality and on-time delivery also strengthen our position as one of the leading players in the global market.

Our Urban Development business takes an integrated approach to designing self-sufficient urban developments, featuring world-class industrial, business, commercial and residential space. We are a valued partner to governments, with our ability to deliver the economic engine to support industrialisation by attracting local and international investments to our urban developments. We have an established track record in the development of raw land, including master planning, land preparation and infrastructure development as well as the ability to extract further value by undertaking the selective development of commercial and residential real estate at choice sites.

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

Develop new income streams

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

A disciplined and accountable approach

At Sembcorp, we believe that we can only build sustainable businesses through a disciplined and accountable approach. We recognise that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability, and that our approach should at the same time include economic, social and environmental considerations. Through maintaining high standards of corporate governance as well as responsibly managing our impacts and better meeting society's needs and expectations, we believe we can create shared value for our shareholders and other stakeholders and enhance our competitiveness.

Guohua Sembcorp Wind Power Companies in Hulunbeier and Huanghua, China

Group Structure

SEMBCORP INDUSTRIES

UTILITIES

Sembcorp Utilities	100%
SINGAPORE	
Sembcorp Cogen	100%
Sembcorp Power	100%
Sembcorp Gas	70%
Sakra Island Carbon Dioxide	30%
Sembcorp NEWater	100%
CHINA	
Sembcorp Utilities Investment Management (Shanghai)	100%
Sembcorp (China) Holding Co	100%
Shanghai Cao Jing Co-generation Co	30%
Sembcorp Nanjing SUIWU Co	95%
Sembcorp NCIP Water Co	95%
Zhangjiagang Free Trade Zone Sembcorp Water Co	80%
Zhangjiagang Free Trade Zone Sembcorp Water Recycling Co	80%
Sembcorp Qidong Water Co	95%
Yancheng China Water Co	49%
Sembcorp Tianjin Lingang Industrial Area Wastewater Treatment Co	90%
Sembcorp Sanhe Yanjiao Water Co	94.3%
Guohua AES (Huanghua) Wind Power Co	49%
Yangcheng International Power Generating Co	25%
Guohua AES (Chenba'erhu) Wind Power Co	49%
Guohua AES (Hulunbeier) Wind Power Co	49%
Guohua AES (Xinba'erhu) Wind Power Co	49%
Sembcorp Fushun Water Co	100%
Sembcorp Fushun On-site Logistics Co	100%
Shenyang Sembcorp Water Co	80%
Sembcorp Xinmin Water Co	90.9%
Qitaihe Sembcorp Water Co	90.9%
Sembcorp Qinzhou Water Co	80%
Fuzhou Sembcorp Water Co	72%
Zhumadian China Water Co	51%
INDIA	
Sembcorp Utilities India	100%
Thermal Powertech Corporation India	49%
Sembcorp Gayatri O&M Co	70%
INDONESIA	
PT Adhya Tirta Batam	50%
PT Adhya Tirta Sriwijaya	40%
PHILIPPINES	
Subic Water and Sewerage Co	30%
VIETNAM	
Phu My 3 BOT Power Co	33.3%
OMAN	
Sembcorp Salalah Power and Water Co	60%
Sembcorp Salalah O&M Services Co	70%
UAE	
Emirates Sembcorp Water & Power Co	40%
Sembcorp Gulf O&M Co	100%
SOUTH AFRICA	
Sembcorp Utilities (South Africa)	100%
Sembcorp Silulumanzi	100%
Sembcorp Siza Water	73.5%
UK	
Sembcorp Utilities (UK)	100%
Sembcorp Bournemouth Water	100%
ANTIGUA	
Sembcorp (Antigua) Water	100%
CHILE	
Sembcorp Utilities (Chile)	100%
Sembcorp Aguas Chacabuco	100%
Sembcorp Aguas Del Norte	100%
Sembcorp Aguas Lampa	100%
Sembcorp Aguas Santiago	100%
PANAMA	
Aguas de Panama	100%

Sembcorp Environment	100%
SINGAPORE	
SembWaste	100%
Sembcorp Tay Paper Recycling	60%
AUSTRALIA	
SembSita Australia	40%
INDIA	
SembRamky Environmental Management	51%

MARINE

Sembcorp Marine	60.7%
SINGAPORE	
Jurong Shipyard	100%
Sembawang Shipyard	100%
PPL Shipyard	85%
SMOE	100%
Jurong SML	100%
Sembcorp Marine Technology	100%
UK	
Sembmarine SLP	70%
BRAZIL	
Estaleiro Jurong Aracruz	100%
Jurong do Brasil Prestação de Serviços	100%
CHINA	
COSCO Shipyard Group	30%
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co	35%
INDONESIA	
PT SMOE Indonesia	90%
PT Karimun Sembawang Shipyard	100%
INDIA	
SembMarine Kakinada	40%
USA	
Sembcorp-Sabine Shipyard	100%

URBAN DEVELOPMENT

Sembcorp Development	100%
VIETNAM	
Vietnam Singapore Industrial Park JV Co	47.4%
Vietnam Singapore Industrial Park & Township Development Joint Stock Co	45.2%
VSIP Bac Ninh Co	45.2%
VSIP Hai Phong Co	45.2%
VSIP Quang Ngai Co	47.4%
CHINA	
Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%
Sino-Singapore (Chengdu) Innovation Park Development Co	25%
INDONESIA	
PT Kawasan Industri Kendal	49%
SINGAPORE	
Gallant Venture	23.9%

Sembcorp Parks Management	75%
Sembcorp Development Indonesia	100%
Sembcorp Development Vietnam	100%

OTHER BUSINESSES

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

This list of companies is not exhaustive

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

Figures reflect shareholdings as at March 6, 2013

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

Sembcorp's combined power and desalination facility in Salalah, Oman

Group Review

Performance Scorecard *(S$ million)*

	2012	2011	Change (%)
Turnover	**10,189.1**	9,047.1	13
EBITDA	**1,384.6**	1,335.9	4
PFO	**1,266.2**	1,271.7	–
– EBIT	**1,103.0**	1,101.1	–
– Share of results: Associates & JVs, net of tax	**163.2**	170.6	(4)
PBT	**1,154.8**	1,270.6	(9)
Net profit	**753.3**	809.3	(7)
EPS *(cents)*	**42.2**	45.3	(7)
ROE *(%)*	**17.5**	20.4	(14)

Overview

Sembcorp reported a net profit of S$753.3 million for the full year 2012, compared to S$809.3 million in 2011. Turnover grew 13% to S$10.2 billion from S$9.0 billion in the previous year. The Utilities and Marine businesses continued to be our main profit contributors, accounting for 48% and 42% of Group net profit respectively.

Turnover

The Group achieved a turnover of S$10.2 billion, with the Utilities and Marine businesses contributing 99% of total turnover.

The Utilities business' turnover increased by 15% to S$5.6 billion, mainly attributable to growth from our Singapore operations, driven primarily by additional gas sales following the delivery of a further 90 billion British thermal units per day of natural gas imported from Indonesia's West Natuna Sea, which started in November 2011. The business' turnover in 2012 increased also due to higher turnover contribution from the Middle East upon commencement of full operation of our Salalah Independent Water and Power Plant in Oman in May 2012.

The Marine business' 2012 turnover increased by 12% to S$4.4 billion mainly due to the higher revenue recognition for rig building and offshore platform projects.

Net Profit

The Group recorded a net profit of S$753.3 million in 2012 compared to net profit of S$809.3 million in 2011, while profit from operations was S$1,266.2 million compared to S$1,271.7 million in the previous year.

In 2012, our Utilities business achieved record profits of S$374.6 million, growing 23% from S$304.4 million in 2011. While Singapore operations remained the business' largest profit contributor, contribution from our overseas operations also grew with China, Vietnam, Australia and the Middle East delivering an improved performance over 2011.

Meanwhile, our Marine business contributed S$326.7 million in net profit compared to S$456.2 million in 2011, due to lower margin from new design rigs and resumption of margin recognition on completion and delivery of the *Songa Eclipse* semi-submersible rig in 2011.

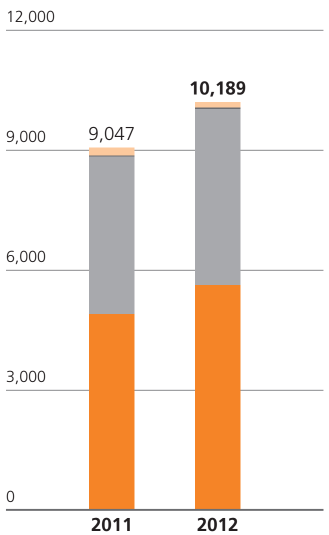
Cash Flow and Liquidity

As at December 31, 2012, the Group's cash and cash equivalents stood at S$2.1 billion.

Cash flows from operating activities before changes in working capital increased from S$1,380.8 million in 2011 to S$1,418.9 million in 2012. Net cash inflow from operating activities for 2012 was S$620.4 million compared to

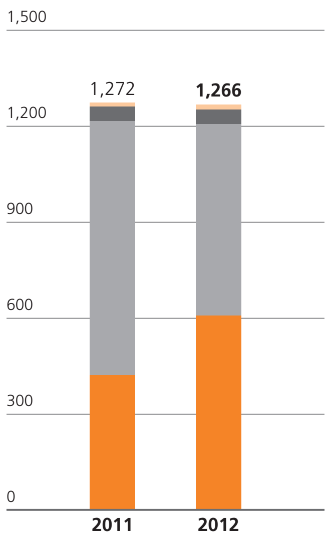
Turnover *(S$ million)*

	2011	2012
Utilities	4,893	**5,615**
Marine	3,957	**4,428**
Urban Development	9	**12**
Others / Corporate	188	**134**
	9,047	**10,189**



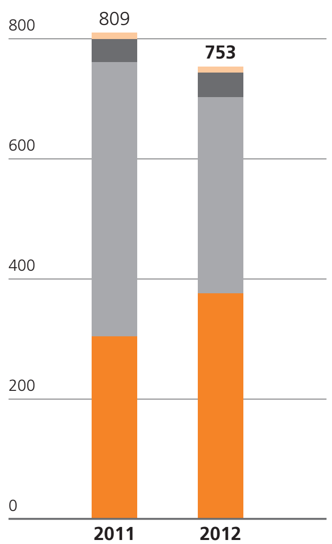
PFO *(S$ million)*

	2011	2012
Utilities	421	**607**
Marine	793	**599**
Urban Development	46	**44**
Others / Corporate	12	**16**
	1,272	**1,266**



Net Profit *(S$ million)*

	2011	2012
Utilities	304	**375**
Marine	456	**327**
Urban Development	39	**41**
Others / Corporate	10	**10**
	809	**753**



S$913.4 million in 2011 mainly due to increase in working capital and a tax refund from Inland Revenue Authority of Singapore in 2011.

Net cash outflow from investing activities for 2012 was S$1,229.9 million. S$1,129.9 million was spent on the purchase of property, plant and equipment and payment for intangible assets and S$203.6 million on the acquisition of non-controlling interests, new and additional investments in a subsidiary, associates and joint ventures as well as investment in a long-term fund. The above cash outflows were partially offset by dividends, interests and proceeds from sale of assets received amounting to S$103.6 million.

Net cash outflow from financing activities of S$309.6 million for 2012 was mainly related to dividends paid, partially offset by net proceeds from borrowings.

Financial Position

Group shareholders' funds increased to S$4.5 billion as at December 31, 2012 from S$4.1 billion as at December 31, 2011.

Non-current assets increased primarily due to higher capital work-in-progress mainly for Utilities and Marine projects. Interests in associates and joint ventures increased mainly due to the Utilities business' acquisition of power assets in China and the Urban Development business' new investment in Chengdu and higher share of profits contributed by its associates and joint ventures during the year. Inventories and work-in-progress increased primarily due to payment terms of rig building projects. Cash and cash equivalents decreased mainly as a result of payment of dividends to shareholders and the Marine business' increase in working capital for ongoing projects. Excess of progress billings over work-in-progress increased significantly mainly due to receipts from customers for rig building projects-in-progress. Interest-bearing borrowings increased due to higher bank borrowings mainly to fund the Marine business' capital expenditures and the construction of our new cogeneration plant in Singapore, as well as from the drawdown of project financing debts.

Shareholder Returns

Return on equity (ROE) for the Group was 17.5% and earnings per share (EPS) amounted to 42.2 cents in 2012.

Subject to approval by shareholders at the next annual general meeting, a final ordinary one-tier tax exempt dividend of 15.0 cents per share has been proposed for the financial year ended December 31, 2012.

Economic Value Added

The Group generated positive economic value added (EVA) of S$620.7 million in 2012.

Our net operating profit after tax for 2012 amounted to S$1.1 billion while capital charges increased to S$523.6 million, mainly due to a higher capital base.

Value Added and Productivity Data

In 2012, the Group's total value added was S$2.4 billion. This was absorbed by employees in wages, salaries and benefits of S$781.1 million, by governments in income and other taxes of S$203.3 million and by providers of capital in interest and dividends of S$443.6 million, leaving a balance of S$1.0 billion reinvested in business.

Critical Accounting Policies

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

With effect from January 1, 2012, the Group adopted the following new / amended FRSs:

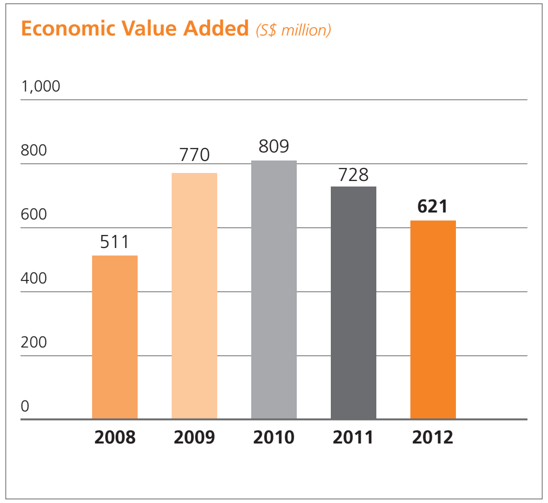
Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets
Amendments to FRS 101 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 107 Disclosures Transfer of Financial Assets

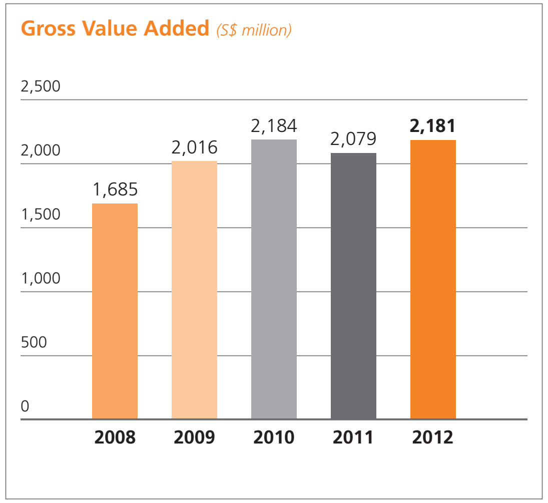
The adoption of the above FRSs (including consequential amendments) does not have any significant impact on the Group's financial statements.

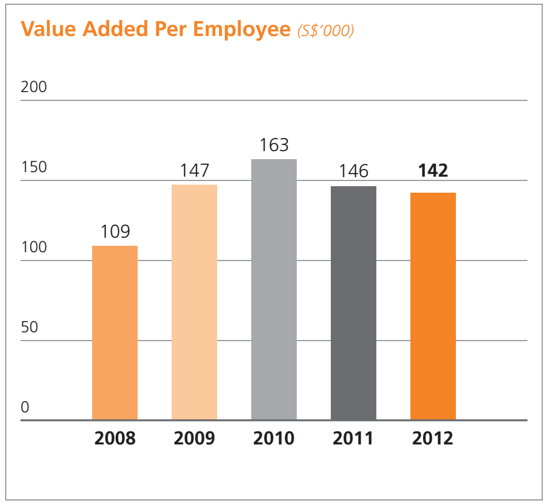
Financial Risk Management

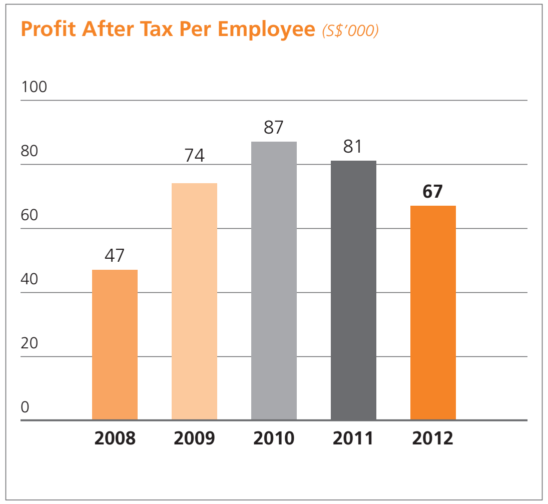
The Group's activities expose it to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices as well as credit risk.

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









Value Added Statement *(S$ million)*

	2012	2011	2010	2009	2008
Value added from					
Turnover	**10,189**	9,047	8,764	9,572	9,928
Less: Bought in materials and services	**(8,008)**	(6,968)	(6,580)	(7,556)	(8,243)
Gross value added	**2,181**	2,079	2,184	2,016	1,685
Investment, interest and other income	**130**	147	168	125	154
Share of results of associates and joint ventures	**207**	206	192	136	140
Other non-operating expenses	**(74)**	(53)	(91)	(59)	(145)
	2,444	2,379	2,453	2,218	1,834
Distribution					
To employees in wages, salaries and benefits	**781**	739	725	710	682
To governments in income and other taxes	**203**	188	249	243	170
To providers of capital on:					
Interest paid on borrowings	**140**	66	61	41	44
Dividends to owners	**304**	304	268	196	267
	1,428	1,297	1,303	1,190	1,163
Retained in business					
Depreciation and amortisation	**282**	235	242	200	195
Retained profits	**450**	505	525	487	240
Non-controlling interests	**280**	337	380	333	224
	1,012	1,077	1,147	1,020	659
Other non-operating expenses	**4**	5	3	8	12
	1,016	1,082	1,150	1,028	671
Total distribution	**2,444**	2,379	2,453	2,218	1,834

Group Review

Productivity Data

	2012	2011	2010	2009	2008
Average staff strength	**15,343**	14,194	13,415	13,707	15,512
Employment costs *(S$ million)*	**781**	739	725	710	682
Profit after tax per employee *(S$'000)*	**67**	81	87	74	47
Value added *(S$ million)*	**2,181**	2,079	2,184	2,016	1,685
Value added per employee *(S$'000)*	**142**	146	163	147	109
Value added per dollar employment costs *(S$)*	**2.79**	2.81	3.01	2.84	2.47
Value added per dollar investment in property, plant and equipment *(S$)*	**0.30**	0.33	0.40	0.47	0.43
Value added per dollar sales *(S$)*	**0.21**	0.23	0.25	0.21	0.17

The figures above reflect core businesses only.

Treasury Management

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

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

Facilities

Including SFS' S$1.5 billion and Sembcorp Marine's S$2.0 billion medium-term note programme, the Group's total funded facilities as at end 2012 amounted to S$7.9 billion (2011: S$8.2 billion), with unfunded facilities standing at S$2.9 billion (2011: S$2.0 billion).

Borrowings

As at December 31, 2012, the Group's gross borrowings amounted to S$2.4 billion (2011: S$2.2 billion) which was marginally higher than last year. The incremental borrowings were mainly due to a partial drawdown from the S$520.0 million loan facility that was signed in 2011 and drawdown of loans by Sembcorp Marine for its Singapore new yard.

The Group aims to term out the loans such that their maturity profile mirrors the life of our core assets, while we continue our focus on maintaining adequate liquidity for the Group's businesses. We continue to build on our banking relationships to ensure that we are able to secure funding on competitive terms as and when commercially viable and strategically attractive opportunities arise.

The Group remains committed to balancing the availability of funding and the cost of funding, together with the need to maintain prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities and fixed and floating rate borrowings. Of the overall debt portfolio, 77% (2011: 83%) constituted fixed rate debts which were not exposed to interest rate fluctuations.

As the Group continues to grow, the Group interest expense also increased during 2012 mainly due to our greenfield project in Oman which commenced full commercial operation in May 2012. Prior to May 2012, the interest expense related to the Oman project was capitalised.

Financing & Treasury Highlights *(S$ million)*

	2012	2011	2010
Source of Funding			
Cash and cash equivalents	**2,060**	2,995	3,488
Funded bank facilities and capital markets			
Uncommitted facilities available for drawdown	**4,519**	4,571	4,415
Committed facilities available for drawdown	**3,418**	3,601	3,224
Total funded facilities	**7,937**	8,172	7,639
Less: Amount drawn down	**(2,448)**	(2,184)	(1,743)
Unutilised funded facilities available	**5,489**	5,988	5,896
Unfunded bank facilities			
Unfunded facilities available for drawdown	**2,852**	1,978	1,911
Less: Amount drawn down	**(1,285)**	(773)	(551)
Unutilised unfunded facilities available	**1,567**	1,205	1,360
Total unutilised funded and unfunded facilities	**7,056**	7,193	7,256
Funding Profile			
Maturity profile			
Due within one year	**235**	188	50
Due between one to five years	**950**	757	587
Due after five years	**1,263**	1,239	1,106
	2,448	2,184	1,743
Debt mix			
Fixed rate debt	**1,895**	1,818	1,374
Floating rate debt	**553**	366	369
	2,448	2,184	1,743
Currency denomination of debt			
SGD	**1,158**	757	765
USD	**740**	795	388
GBP	**182**	272	287
OMR	**271**	241	172
RMB	**82**	100	109
Others	**15**	19	22
	2,448	2,184	1,743

Financing & Treasury Highlights *(S$ million)*

	2012	2011	2010
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	**1,385**	1,336	1,478
Interest on borrowings	**140**	66	61
Interest cover *(times)*	**9.9**	20.3	24.2
Debt / equity ratio			
Project financing debt	**1,098**	1,024	581
Non project financing debt	**1,350**	1,160	1,162
	2,448	2,184	1,743
Less: Cash and cash equivalents	**(2,060)**	(2,995)	(3,488)
Net debt / (cash)	**388**	(811)	(1,745)
Net (cash) excluding project financing	**(630)**	(1,799)	(2,282)
Net gearing excluding project financing *(times)*	**Net cash**	Net cash	Net cash
Net gearing including project financing *(times)*	**0.07**	Net cash	Net cash

Sembcorp's cogeneration plant on Jurong Island, Singapore

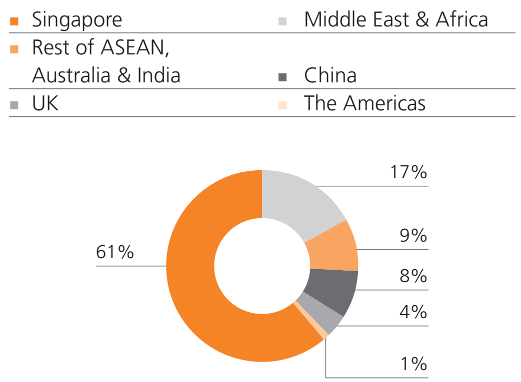
Utilities Review

Sembcorp's Utilities business is a leading energy and water player with distinctive capabilities to serve both industrial and municipal sectors. With our strong operational and technical capabilities, we have established ourselves as a global leader in the provision of energy, water and on-site logistics to multiple customers in energy intensive clusters. We also have the ability to generate energy from a variety of fuels including natural gas, coal as well as renewable sources. Our expertise also lies in developing total water solutions, from the treatment of multiple streams of high concentration industrial wastewater to large-scale desalination and water reclamation. With our proven track record in identifying, securing, financing and executing greenfield and brownfield projects, we are well-positioned to ride the world's growing demand for water and energy, driven by globalisation and urbanisation.

Performance Scorecard *(S$ million)*

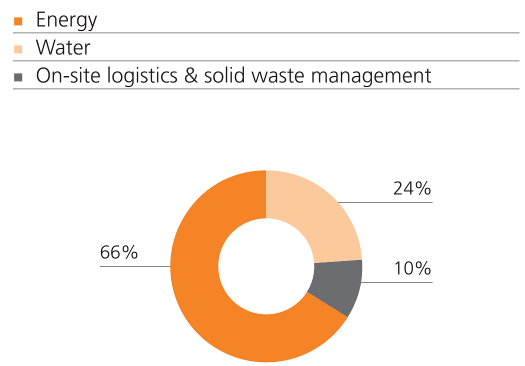
	2012	2011	Change (%)
Turnover	**5,661.6**	4,937.4	15
EBITDA	**715.4**	497.4	44
PFO	**606.6**	420.8	44
– EBIT	**534.6**	355.7	50
– Share of results: Associates & JVs, net of tax	**72.0**	65.1	11
Net profit	**374.6**	304.4	23
ROE *(%)*	**19.5**	18.9	3

PFO by Geography



Note: PFO excluding contribution from 'Corporate'

PFO by Segment



Note: PFO excluding contribution from 'Corporate'

Utilities Review

Key Developments

- Started full commercial operation of our US$1 billion Salalah Independent Water and Power Plant in Oman
- Commenced commercial operation of our newest and largest S$40 million industrial wastewater treatment facility in the new growth area of Jurong Island in Singapore
- Officially opened our first woodchip-fuelled biomass steam production plant on Jurong Island in Singapore, and announced further plans to grow our energy-from-waste capacity on Jurong Island
- Grew our renewable energy capabilities with the successful completion of our US$85.5 million acquisition of power assets in China, which included four wind power assets
- Entered into a joint venture agreement to build, own and operate an industrial wastewater treatment plant in the Qidong Lvsi Port Economic Development Zone in Jiangsu province, China
- Selected by the Fushun government to develop centralised utilities facilities in the Fushun Hi-tech Industrial Zone in Liaoning province, China

Operations Review

The Utilities business continued to deliver strong revenue and profit growth in 2012. Net profit increased 23% from S$304.4 million to S$374.6 million on the back of a 15% jump in revenue from S$4.9 billion in 2011 to S$5.7 billion. Profit from operations (PFO) grew 44% from S$420.8 million to S$606.6 million, driven by strong growth from our Singapore and Middle East operations.

During the year in review, PFO from our Singapore operations increased 44%, contributing 61% of the business' PFO. While our Singapore operations remained the largest contributor, our overseas operations in China, Vietnam, Australia and the Middle East also posted strong improvements in PFO. Our operations in the Middle East registered strong growth following the commencement of full commercial operation of our 60%-owned Salalah Independent Water and Power Plant (Salalah IWPP) in Oman in May 2012. Our operations in China also recorded growth, mainly due to our newly acquired power assets in the country. The acquisition has been accretive to earnings immediately following its completion in September 2012. In 2012, the Utilities business secured contracts from the industrial sector amounting to S$1.5 billion, primarily for gas supply, utilities and on-site logistics services.

We also made good headway in strengthening our capabilities in renewable energy. In Singapore, we officially opened our first energy-from-waste plant in April 2012 on Jurong Island, which will provide a sustainable and economical source of steam supply to our customers. We also announced plans to further grow our energy-from-waste capacity in the country. In China, we added wind energy to our global renewable energy portfolio with a US$85.5 million acquisition of power assets, including a 49% stake in four wind power assets in Inner Mongolia and Hebei. These wind power assets will provide a platform to accelerate our growth in the renewable energy sector and in China, the largest wind power market in the world. With these strategic investments, our renewable energy capacity in operation and under development now accounts for approximately 5% of our total power portfolio.

In January 2013, we successfully completed the squeeze-out proceedings for Sembcorp Utilities (Netherlands), formerly known as Cascal, under the Dutch Civil Code in the Netherlands. With this, Sembcorp now owns 100% of the shareholding in the company, completing our acquisition of Cascal whose operations have already been integrated into the Group since July 2010.

Singapore

Despite our cogeneration plant's planned major maintenance, PFO from our Singapore operations grew 44% to S$373.4 million, from S$258.6 million in 2011. The growth was driven primarily by additional gas sales following the delivery of a further 90 billion British thermal units per day of natural gas imported from Indonesia's West Natuna Sea, which started in November 2011. With this second gas sales agreement, we supply a total of 431 billion British thermal units per day of natural gas, an increase of 26%. During the year in review, our Singapore operations secured contracts totalling S$1.2 billion, laying the foundation for sustainable long-term growth.

On Jurong Island, we commenced commercial operation of our newest and largest industrial wastewater treatment plant. With a capacity of 9,600 cubic metres per day, the S$40 million plant doubled our industrial wastewater treatment capacity in Singapore. We also started providing industrial wastewater treatment services to German specialty chemicals company LANXESS' butyl rubber facility in August 2012. The industrial wastewater treatment plant is part of our upcoming S$960 million cluster of facilities to serve companies setting up operations in the new growth areas of Jurong Island, namely Banyan, Angsana and Tembusu. The facilities also comprise a combined cycle gas turbine cogeneration plant that can produce 400 megawatts of power and 200 tonnes per hour of process steam, and a multi-utilities centre that will provide the integrated supply of steam, water, industrial water and wastewater treatment services, cooling water and other services. Both the cogeneration plant and multi-utilities centre are expected to be completed in December 2013. At the same time, we will extend our service corridor network to connect customers in the new growth areas and the rest of Jurong Island.

To achieve further improvements in efficiency, cost and environmental sustainability, we will develop a new technology and innovation centre, which will be located at the same site as our upcoming cogeneration plant. The centre will house our researchers and engineers who will develop and integrate innovative processes and run test-beds for emerging technologies relevant to the Utilities business.

Our latest woodchip-fuelled biomass steam production plant on Jurong Island marked a step forward in our strategy to grow our renewable energy capabilities. The new S$34 million plant produces 20 tonnes per hour of process steam, using waste wood collected and processed by our solid waste management business. Leveraging our capabilities in our solid waste management and energy businesses, the plant uses recovered waste wood to provide an alternative economical source of energy for our customers, while reducing greenhouse gas emissions. We are in the midst of expanding capacity by another 40 tonnes per hour of steam with the construction of a second boiler, scheduled for completion in June 2013. Together, both boilers will produce 60 tonnes per hour of steam and reduce carbon dioxide emissions by an estimated 70,000 tonnes a year.

Our plans to expand our energy-from-waste capacity on Jurong Island will help to enhance the island's competitiveness to remain an attractive location to investors. In addition, by recovering waste meant for incineration at a fee and processing it into a resource, our energy-from-waste plants not only convert a cost into revenue, but also provide our customers with an alternative economical source of energy, thereby enhancing Sembcorp's competitiveness at the same time.

Utilities Review

Rest of ASEAN, Australia & India
The region registered a marked improvement, with PFO growing 50% to S$51.4 million from S$34.2 million in 2011. The increase in PFO was due to higher contribution from our solid waste management business in Australia, which recognised one-off costs relating to its acquisition of WSN Environmental Solutions in 2011 and higher electricity output from our power plant in Vietnam.

In Vietnam, we were granted an in-principle approval by the People's Committee of Quang Ngai Province to explore the feasibility of developing a 1,200-megawatt coal-fired power plant in Dung Quat Economic Zone, located in central Vietnam's Quang Ngai province. Dung Quat Economic Zone has been earmarked by the Vietnamese government to become a multi-sectorial economic zone and a base for oil refining and petrochemical industries. The development of this power project was explored in conjunction with our Urban Development business, which was then exploring the feasibility of developing its fifth integrated township and industrial park in Quang Ngai province. This project demonstrates the synergy between our businesses and our ability to offer integrated solutions as a Group – in addition to providing a world-class urban development, we are also able to supply essential power to the province.

The construction of our first power plant in India – a 1,320-megawatt coal-fired power plant in Krishnapatnam, Nellore District, Andhra Pradesh – is 65% completed and is on track to be completed in the second half of 2014. The plant will utilise supercritical technology that allows for enhanced efficiency, thereby reducing emissions of carbon dioxide and other pollutants by consuming less fuel per unit of electricity generated. We also made good progress in securing a portion of the plant's fuel supply. We sealed an agreement with PT Bayan Resources to supply approximately one million tonnes per year of coal at a competitive rate for 10 years, and finalised a shipping agreement with NYK of Japan for the same tranche of coal. We remain focused on the execution of this project and will make every effort to ensure its successful completion and delivery.

China
Our operations in China recorded a PFO growth of 14% to S$46.8 million in 2012, due to the four months earnings contribution from our newly acquired assets. The acquisition was completed in September 2012. Performance from our existing industrial and municipal water operations in China, together with our Shanghai cogeneration plant, was comparable to last year's.

We completed a strategic acquisition in China during the year, which gave us our first foothold in China's renewable energy sector. The acquisition of power assets comprised a 49% stake in four wind power assets in Inner Mongolia and Hebei that have a total gross power capacity of 248 megawatts, as well as a 25% stake in a co-operative joint venture for a 2,100-megawatt coal-fired power plant in Shanxi. The co-operative joint venture will expire in 2016. The acquisition from The AES Corporation was a strategic move to strengthen Sembcorp's global energy portfolio and accelerate our growth in the renewable energy sector. Our new wind power assets will also enable us to support the Chinese government's goal to reduce reliance on fossil fuels. China's twelfth Five-Year Plan aims to lift the contribution from non-fossil fuels including renewable energy to 15% of China's energy mix by 2020, from 8% in 2010. In addition, our wind power assets will give us a foothold to tap opportunities in China, the largest wind power market in the world.

In Jiangsu province, we entered into a joint venture agreement with Jiangsu Province Lvsi Coastal Economic Zone Development & Construction Co to build, own and operate an industrial wastewater treatment plant in Qidong Lvsi Port Economic Development Zone (Qidong Lvsi EDZ) – Jiangsu's new petrochemical industrial zone. With an investment of RMB80 million, the plant will be 95% owned by Sembcorp. It will have a design capacity of 10,000 cubic metres per day and capable of treating multiple streams of high concentration industrial wastewater. As part of the agreement, Sembcorp will be the exclusive provider of industrial wastewater treatment services within the Petrochemical & New Materials Industrial Park, a 12-square kilometre park within the Qidong Lvsi EDZ, upon completion of the plant by the second half of 2014. We have also secured a 15-year contract to provide industrial wastewater treatment services to anchor customer, state-owned China National Chemical Engineering Group.

In Liaoning province, our plans are underway to develop centralised utilities facilities in the Fushun Petrochemical and Fine Chemical Park. This project represents a significant milestone as we expand our centralised utilities business in China. Our RMB326.6 million investment will comprise a service corridor network, as well as facilities for industrial wastewater treatment and industrial water and firewater supply. We have been granted exclusivity as the provider of the service corridor network and water supply in the chemical park, which is slated to be the largest integrated refining and petrochemical base in northeastern China. As the first phase, we developed a three-kilometre service corridor network, which was completed in January 2013. At the same time, we acquired a portfolio of existing water assets from the local government and will develop a 3.6-kilometre water pipeline and a new industrial water treatment plant with an initial capacity of 22,500 cubic metres per day in 2013.

With these strategic developments, our Utilities business has an established presence with 22 operations across 11 provinces in China, further strengthening our reputation as an established energy and water player.

Middle East & Africa
PFO from the Middle East and Africa increased 213% from S$32.9 million to S$103.0 million due to contribution from our Salalah IWPP. The facility commenced full commercial operation in May 2012, following the successful completion of acceptance tests.

Salalah IWPP, which consists of a gas-fired power plant and a seawater desalination plant, provides 445 megawatts of power and 15 million imperial gallons per day (MiGD) of water to the government-owned Oman Power and Water Procurement Company under a 15-year contract. Salalah IWPP is the largest and most energy-efficient power and water plant in Dhofar in southern Oman and is our second project in the Middle East.

Our first Middle East plant, Fujairah 1 Independent Water and Power Plant (Fujairah 1 IWPP) in the United Arab Emirates (UAE), is one of the world's largest operating hybrid desalination plants. It continues to deliver good operating performance, underpinned by its long-term purchase agreement with Abu Dhabi Water & Electricity Company (ADWEC). In January 2013, we announced the expansion of Fujairah 1 IWPP's seawater desalination capacity by 30 MiGD. The expansion will boost Sembcorp's total seawater desalination capacity in the UAE from 100 MiGD to 130 MiGD. Targeted for completion in the first half of 2015, the US$200 million expansion

Utilities Review

will make the Fujairah 1 IWPP the largest reverse osmosis desalination facility in the Middle East. We have also signed a 20-year water purchase agreement with ADWEC for this additional 30 MiGD water output.

Together, our two plants in the Middle East will generate a total of 1,383 megawatts of power and 145 MiGD of water, playing a key role in helping to address the region's pressing power and water needs.

As a testament to the high quality of water and service we provide to our customers, both our South African municipal water operations have been accredited with the prestigious Blue Drop award, with Sembcorp Silulumanzi achieving platinum status for winning the Blue Drop award for three consecutive years.

UK and The Americas

PFO from our UK operations declined 45% to S$24.8 million in 2012 due to lower contributions from our Teesside operations, which continues to face a challenging operating environment with low power spreads and carbon prices. Our earnings were also impacted by an extended maintenance shutdown of our 35-megawatt biomass power plant.

Our municipal water operations in Bournemouth continued to perform well during the year. New tariffs were implemented in April 2012, according to the five-year schedule set in the 2010 tariff review with the UK water services regulator, Ofwat.

PFO from our operations in the Americas, comprising Chile, Panama and the Caribbean, declined 12% to S$8.9 million due to a one-off adjustment in 2011 from the change in accounting treatment for a service concession arrangement in Chile. Excluding the one-off item, our operations delivered a steady performance, comparable to last year's.

Market Review and Outlook

The global economy in 2013 is expected to remain fragile, according to the World Bank. The global economy is projected to grow at a relatively weak 2.4% in 2013, comparable to 2.3% in 2012. Developing economies, which have been the main driver of global growth, are estimated to grow by 5.5% in 2013 while high-income countries are forecasted to expand by 1.3%.

In Singapore, the Ministry of Trade and Industry is forecasting Singapore's economy to grow between 1% and 3% in 2013, from 1.3% in 2012. Electricity demand is expected to grow in tandem with economic growth. On the supply side, over 2,400 megawatts of new generation capacity, including the 400 megawatts from our new cogeneration plant, will gradually come onstream over the next few years, starting from 2013. In addition, the completion of Singapore's liquefied natural gas (LNG) terminal in the second quarter of 2013 will bring about a greater supply of natural gas via the arrival of LNG imports. The increase in generation capacity and gas supply is expected to intensify competition and may impact the performance of our Singapore operations.

Meanwhile, over in Europe, the EU Emissions Trading Scheme transitioned into phase three at the start of 2013. With a stricter carbon regime, our operations in Teesside, UK, will no longer be able to benefit from the sale of excess carbon credits. The new carbon regime as well as a proposed UK carbon tax will also reduce the competitiveness of our coal-fired assets.

Nevertheless, we have strong platforms in place for long-term growth. In Singapore, our upcoming projects in the new growth areas of Jurong Island, namely our multi-utilities centre and cogeneration plant, are on track for completion in end 2013. Our second woodchip boiler is also expected to be completed in June 2013, which will further enhance our competitiveness by lowering our cost of steam production. Beyond 2013, our Indian coal-fired power plant will commence operation in the second half of 2014, while the expansion of our seawater desalination capacity in Fujairah will be completed in 2015, adding 1,320 megawatts and 30 MiGD respectively to our power and water capacity in operation.

We continue to keep our focus on Singapore, where long-term prospects for Jurong Island remain positive with several petrochemical and chemical companies announcing plans to expand their investments. These include Shell, which announced the expansion of its 800,000 tonnes per annum upstream ethylene cracker by over 20%. We will continue to grow in tandem with demand in Singapore. At the same time, our future initiatives will aim at lowering costs while increasing efficiency, thereby increasing our competitiveness and helping our customers stay competitive. Our energy-from-waste solution is one such example.

Looking ahead, we will continue to explore opportunities for growth particularly in our target emerging markets, where we have been extending our footprint. We believe that rapid urbanisation and industrialisation in these markets will drive demand for our solutions.

With our long-term contracts and strong operational performance, our Utilities business will remain focused on the execution of our pipeline of projects and the pursuit of new growth opportunities to deliver long-term growth.

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

Marine Review

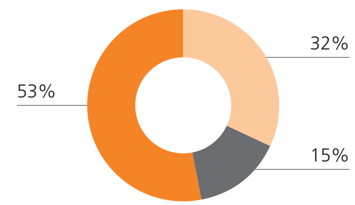
With 50 years of proven track record, Sembcorp Marine is a global leader in marine and offshore solutions. Our Marine business enjoys a strong reputation for integrated solutions from ship repair, shipbuilding and ship conversion, rig building and repair to offshore engineering and construction. From our global network of strategically located shipyards, we support our customers by handling complex turnkey projects and repairs while meeting high standards for health, safety, security and the environment. Over the years, we have developed proprietary designs for rigs, drillships and container vessels and have formed long-term strategic alliances with international ship operators who provide us with a stable base-load.

Performance Scorecard *(S$ million)*

	2012	2011	Change (%)
Turnover	**4,430.1**	3,960.2	12
EBITDA	**649.2**	825.8	(21)
PFO	**598.8**	792.4	(24)
– EBIT	**554.8**	739.1	(25)
– Share of results: Associates & JVs, net of tax	**44.0**	53.3	(17)
Net profit	**538.5**	751.9	(28)
ROE *(%)*	**22.2**	30.0	(26)

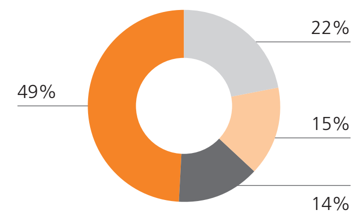
Turnover by Segment

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



Orderbook Composition

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



Net orderbook of S$13.6 billion
(as at February 21, 2013)

Marine Review

Key Developments

- Record net orderbook of S$13.6 billion as at February 2013, with completions and deliveries till 2019
- Record S$11.0 billion of new orders secured in 2012, surpassing the previous high of S$5.7 billion in 2008
- Strategically expanded into the drillship market with seven drillship order wins worth over US$5.6 billion
- Acquired a 34.5-hectare site for the second phase of the 206-hectare Integrated New Yard Facility located at Singapore's Tuas View Extension

Operations Review

Sembcorp Marine's turnover increased 12% from S$4.0 billion in 2011 to S$4.4 billion in 2012 due to higher revenue recognition for rig building and offshore platform projects.

Profit from operations (PFO) was S$598.8 million compared to S$792.4 million in 2011, while operating margin was 12.5% compared to 18.6% in 2011. The decline in operating profit was due to lower margin from new design rigs and resumption of margin on completion and delivery of the *Songa Eclipse* semi-submersible rig in 2011.

The business' net profit in 2012 stood at S$538.5 million, compared to S$751.9 million in 2011. Return on equity was 22%, compared to 30% last year.

During the year in review, the business secured contract orders worth S$11.0 billion, growing the net orderbook from S$5.1 billion as at end 2011 to a record high of S$13.6 billion as at February 21, 2013, with completion and deliveries extending till 2019. This included over US$5.6 billion worth of orders for seven drillships from Sete Brasil. This is part of our new product offering that will enable us to deliver complete solutions in the ultra-deepwater segment and strengthen our position in this fast-growing market.

We also made good progress in the construction of our new integrated shipyards in Brazil and Singapore during the year. Our new yards will enhance our competitiveness as we expand our capacity to offer a one-stop solution to our customers in some of the world's fastest growing oil and gas markets.

In 2012, we also acquired a 20% equity interest in Singapore-based research and development company Ecospec Global Technology to strengthen our regulatory-compliant environmental solutions to ship owners. In addition, we established our first footprint in the UK through the acquisition of a 70% stake in UK-based SLP Engineering (now Sembmarine SLP), which will allow us to provide synergistic support to our North Sea clientele.

In December 2012, a jack-up rig under construction at our Marine business' Jurong Shipyard in Singapore tilted. At the time of the incident, the company acted quickly, successfully evacuating all workers off the rig in around 20 minutes and ensuring all were accounted for within an hour. In mid-January 2013, the tilted rig was successfully restored to its original upright position, and this was followed by the resumption of work on the rig at the end of the month. There were no fatalities or serious injuries. Safety is of the utmost importance to us, and we are fully committed to strengthening our businesses' safety provisions and ability to respond to emergencies.

Ship repair

Turnover for the ship repair segment was S$641.7 million or 14% of our Marine business' revenue in 2012, comparable to S$643.9 million in 2011. A total of 337 vessels docked at our yards in 2012 compared to 264 vessels in 2011, while the average value per vessel was S$1.9 million, compared to S$2.4 million in 2011. Long-term strategic alliance customers continued to provide a steady and growing base-load. Together with our regular repeat customers, they contributed 82% of our total ship repair revenue in 2012. High value repairs to liquefied natural gas (LNG) and liquefied petroleum gas (LPG) tankers, oil tankers, passenger ships and upgrading of drillships and floating production storage and offloading (FPSO) vessels continue to dominate the segment.

During the year, we secured three ship repair contracts totalling S$130 million for floating storage and offloading (FSO) vessel repair and upgrading, as well as LNG carriers' life extensions. This reinforced our reputation as a world-leading shipyard for ship repair and specialised offshore and LNG carriers upgrading. At the same time, we were also awarded a new favoured customer contract to provide ship repair, revitalisation, upgrading and related marine services for Royal Caribbean's fleet of cruise ships.

Ship conversion and offshore

Turnover from ship conversion and offshore grew 30% to S$1.4 billion from S$1.1 billion in 2011. The segment contributed 32% of the Marine business' total revenue. As a leading provider for the conversion of FPSO systems and the turnkey engineering and construction of offshore platforms, we completed and delivered four projects during the year, including *Seven Borealis*, the world's largest heavy lift crane carrier, and *Nusantara Regas Satu*, Asia's first floating storage and regasification unit (FSRU).

During the year, we secured a US$63 million contract for the engineering and construction of two wellhead platforms for Premier Oil Natuna Sea BV and a US$674 million contract from a Petrobras majority-owned consortium for the construction of eight modules and module integration works for two units of FPSO. Work for this project will be undertaken in our wholly-owned Brazil shipyard, Estaleiro Jurong Aracruz.

Rig building

Turnover from the rig building segment, which contributed 53% of our Marine business' total turnover, stood at S$2.4 billion, representing a growth of 7% compared to 2011's turnover of S$2.2 billion.

During the year, we delivered two jack-up rigs and two semi-submersible rigs.

A total of 15 new contracts worth US$7.9 billion were secured in 2012, including seven drillship orders worth over US$5.6 billion from Sete Brasil, five units of Pacific Class 400 jack-up rigs for various customers, a US$385.5 million semi-submersible well intervention rig from Helix Energy Solutions, a US$568 million harsh-environment semi-submersible rig from North Atlantic Drilling and a second unit of the harsh-environment accommodation semi-submersible rig worth US$295.2 million from Prosafe.

Drillships

In 2012, we secured a total of seven orders worth US$5.6 billion from Sete Brasil for the design and construction of seven drillships based on our proprietary Jurong Espadon drillship design.

The strategic expansion of our product offering to cover the drillship market will enable us to deliver a complete solution in the ultra-deepwater segment, strengthening our leadership in the growing market for ultra-deepwater solutions. Our proprietary Jurong Espadon drillship design represents the next generation of high specification drillships with advanced capabilities for operational efficiency and ultra-deepwater operations worldwide. The drillships will be capable of operating at water depths of 10,000 feet and drilling to depths of 40,000 feet, with accommodation facilities for a crew of 180 personnel.

The seven drillship orders not only position us as a reputable builder of drillships, but also provide the momentum for us to accelerate our shipbuilding programme at our new Brazil shipyard, Estaleiro Jurong Aracruz.

Scheduled for deliveries between the second quarter of 2015 and fourth quarter of 2019, the vessels are among the first in a series of drillships to be built in Brazil to cater to the oil and gas discoveries in the offshore giant pre-salt fields of Espirito Santo. On delivery, all seven drillships will be chartered to Petrobras for 15 years.

Positioned for growth

We continue to make good progress in positioning the business for sustainable growth in the long term. Apart from expanding our product offering to include drillships and harsh-environment accommodation rigs, which will enable us to strengthen our position in the fast-growing ultra-deepwater segment, we are also augmenting our global network of shipyards which will give us a strategic presence in some of the world's fastest growing oil and gas markets.

In Singapore, the 73.3-hectare first phase of our Integrated New Yard Facility at Tuas View Extension is on track to commence operation in the second half of 2013. It will feature four very large crude carrier (VLCC) drydocks with a total capacity of 1.55 million deadweight tonnes and quays of more than three kilometres. With these state-of-the-art facilities and equipment, it is well-equipped to serve a wide range of vessels including new generations of mega containerships, VLCCs, LNG carriers and passenger ships.

With the first phase nearing completion, we kick-started the development of the second phase with the acquisition of a 34.5-hectare site. Located adjacent to the first phase development, the second phase of the new yard will be developed in stages over a period of four to five years.

When fully completed, the entire shipyard, which will be built in phases over an estimated period of 16 years, will span 206 hectares. Designed as a centralised and integrated "one-stop solutions" hub for ship repair and conversion, shipbuilding, rig building and offshore engineering and construction, it is Singapore's first purpose-built, custom-designed integrated yard facility, which will further reinforce our competitive edge.

Meanwhile in Brazil, construction of our wholly-owned Estaleiro Jurong Aracruz, our first overseas Integrated New Yard Facility, is progressing well. Situated on an 82.5-hectare site with 1.6 kilometres of coastline, Estaleiro Jurong Aracruz is strategically located in close proximity to the rich oil and gas basin of Espirito Santo, one of Brazil's giant pre-salt reservoirs. The Integrated New Yard Facility is well-positioned to serve Brazil's vibrant offshore and marine sector with wide-ranging capabilities in the construction of drilling rigs, FPSO integration, topside modules fabrication, and the repair and upgrading of ships and rigs. It will also be equipped with a one-kilometre berthing quay, a drydock and ancillary piping facilities and steel fabrication workshops. Targeted for full completion by end 2014, the shipyard is poised to further strengthen our foothold in the country. Contracts secured in 2012 that will be undertaken by the yard include the drillships for Sete Brasil and the fabrication and integration works for the Petrobras FPSO vessels P-68 and P-71.

In India, construction of our 40%-owned integrated yard, Sembmarine Kakinada, was completed and the yard commenced commercial operation in January 2013. Strategically located in the east coast of India, the yard offers ship owners and offshore operators a one-stop integrated marine and offshore service facility for the repairs and servicing of offshore vessels and ships, newbuilds, oil and gas riser and equipment repairs as well as platforms and modules fabrication. The joint venture, which is operated and managed by our Marine business under a 10-year technical management and services agreement, is in line with our strategy to establish and grow a hub in India to cater to the growing needs of our customers operating in India and South Asia.

Market Review and Outlook

Our Marine business has a net orderbook of S$13.6 billion with completion and deliveries stretching into 2019. This includes S$11.0 billion in contract orders secured in 2012 and a S$900 million contract secured since the start of 2013, excluding ship repair contracts. Moving ahead, the business remains focused on operational efficiency, productivity improvements, safety management and the timely deliveries of these record orders to our customers.

Amidst the fragile global economic environment, the long-term industry fundamentals for the offshore oil and gas sector remain sound, underpinned by high oil prices and projected increases in offshore exploration and production spending. Demand for rigs is expected to remain strong given the aging rig fleet and the increasing focus by oil companies for new, safer and efficient rigs and rigs capable of operating in harsh environment.

There is continued demand for repair, upgrading and life extension work, in particular in the niche segments of LNG carriers, passenger / cruise vessels and offshore vessels. Demand for the business' big docks remains strong as the alliance and long-term customers continue to provide a stable and steady base-load.

Our Marine business continues to receive healthy enquiries for the various segments although competition remains keen with effects on margin.


Artist's impression of the fourth Vietnam Singapore Industrial Park in Hai Phong, Vietnam

Urban Development Review

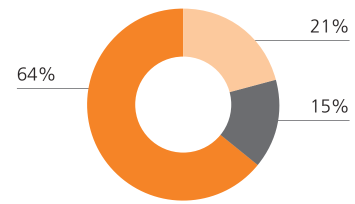
Our Urban Development business is a leading Asian developer with over 20 years of experience in master planning, land preparation and infrastructure development. Our expertise lies in transforming raw land into large-scale urban developments. Over the years, we have built a sound reputation as an owner, developer, manager and marketer of urban developments comprising industrial parks, as well as business, commercial and residential space in Vietnam, China and Indonesia. Our developments in some of the world's fastest growing countries provide the economic engine to drive investments into these emerging markets. To date, we have attracted US$10 billion in foreign direct investments to our integrated developments and over 600 multinational companies and leading local enterprises as tenants. With a gross project size of 10,257 hectares to support our development pipeline in Vietnam, China and Indonesia, there are also opportunities for us to selectively develop commercial and residential real estate at choice sites.

Performance Scorecard *(S$ million)*

	2012	2011	Change (%)
Turnover[1]	**15.6**	12.8	22
EBITDA	**7.7**	1.2	542
PFO	**44.0**	46.1	(5)
– EBIT	**6.3**	(0.3)	NM
– Share of results: Associates & JVs, net of tax	**37.7**	46.4	(19)
Net profit	**41.1**	38.7	6
ROE[2] *(%)*	**7.2**	7.2	–

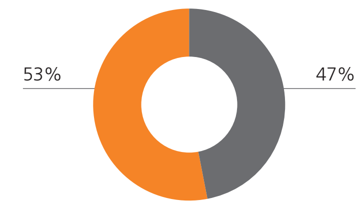
Land Available for Sale by Geography

■ Vietnam ■ China ■ Indonesia



Land Available for Sale by Segment

■ Industrial ■ Commercial & residential



Notes:
[1] Most of our Urban Development businesses are associates or joint ventures. The turnover is derived from providing services to these associates or joint ventures
[2] Excluding its returns on Sembcorp's corporate office on 30 Hill Street and its investment in Gallant Venture, the Urban Development business' ROE for 2012 was 12.8%
Note: Land available for sale figures are based on current planned estimates and exclude projects under Gallant Venture

Urban Development Review

Key Developments

- Entered into a joint venture with Chengdu Hi-tech Investment Group Co to develop the Singapore-Sichuan Hi-tech Innovation Park in Chengdu's Tianfu New City central business district. The groundbreaking ceremony took place in May 2012
- Received the investment certificate issued by the People's Committee of Quang Ngai Province to proceed with our fifth Vietnam Singapore Industrial Park (VSIP) project in Vietnam, VSIP Quang Ngai
- Signed a joint venture agreement with a wholly-owned subsidiary of P.T. Kawasan Industri Jababeka to develop an 860-hectare urban development in Kendal Regency, Central Java, Indonesia

Operations Review

Our Urban Development business performed well in 2012. Net profit grew 6% from S$38.7 million to S$41.1 million while profit from operations (PFO) was S$44.0 million, compared to S$46.1 million in 2011. Land sales and rental income from built-to-suit factories boosted contribution from the Wuxi-Singapore Industrial Park (WSIP) and mitigated the lower land sales from the Vietnam Singapore Industrial Park (VSIP) projects.

The business sold a total of 158 hectares of land in Vietnam and China during the year compared to 226 hectares in 2011. Industrial land accounted for 98% of the land sold, while commercial and residential land accounted for the remaining 2%. Commercial and residential land sales slowed in 2012 due to bank lending restrictions for real estate development in Vietnam. In 2012, we received commitments for a further 167 hectares of land from customers, bringing our total land commitment to 236 hectares. These included commitments for 30 hectares of industrial, commercial and residential land in the new Nanjing and Chengdu projects in China, which we believe is a sign of renewed confidence in the Chinese economy.

During the year, we achieved major milestones in positioning the business for growth and expanding our development pipeline. We secured regulatory approvals for three projects in new beachheads, VSIP Quang Ngai in central Vietnam, Singapore-Sichuan Hi-tech Innovation Park in western China and Kendal Industrial Park in Central Java, Indonesia. With these projects in key emerging markets, we increased our total gross project size in Vietnam, China and Indonesia by more than 40% to 10,257 hectares during the course of the year.

Vietnam

In 2012, Vietnam's economy grew 5.1%, lower than the 5.9% growth achieved in the previous year and the government's 2012 target of 6%. Economic growth continued to be weighed down by weaker external demand from major export markets as well as weakened domestic economy.

Against this backdrop, industrial land sales continued to do relatively well across Binh Duong, Bac Ninh and Hai Phong, achieving total land sales of 138 hectares. Commercial and residential land sales however, were impacted by domestic monetary policy as the Vietnamese government raised bank interest rates and restricted lending for real estate development in a bid to tackle double-digit inflation.

In southern Vietnam, our projects performed relatively well, with the first VSIP project in Thuan An district, which is almost fully sold, contributing steady recurring income from factory rentals and electricity distribution. Despite the weak business environment, 87 hectares of land were sold and 76 hectares have been committed by customers in our second 2,045-hectare VSIP in the New Binh Duong Township. Project take-up rate stood at 42% and 808 hectares of saleable land remained available as at end 2012. Meanwhile in northern Vietnam, land sales slowed considerably in the 700-hectare VSIP Bac Ninh despite land commitments as companies put investment decisions on hold due to banking restrictions.

During the year, 17 hectares of land were sold and 42 hectares were committed by customers, bringing the land take-up rate to 65%. Another 157 hectares of land remained available for sale as at end 2012. Our VSIP project in Hai Phong city performed well. The project sold 36 hectares of land during the year, and had land commitments for another 18 hectares. Our projects in Vietnam continued to help drive investments into the country. Collectively, the VSIP projects have attracted more than US$5.5 billion in foreign direct investments.

In April 2012, we received the investment certificate issued by the People's Committee of Quang Ngai Province to proceed with VSIP Quang Ngai – our fifth VSIP project in Vietnam. The US$337.8 million joint venture project comprises a 600-hectare industrial park located within the Dung Quat Economic Zone. Separately, a 520-hectare site has been earmarked for commercial and residential development near downtown Quang Ngai city. Detailed master plans for the industrial, commercial and residential zones are ongoing, and we expect to commence industrial land sales in 2013. With VSIP Quang Ngai, the total gross project size of our VSIP projects has increased 23% to 5,965 hectares.

During the year, we also entered into a 40:60 joint venture with VSIP Joint Venture Co to develop *Gateway*, our first residential project in Vietnam. Located within VSIP Binh Duong in Thuan An district, it is a mid-market residential project of about 163,807 square metres gross floor area, comprising 1,380 apartment units and amenities and will be developed in phases from 2013 onwards. *Gateway* is part of our efforts to develop projects that deliver an integrated urban work and living environment, enhancing the attractiveness of VSIP. Phase one will comprise two blocks of 250 apartment units.

China

China continued to be impacted by sluggish global demand and domestic challenges, which in turn affected potential customer investment decisions. Despite these, we made substantial progress in our China projects.

Our WSIP turned in a good performance with sales of 16 hectares of industrial land, as well as rental income from built-to-suit factories. The WSIP business model focuses on providing a recurring income base through factory space sales and rental. Currently it has a total factory built-up gross floor area of 570,000 square metres. We plan to secure more built-to-suit factories with long-term lease agreements to boost our recurring income base. During the year, we completed and handed over a 28,252-square metre factory to Epcos which has signed a 10-year long-term lease agreement for the premises. In terms of new lease agreements, we secured new customer Osram which will lease the 73,000-square metre initial phase factory for 20 years, as well as Muehlbauer which has signed an eight-year long-term lease agreement for its 11,000-square metre factory. The factories will be completed in 2013 and 2014 respectively. In the commercial and residential space, the business and technology park registered higher occupancy rates for phase one at 61% while the *International Garden City* apartment project sold 24 units and is now 94% taken up. In light of the weak property market, we have delayed the launch of *Hongshan Mansion* residential development to 2013.

Over at the Sino-Singapore Nanjing Eco Hi-tech Island, we secured two customers who committed to taking up a total of 15 hectares of land for residential development and three customers who took up 7.5 hectares for business use. Meanwhile, construction for the mixed-use development *New One North* is progressing well with the completion of the exhibition and office centre expected by mid-2014. Construction for the business park, commercial and residential areas will commence in 2013.

During the year, we signed the joint venture agreement with our Chinese partners for the Singapore-Sichuan Hi-tech Innovation Park project and also celebrated the project's groundbreaking ceremony. Located within Chengdu's Tianfu New City central business district, the 1,000-hectare park will be developed in phases with a start-up area of 300 hectares. The detailed design master plan has been completed and land preparation works on the site have commenced. Land sales are expected to commence in 2014.

Indonesia

To tap the growing investments in Central Java, we entered into a joint venture with a wholly-owned subsidiary of P.T. Kawasan Industri Jababeka, a publicly-listed company on the Jakarta Stock Exchange and one of the leading industrial estate developers in Indonesia. Sembcorp owns a 49% stake in the joint venture to co-develop the 860-hectare Kendal Industrial Park, which is located along the Jakarta-Semarang-Surabaya Economic Corridor in Kendal Regency, Central Java. We have received the investment licence to proceed with the project and are in the process of designing the conceptual master plan. We expect land sales for the project to commence in 2014.

Market Review and Outlook

The Urban Development business is expected to deliver better performance in 2013.

Gross Domestic Product (GDP) growth in Vietnam is expected to hit 5.7% in 2013 from 5.1% in 2012, while China's economy is expected to rebound with a GDP growth forecast of 8.1% in 2013, from 7.8% in 2012. While government measures to stabilise the property markets in these countries may affect the pace of land sales in the short term, we continue to hold a long-term positive outlook for our business.

In Vietnam, we now have a total of five projects. Strategically located in the southern, central and northern economic zones, we are well-positioned to grow in tandem with industrialisation and urbanisation in the country. Our projects in China are also well-positioned for growth. Located in the key growth areas of Wuxi, Nanjing and Chengdu, we expect demand for industrial, commercial and residential space to continue to be driven by urbanisation and the shift towards central-western China development. We also expect Central Java to experience heightened levels of economic activity as the province benefits from spillovers from investments in Jakarta.

The Urban Development business has built up a strong portfolio of projects totalling 10,257 hectares in gross project size in Vietnam, China and Indonesia. With continued urbanisation and industrialisation in these emerging markets, the demand for industrial, commercial and residential space is set to grow. We have an established track record in transforming raw land into large-scale urban developments, and the ability to extract further value from our landbank through selective commercial and residential development. With projects that provide the economic engine to drive investments into some of the world's fastest developing markets, we believe that our Urban Development business is well-positioned for long-term growth.

Sustainability

Our Approach to Sustainability

Statement from the Group President & CEO

I am pleased to present Sembcorp's Sustainability Report 2012.

At Sembcorp, we believe in building sustainable businesses that deliver long-term shareholder value and growth. We seek to achieve this through a disciplined and accountable approach which includes economic, social and environmental considerations. We believe that a truly sustainable business not only creates economic value, but does so in a way that creates benefit for its various stakeholders. At Sembcorp, we aim to create value for our shareholders as well as customers, employees, suppliers, partners and communities wherever we operate. This includes doing our part to limit the environmental impact of our activities and helping our customers and communities do the same. It also means being a fair and responsible employer and maintaining a commitment to contribute positively to the communities where we operate. Finally, it entails seeking opportunities to increase our competitiveness through addressing our sustainability impacts and by better meeting society's needs and expectations.

We strive for excellence and continuous improvement in identifying, understanding and responding to the changing economic, social and environmental challenges facing our businesses. As such, we have evolved our approach to focus our sustainability agenda on the issues that are of the greatest significance to our businesses and our stakeholders. Following a materiality review which identified the Group's material issues, our sustainability agenda and reporting will now be centred on five focus areas: 1) Economic, 2) Governance, Risk and Compliance, 3) People, 4) Health, Safety and Environment and 5) Community. We have a broad portfolio of businesses, and each business differs with respect to the nature of its operations, stakeholders and impacts. Spearheaded by the Sustainability Steering Committee, we believe that this materiality focus is vital as we seek to make progress on our sustainability journey, drive performance and transparency, and embed sustainability into the Group's culture.

Amid globalisation and urbanisation, the challenge facing industry and communities today is one of balancing development with resource scarcity and environmental concerns. At Sembcorp, we believe that we have a part to play in contributing to a sustainable future. From high-efficiency, low-emission and renewable energy production, total water and wastewater solutions to eco-friendly urban developments, our innovative solutions support industry and communities while managing impact on the environment and improving the quality of life. In 2012, we achieved significant milestones in the growth of our renewable energy capabilities. In Singapore, we opened our first energy-from-waste facility and announced expansion plans which will further grow our energy-from-waste capacity in the country. We also added wind energy to our global renewable energy portfolio with the acquisition of four wind power assets in China. With these strategic investments, our renewable energy capacity in operation and under development now accounts for around 5% of our total power portfolio. Our efforts in growing our renewable energy capacity is but one example of how our sustainability agenda, integrated with our business strategy, can and should support the growth of the business – by capitalising on the opportunities it presents and by developing solutions to future challenges.

At Sembcorp, we commit to high standards of behaviour and integrity in everything we do and wherever we operate, and align our operations with best practice as well as internationally recognised management systems and agreed standards. In recognition of some of our efforts, we were once again selected as an index component in the Dow Jones Sustainability Asia Pacific Index 2012, and have been ranked 36th in Energy Intelligence's New Energy Top 100 Green Utilities, the only company from Singapore in the global ranking of the top utilities companies based on carbon emissions and renewable energy capacity. We were also ranked joint fourth out of 674 Singapore-listed companies in The Business Times and the NUS Business School's Centre for Governance, Institutions and Organisations' Governance & Transparency Index 2012.

We are honoured by the recognition and trust accorded to us by our stakeholders, and remain committed to building sustainable businesses that manage the impact of our operations responsibly today, while preparing for a future where we will continue to create shared value for our shareholders, other stakeholders and the environment.

Tang Kin Fei
Group President & CEO
February 26, 2013

Managing Sustainability

As an international enterprise and a public listed company, we understand that there is a complex value chain to which Sembcorp belongs and that our wider responsibility incorporates sustainability issues. This widening role of business is taken seriously and is reflected in Sembcorp's commitment to excellence and continuous improvement.

The pillars of our sustainability principles are set out in our Sustainability Policy, available on our website. Health, Safety and Environment (HSE) principles are specifically addressed in our HSE Policy, also available on our website. These principles are applied in the management systems and processes of Sembcorp's operations, and monitoring of adherence and compliance with these systems are verified through plant audits. We continuously improve and expand the scope of sustainability management systems that we have in place, including corporate governance, risk management, health, safety and environment, human resource and community investment. Sembcorp also encourages the implementation of internationally recognised management systems across our operations, such as ISO 14001:2004 and OHSAS 18001:2007. We adopt a precautionary approach to avoid or minimise negative impacts through preventive measures and tracking of leading indicators.

To further strengthen our management of sustainability issues, Sembcorp's Sustainability Steering Committee was established in late 2011 to review our sustainability roadmap and make strategic recommendations to improve sustainability performance across the organisation. The Committee, which consists of Sembcorp senior management, was chaired by Lau Gar Ning, Executive Vice President of Group Asset Management and Chief Health, Safety and Environment Officer. In January 2013, Mr Lau stepped down as Chairman of the Sustainability Steering Committee and our Group Chief Financial Officer, Koh Chiap Khiong, took over as the new Chairman. The Committee's key findings and recommendations are presented to the Senior Management Committee.

We believe that membership and participation in external initiatives are also important platforms to facilitate and develop industry best practice. Kindly refer to the External Initiatives and Recognition section on our website for details of our memberships and participation in industry initiatives.

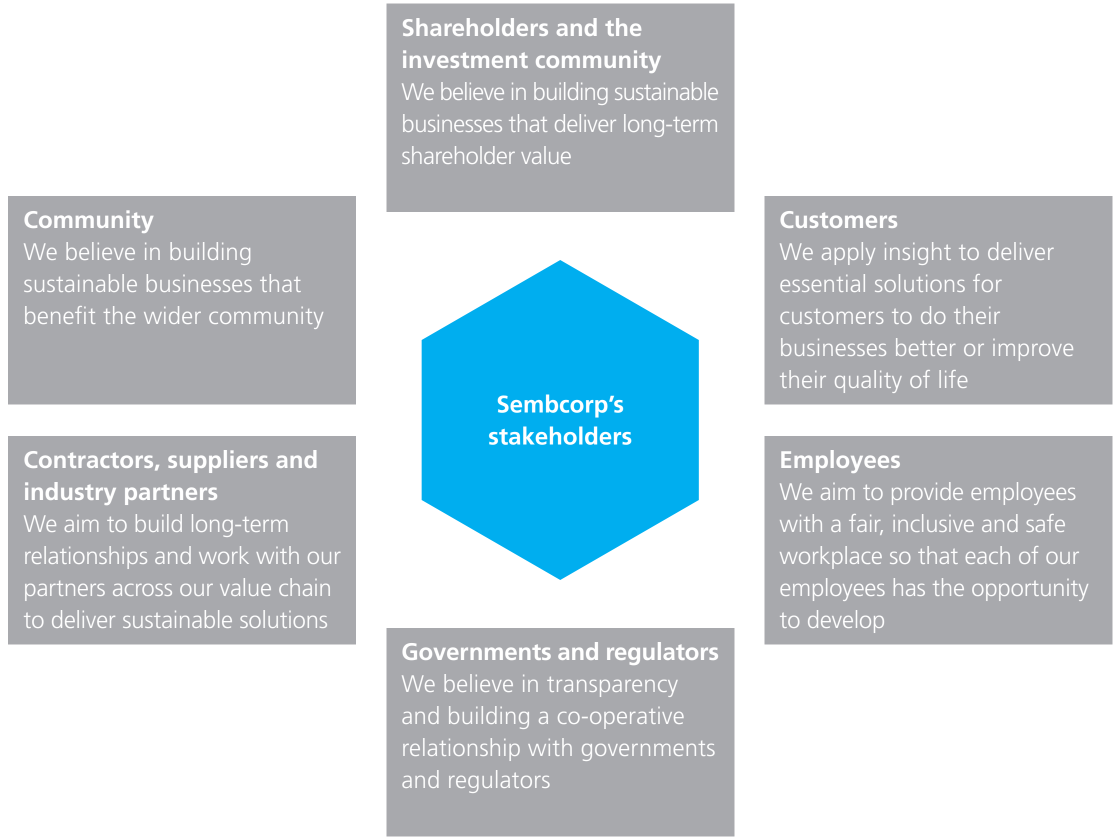
Sustainability contact

Sembcorp welcomes feedback on our sustainability issues and reporting at sustainability@sembcorp.com.

Stakeholder Engagement

At Sembcorp, we recognise the importance of engaging our stakeholders to encourage open communication and build relationships. We employ a range of platforms to engage our different stakeholders to develop mutually beneficial relationships. The frequency of our ongoing engagement with our stakeholders varies with needs of the stakeholders, as well as the platform and topics of engagement.

To further focus our stakeholder engagement efforts, we conducted a stakeholder mapping exercise in early 2012 to review and define our stakeholder groups. This was done in line with AA1000 Stakeholder Engagement Standard with the help of an independent consultant. Stakeholders were mapped based on their level of influence and interest, using a structured approach. Our key stakeholders are articulated on the following page.



Highlights

- Input on Materiality Matrix from external stakeholders: Our Materiality Matrix defines what issues are important to us strategically and also shapes our reporting approach. In 2012, we conducted a stakeholder consultation survey to invite feedback specifically on our material issues with our key stakeholders. For more information, please refer to Materiality on page 106.
- Employee Leadership Development Survey: As part of Sembcorp's continuing efforts to develop next generation leaders, Sembcorp conducted a survey to seek employees' perspectives of Sembcorp's leadership and aspirations for what a Leadership Development programme should offer. Independent consultants were engaged to ensure anonymity and encourage candid responses.

Information on our communication with the investment community including shareholders, analysts and potential investors can also be found in the Corporate Governance and Investor Relations sections of this annual report. Other examples of stakeholder engagement can be found on our website.

Materiality

Materiality analysis is a key process in enabling Sembcorp to define the sustainability issues that are of greatest significance to our businesses and our stakeholders. It helps us review the relevance and risks of key issues for ourselves and our stakeholders, and focuses our efforts in responding to those issues and opportunities.

This year, Sembcorp has adopted the progressive approach to report based on our 11 material issues, grouped into five focus areas. This is reflective of how Sembcorp is driving improvements on both the management approach and performance of the 11 material issues internally. Each focus area has appointed owners from senior management, who form the Sustainability Steering Committee.

Key material issues recognised by both internal and external stakeholders are illustrated in the table on the following page. Sembcorp's management approach and performance for these issues are elaborated in their respective sections.

Sembcorp conducted an internal materiality review with an independent consultant in 2011. The review involved identifying potential environment, health, safety, governance and social issues and prioritising them based on a Materiality Matrix approach, which charts their level of significance to Sembcorp and our stakeholders using clearly defined materiality criteria based on the AA1000AS five-part materiality process.

We continued to improve our materiality review this year, by inviting input from our key stakeholders, including shareholders, financial institutions, the investment community, regulators, customers, suppliers and non-governmental organisations. The survey was conducted by an independent consultant, to ensure anonymity for respondents. The respondents on a whole agreed with the material issues that were identified. The input helped to shape aspects of the material issues that our key stakeholders were interested in, and also how we could better communicate the issues.

Focus Areas	Material Issues
Economic	
▪ To deliver long-term value and growth	▪ Capital and Portfolio Management ▪ Operational Reliability ▪ Innovation ▪ New Income Streams
Governance, Risk and Compliance	
▪ To maintain high standards of behaviour and integrity and be the best in class in governance practices	▪ Governance and Ethical Business ▪ Regulatory Compliance
People	
▪ To provide a fair, diverse and inclusive workplace, and to continually improve in our human resource and people development	▪ People Development
Health, Safety and Environment	
▪ To instill sound and practical health and safety management as part of our workplace culture, and protect the environment in our business activities, products and services through good environmental practices	▪ Occupational Health and Safety ▪ Climate Change and Energy Efficiency ▪ Environmental Protection
Community	
▪ To be a responsible business, making a positive contribution to our communities	▪ Community Integration

Sustainability Performance Snapshot

The table below shows quantitative data that reflects our performance in areas which have been identified as material to our businesses and stakeholders. More performance data including qualitative data is available in the individual sections of each focus area as well as on our website.

	Note	2012	2011	2010
Economic				
Capital and Portfolio Management				
Turnover *(S$ million)*		**10,189**	9,047	8,764
Net profit *(S$ million)*		**753**	809	793
Return on equity *(%)*		**17.5**	20.4	22.2
Return on total assets *(%)*		**9.5**	10.7	12.2
Net gearing *(times)*		**0.07**	Net cash	Net cash
People				
People Development				
Turnover *(%)*		**7.4**	12.5	13.8
Training costs per employee *(S$)*		**878**	780	881
Tenure of employees				
< 1 year *(%)*		**15**	11	22
1-3+ years *(%)*		**22**	26	44
4-9+ years *(%)*		**37**	33	18
≥ 10 years *(%)*		**26**	30	16
Health, Safety and Environment				
Occupational Health and Safety (for employees and contractors)				
Common scope excluding solid waste management operations in Singapore	1			
Number of fatalities		**0**	0	0
Injury rate per 200,000 man-hours	2	**0.29**	0.29	0.18
Lost day rate per 200,000 man-hours	2	**9.80**	1.88	2.59
Climate Change and Energy Efficiency				
Direct greenhouse gas emissions *(tonnes CO_2 equivalent)*		**5,291,828**	4,880,578	5,419,761
Carbon dioxide CO_2 *(tonnes)*		**5,251,656**	4,836,841	5,379,277
Methane CH_4 *(tonnes)*		**235**	226	238
Nitrous oxide N_2O *(tonnes)*		**114**	126	115
Water withdrawal *('000,000 m³)*		**1,218**	1,003	1,047
Surface water *('000,000 m³)*		**1,086**	900	961
Ground water *('000,000 m³)*		**28**	30	26
Potable water *('000,000 m³)*		**25**	24	35
Recycled / reused water *('000,000 m³)*		**24**	20	18

	Note	2012	2011	2010
Environmental Protection				
Waste disposal *('000 tonnes)*		**27.9**	31.0	29.0
Hazardous waste *('000 tonnes)*		**9.8**	10.2	9.4
Non-hazardous waste *('000 tonnes)*		**18.1**	20.8	19.6
Community				
Community investment *(S$ million)*	3	**0.9**	1.2	1.0

Due to our expanded scope from 2010 through to 2012, we report trend data based on data that we have for all three years. The scope for trend data includes Utilities businesses for which Sembcorp has majority control as at December 31, 2012 in Singapore, China, the UAE and UK. This excludes the operations of Sembcorp Utilities (Netherlands), formerly known as Cascal, which were acquired in 2010. This scope provides at least 70% coverage of the parameters disclosed. For details on our scope for reporting, please refer to Our Approach to Reporting on page 110.

Notes:

1. *Data from our solid waste management operations in Singapore is excluded from the common scope for more meaningful comparison and analysis, as the solid waste management business employs manual labour to a greater degree and has a different risk profile from other Utilities business operations. Safety data on our solid waste management operations can be found in the Health, Safety and Environment section.*
2. *200,000 man-hours is roughly equivalent to hours worked by 100 full time employees in a calendar year.*
3. *In 2012, we applied the London Benchmarking Group model to track and report our community investments. For more information, please refer to page 130.*

Our Approach to Reporting

Sembcorp's reporting approach has evolved to focus on our material issues. A snapshot of Sembcorp's quantitative sustainability performance data is presented on page 108. Our management approach to our material issues is discussed separately under each focus area.

Scope of Report

Sembcorp is an international company with operations across 16 countries in six continents. Our three key businesses comprise Utilities, Marine and Urban Development. As our Marine business is separately listed in Singapore and reports its activities separately, it is excluded from this report. In 2012, we have expanded our scope of reporting to include subsidiaries in South Africa, the Caribbean, Panama and Chile.

For Health, Safety and Environmental information, we provide performance data for our Utilities businesses for which Sembcorp has majority ownership as at December 31, 2012. This excludes our energy and water operations in Oman which were not fully operational before May 2012 as well as our operations in India. In India, data is excluded as our power facility is currently under construction while our medical waste incineration subsidiary is still in the process of developing data management systems. For Human Resource information, performance data covers all Sembcorp subsidiaries, excluding our energy and water operations in Oman and India. All data pertains to January 1 to December 31, 2012. Where data is unavailable or has been excluded, this has been clearly stated.

Due to our expanded scope from 2010 through to 2012, we report trend data based on data that is available for all three years. This is referred to in this report as "common scope". Common scope includes Utilities businesses for which Sembcorp has had majority control from 2010 to 2012 in Singapore, China, the UAE and UK. This excludes the operations of Sembcorp Utilities (Netherlands), formerly known as Cascal, which were acquired in 2010. This scope provides at least 70% coverage of the parameters disclosed. Our additional scope refers to data from the operations of Sembcorp Utilities (Netherlands). Trend data is reflected in the Sustainability Performance Snapshot and in performance data charts under individual focus area.

Reporting Framework

Sembcorp adopts Global Reporting Initiative (GRI) 3.1 guidelines. Our GRI Content Index is available online. Our report is checked against GRI 3.1 framework for Application Level B. We aim to work towards external assurance of the report.

Data Measurement

All data measurements are in line with GRI 3.1 recommendations for our chosen indicators. All business units obtain greenhouse gas conversion from Greenhouse Gas Protocol (GHG Protocol), except for our operation in Teesside, UK, which uses Department of Energy and Climate Change (DECC) and United States Environmental Protection Agency (US EPA) emission factors.

Material Issues

Economic

Sembcorp is committed to delivering long-term economic value and growth. Each investment decision is made with the aim of building a portfolio of sustainable businesses to deliver long-term value for our shareholders.

Highlight

2012 saw a company-wide effort to enhance work processes and documentation for our water assets with a view to boost maintenance and asset management effectiveness. A standardised asset management framework and manual was developed to guide operators in all aspects of plant management, merging multiple management systems. This approach to standardise asset management methods will eventually be rolled out to energy assets as well.

Why it is material

Long-term economic viability has always been at the core of Sembcorp's approach to building a sustainable business with long-term returns. It is essential for our continued growth.

The Group monitors its economic sustainability by monitoring and managing four key facets of the business: capital and portfolio management, operational reliability of our assets, our innovation initiatives and our business development activities.

Capital and portfolio management

Sembcorp's businesses often involve large-scale, multi-year projects requiring significant initial capital outlay. Strong financial health and a disciplined approach to investment are thus necessary success factors. At the same time, as the Group grows its investments beyond Singapore's shores, we believe in the importance of maintaining a suitable portfolio of businesses across various geographical regions and business segments with the appropriate level of risk. Capital allocation, including the geographical distribution of our investments, is hence managed from this perspective.

Operational reliability

The reliability of our assets is vital not only for our reputation, but also for long-term profits and to ensure reliable products and services for our customers. This is especially so given that the Group is heavily invested in the Utilities business which requires the use of assets such as power facilities and water treatment plants over a long period. Operational reliability is also crucial given our long-term contracts with our customers and the nature of our essential services. As such, taking proper care and maintenance of our assets ensure that our assets' useful life is sustained throughout the long investment horizon, which will in turn ensure that they continue to generate income in the long run.

Innovation

To remain competitive and sustainable, the company must innovate, in terms of research and development, operational optimisation as well as adopting new technologies and methodologies that have wider sustainability benefits. It is hence important to keep track of the Group's initiatives and spending on innovation as well as the associated returns either in terms of reduced costs or enhanced productivity.

New income streams

To deliver sustainable business performance, the company must continuously explore new business opportunities and maintain a pipeline of new projects, including greenfield as well as brownfield investments.

Management approach

At Sembcorp, we believe that we can only build sustainable businesses through a disciplined and accountable approach.

Material Issues

Responsible for the long-term success of the company, Sembcorp's Board of Directors provides leadership and guidance to management on the Group's overall strategy. It is also responsible for its risk management and corporate governance practices, and also ensures the adequacy of the Group's control and risk framework.

The company is organised according to business development, project development, asset management, governance and business support functions. With a focus on delivering long-term sustainability, management has put in place frameworks and guidelines to ensure discipline and accountability in each of these functions.

For more information on governance at Sembcorp, please refer to the Corporate Governance section of this annual report.

Capital and portfolio management

The Group has put in place a robust framework and processes to ensure that long-term considerations are built into our investment and business decisions. Since 2003, we have implemented a System of Financial Discipline across all subsidiaries, joint ventures and associates.

Evaluations of acquisition and partnership opportunities are based on strict investment guidelines. Approval for projects may involve the Senior Management Committee, the Board Risk Committee and the board, based on criteria such as project value and country risk.

The Group actively manages its risk portfolio. This includes monitoring balance sheet liquidity ratios and country risk profiles.

Sembcorp also recognises the importance of aligning the remuneration structure of our management and executives with long-term economic sustainability. The Executive Remuneration and Compensation Committee ensures long-term objectives are embedded in the compensation framework.

For more information on risk management, including the System of Financial Discipline, please refer to the section on Risk Management & Mitigation Strategies.

For more information on the Executive Remuneration and Compensation Committee, please refer to the section on Corporate Governance (Principle 7).

Operational reliability

The Group recognises that its facilities, including power and water treatment plants, are key assets that generate long-term income. It is therefore important to ensure that the reliability of these plants is safeguarded so that they generate stable recurring income and reliable sources of electricity and water for our customers.

Reliability is a key consideration from the design phase through to operation and maintenance. At the design and construction phases, consideration is given to installing sufficient operational flexibility and selecting equipment of good quality. During operation and maintenance, regulatory and manufacturers' standards are adhered to. Optimisation of equipment is a process that is conducted on an ongoing basis during operation. Technical audits and checks are also conducted on our plants.

Sembcorp also recognises the importance of skilled talent in ensuring the reliability of our products and services; this is addressed in further detail in the People section of this report.

Innovation

The Group acknowledges the importance of keeping its facilities and equipment up to date and continuously seeks to take advantage of technological innovations to enhance reliability, lower costs and improve the efficiency of our operations, thus benefiting our wider stakeholders. Through innovation, we hope to contribute to sustainable development such as through the development or use of secure, clean and cost-effective fuel sources.

The Technology Advisory Panel, comprising our Chairman, Group President & CEO and other experts, provides vision and strategic direction for Sembcorp's technology and innovation programmes. The Panel is aided by the Group Technology Committee, comprising members of the senior management team. This Committee reviews and provides views on emerging technologies to explore. It is supported by an in-house Technology Department, headed by our Chief Technology Officer, which scans for and evaluates technologies that may be suitable for adoption in Sembcorp's operations.

Sembcorp adopts a multi-pronged approach to idea sourcing by encouraging bottom-up proposals from our employees and at the same time, actively monitoring external technological developments. Our engagements with venture capitalists, technology companies and tertiary research institutes ensure we are kept abreast of the latest technological advancements. We prioritise innovations for specified needs, while also considering more general proposals. Once ideas are identified, a stringent stage-gate process is applied to evaluate proposals for commercial and technological viability. When a technology is chosen for adoption, a clear action plan with regular reports to key management is developed to ensure successful integration of the technology.

New income streams

Sembcorp is committed to developing our key businesses to generate new income streams, with teams dedicated to growing our businesses both domestically and abroad. With increased urbanisation and globalisation, we believe there will be demand for Sembcorp's products and services. We also actively invest in sustainable and green business lines which will give us an edge in an increasingly resource-scarce world.

Nevertheless, given the nature of our capital-intensive business, we remain prudent in our investment decisions and employ a stringent evaluation process for all our projects and investments.

2012 performance

The key indicators we use to track our performance are turnover, net profit, return on equity, return on total assets and net gearing. These indicators can be found on page 19 of this annual report.

The projects and investments we have undertaken during the year continue to meet our investment guidelines.

Going forward

The Group will continue to maintain a disciplined approach towards managing its financial position and portfolio. We will also continue our efforts to enhance the operational reliability of our assets and actively broaden our asset portfolio through organic growth and strategic investments for a greater recurring income base. On the innovation front, in 2013, our Technology Enablement Centre for applied research and development facilities on Jurong Island will be completed. The centre will house Sembcorp engineers and researchers who will provide technological support for our global utilities operations and also develop innovative processes and run test-beds for relevant emerging technologies aimed at further enhancing our performance and reducing environmental impact. Going forward, we also aim to enhance or develop frameworks, processes and systems that will allow the effective review and monitoring of our performance for these material issues across our global operations.

Material Issues

Governance, Risk and Compliance

Well-defined corporate governance policies, processes and systems are essential for the long-term sustainability of our business. Sembcorp aspires to be a best in class organisation in governance and risk management practices. We commit to high standards of behaviour and integrity in everything we do and comply with all laws and regulations wherever we operate. We expect the same of those with whom we do business.

Highlight

Sembcorp established a Policy Committee in 2012 to guide and oversee policy development for the Group. We also established a Policy Structure and a Group Policy and Procedure Framework to provide context for the development, implementation and review of policies and procedures. The Sembcorp Policy and Procedure Portal was also launched on the company intranet with the aim of providing a centralised platform to store and disseminate policies and procedures, increasing access and awareness for employees throughout the Group.

Why is this material

Governance and ethical business

We believe that to maintain and grow our position as a leading energy, water, marine and urban development group, we must commit to the highest ethical practices and governance standards in all our dealings. Responsible business conduct ensures the long-term success of the business, and builds trust and confidence with stakeholders. Sembcorp has put in place well-defined corporate governance processes and activities to uphold the highest level of integrity in all our dealings.

Taking and managing risks is an integral part of any business undertaking. At Sembcorp, we believe that risk management creates value by equipping our management and business leaders with the tools to manage and control risks arising from existing business activities and investment decisions. Risk management indirectly contributes to the bottom line by helping to reduce the likelihood and impact of potential losses while providing a common platform for the evaluation of new business opportunities. In addition, risk management provides the board and our shareholders the assurance that all key enterprise and business risks faced by the organisation have been identified, assessed and managed via appropriate risk mitigation and controls.

Regulatory compliance

We are also committed to high standards of regulatory compliance. Non-compliance with applicable laws and regulations will subject us to statutory and regulatory fines and may even result in material litigations that will have severe negative impact to our reputation, financials and our licence to operate.

Management approach

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is collectively responsible for the long-term success of the company. The board provides leadership and guidance to management on the Group's overall strategy, taking into consideration sustainability issues and ensuring that the necessary financial and human resources are in place, and also reviews management performance. As part of its role, the board also ensures the adequacy of the Group's control and risk framework and standards including ethical standards, and that obligations to identified key stakeholders are understood and met. Several board committees have been established with written terms of reference to assist the board in the efficient discharge of its responsibilities and provide independent oversight of management.

Sembcorp adopts the Singapore Code of Corporate Governance 2012 as a guideline for high governance standards. We have established a system of internal controls and risk management strategy and framework, and aligned our operations with best practice as well as internationally recognised management systems and agreed standards.

The Sembcorp Enterprise Risk Management Framework provides the principal policy and guidance to the Group and its businesses on the risk management methodology and reporting of risks. It sets out a systematic and ongoing process for identifying, evaluating, controlling and reporting risks. These processes are put in place to manage and monitor the Group's risk management activities on a regular and timely basis. Sembcorp's risk management efforts are focused on the following areas: financial, counterparty and credit, operational, investment and commercial, compliance and legal, interested person transaction, human resource, fraud, crisis and information technology. These risks are managed through review of major occurrences and key risk areas at monthly management meetings, risk assessment at investment appraisal and due diligence stage, monitoring of key risks through quarterly System of Financial Discipline submission or as required, and reporting of departmental and business level risks by all staff via the Enterprise Risk Management system which will be operational group-wide in 2013.

The Sembcorp Fraud Risk Management Framework is a subset to the Enterprise Risk Management Framework and provides a more focused policy and guidance to the Group and its businesses on the management of fraud risks.

Sembcorp continually reviews and refines its governance processes in light of corporate best practices, consistent with the needs and circumstances of the Group. Its policies are regularly reviewed by the Business Process department while Sembcorp's Risk Management department manages its Risk Management Strategy for the management of all key enterprise risks.

Sembcorp develops in-house capability through the Group Risk Management department to train and educate the Group's businesses on its Enterprise Risk Management and Fraud Risk Management frameworks and in implementing these frameworks in new businesses.

The Business Process department reviews the adequacy of Sembcorp's existing policies against the criteria of relevance, comprehensiveness, awareness and accessibility as well as new frameworks and guidelines on an annual basis, to ensure we are kept abreast of evolving guidelines in a changing business environment. The Business Process department also reviews processes for robustness and effective implementation.

For more information on Sembcorp's governance and risk management, please refer to the Corporate Governance and Risk Management & Mitigation Strategies sections of this annual report.

2012 performance

Since the establishment of the Policy Committee in 2012, a review of group-level policies and procedures has been carried out. We plan to conduct a review for business units to ensure consistency of adoption and implementation of group-wide governance policies in 2013.

In 2012, there was no report of any significant regulatory non-compliance. This encompasses legal, environment and anti-competitive regulations.

In 2012, we continued to improve on our management of risk and fraud. We implemented the Enterprise Risk Management Framework to all new businesses, and completed the first phase implementation of the Fraud Risk Management Framework to all Sembcorp businesses by conducting fraud awareness training and developing Fraud Control Plans for all major regions and business units. We embarked on the second phase implementation of the Fraud Risk Management Framework and conducted forensic data analysis on key business processes in our Singapore operations. During the year, we engaged KPMG to develop the Group Assurance Framework to review and improve our enterprise risk management and internal control systems. We also formulated Sembcorp's Top Enterprise Risk Profile to better manage high impact risks proactively.

Going forward

Sembcorp will continue to work towards the refinement of its policies, structures and processes of governance, risk and regulatory compliance. Through the Business Process department, we aim to strengthen both the comprehensiveness and adequacy of policies and processes.

We aim to further embed the Enterprise Risk Management Framework into all facets of business management, by continuing with the implementation of phase two of the Fraud Risk Management Framework in 2013. This includes assessing fraud risk in key business processes (procurement and cash handling), expanding forensic data analysis to include overseas operations, and maintaining fraud awareness through refresher trainings.

People

We recognise that our employees are one of our most valuable assets and a key stakeholder group. Having the right team of individuals with the right skills, motivation and passion to succeed is key to sustaining outstanding performance. Attracting, employing, retaining and developing people with relevant competencies give our businesses a competitive edge and help us achieve our strategic goals and superior business results. We aim to inspire the best individuals to join and stay with us and are committed to providing a fair, diverse and inclusive workplace, and to continuous improvement in our human resource and people development practices.

Developing a strong pipeline of leaders is of key importance, and we are putting in place an integrated and structured process to strengthen this pipeline.

Why it is material

People development

Employees play a vital role in achieving our business strategy and goals. To continue delivering sustained high performance, it is crucial to develop a competent, capable and motivated workforce that can meet the business challenges of today and tomorrow.

Highlight

In 2012, Sembcorp formalised our mentorship programme through developing a systematic approach for our potential next generation leaders. We launched a pilot exercise where we identified and matched mentors and mentees based on defined criteria. Mentees will be provided with 360-degree feedback for greater clarity on development needs. To support the career progression of the mentees, mentors will set aside time for a formal meeting to listen to each mentee's career aspirations. Development plans for each mentee will be discussed and finalised at the Senior Management Committee.

Management approach

Our Human Resource management strategy is based on the key aspects of strategic workforce planning, our competency framework and our employee's development journey, and supported by a robust and harmonised business process.

Support Sembcorp's growth

My Career Journey @ Sembcorp

A journey where every employee grows with the company and the company in turn grows as its employees are developed

- Strategic Workforce Planning
- Core Competency Framework
- Development Journey

Harmonised business processes

My Career Journey @ Sembcorp is designed as a platform to accelerate people development to support growth aspirations. It encompasses the following three aspects:

- **Strategic Workforce Planning**
  Through mapping precise growth areas within Sembcorp, we gain foresight and determine human resource needs that may require intervention and support.
- **Core Competency Framework**
  The competency framework provides guidance on the behaviours that are expected of a Sembcorp employee. The framework is deployed in all areas of people management, including recruitment, development and progression to ensure the alignment with these behaviours by all Sembcorp employees.
- **Development Journey**
  The heart of the Journey is the Sembcorp Enablement Centre, where employees develop through experiential learning, exposure and formal training. The mentorship programme was also developed as part of the development journey for future leaders to be groomed for succession planning by current leaders.

The strategy is underpinned by harmonising business processes across our global businesses which increase efficiencies in management, reporting, monitoring and analysing meaningful and comparable information. Sembcorp invested in a recent upgrade of human resource management systems to adopt an identical and seamless system globally.

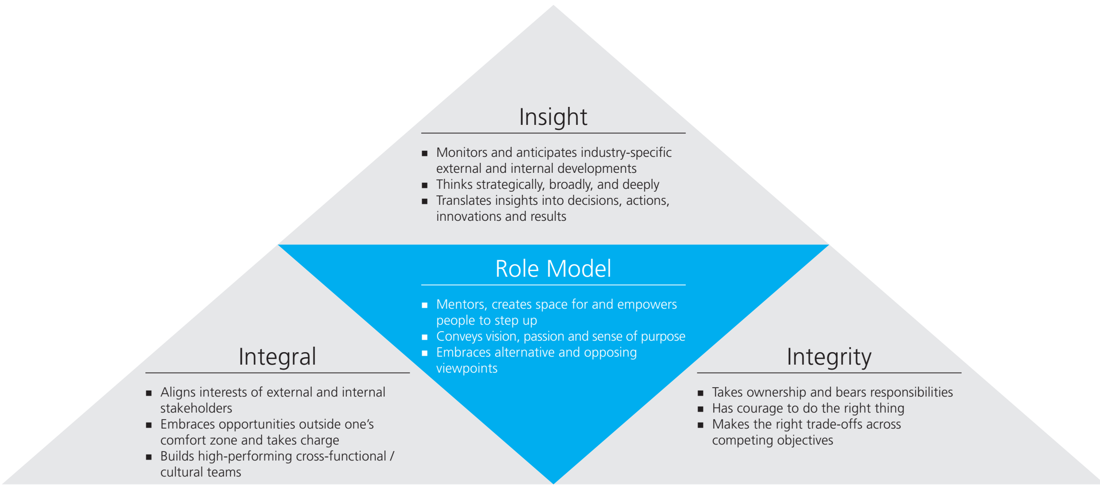
People development is a key component in our strategy, and is driven at the board level by the Executive Resource and Compensation Committee. We assess our people needs systematically through our strategic workforce planning exercise, which is consolidated, monitored and assessed for criticality at group level. We utilise our Core Competency Framework as a behaviour-based metric to benchmark leadership and job-specific behaviours. The framework is founded upon our core values of Insight, Integrity and Integral. These competency behaviours are expected of every Sembcorp employee.

We provide development opportunities for all our employees, including external and on-the-job training, international assignments, mentoring, workshops and seminars. Employees are also encouraged to pursue higher qualifications that may be sponsored by the company. We view employee development as a key tool that strengthens our human capital, and every employee is required to review and plan their development goals at every performance appraisal session, administered via our human resource management systems.

Human resource policy and guidelines

With our headquarters based in Singapore, the Group subscribes to the Principles of Fair Employment formulated by the Singapore Tripartite

Sembcorp's Core Competency Framework



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

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

For the convenience of our staff, the policies and guidelines are readily available on our intranet.

Human resource structure

The board oversees human resource issues through the Board Risk Committee, Executive Remuneration and Compensation Committee and Enterprise Risk Management Framework with the aim of ensuring that Sembcorp's human resource needs are aligned with our strategic business plans, and that structures and systems are in place to develop and retain a skilled workforce and competent senior management.

The Senior Management Committee is responsible for setting key policies relating to our people. The Group Human Resource department reviews Sembcorp's human resource and organisational behaviour concerns and formulates programmes to improve performance, and recommendations for key policies are proposed by the Head of Group Human Resource. The Group Human Resource department coordinates and executes our human resource efforts across our business units, which span six continents.

Human rights

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

A key tenet of Sembcorp's business ethics is strict respect for labour laws within each of the countries we operate in, all of which preclude forced or child labour, and is further supported through our policies and employment practices.

Labour and union relations

Sembcorp employees are entitled to practise freedom of association in the workplace, within the boundaries of each of the jurisdictions under which we operate. Sembcorp's operations span six continents where labour relations, regulations and practices differ widely. Sembcorp seeks to maintain excellent labour management relations with its unions, and holds constructive ongoing exchanges with employee unions in its various locations.

Competitive remuneration

Decisions on executive remuneration and compensation are made by our Executive Remuneration and Compensation Committee. The Committee reviews and updates the compensation framework annually to ensure Sembcorp employees receive fair compensation and remuneration, and a compensation benchmarking exercise is conducted once every two years to ensure our pay packages are competitive.

Sembcorp offers competitive base pay packages throughout our global businesses that are based on country-specific conditions. Rewards include annual salary increments and annual performance bonuses, as well as longer-term incentives linked to sector practices and performance of the Group, the company and the individual. Share-based incentives remain a key component of the Group's pay structure for senior management and are deliberately aligned with long-term Group performance objectives; more information can be found in the Corporate Governance section. All employees are eligible for comprehensive insurance coverage on a global basis which is open to eligible dependants.

Employee health and welfare

Sembcorp continues to promote a holistic and balanced lifestyle for our employees, which we believe is good for both their physical and mental health. We encourage employees at our various business units to participate in employee recreational activities throughout the year, including community outreach and volunteering initiatives, team sports events, talks, gatherings and employee family days. More information on the various employee health and welfare activities in 2012 is available on our website.

We recognise the importance of engaging with our employees and have various platforms through which we communicate with and receive feedback from our staff. Employees can submit feedback and staff suggestions on a confidential basis through an easily accessible online channel on the employee intranet. We also have an easily accessible whistle-blowing link on our company intranet and employees may also provide feedback via email, mail or facsimile.

Succession planning

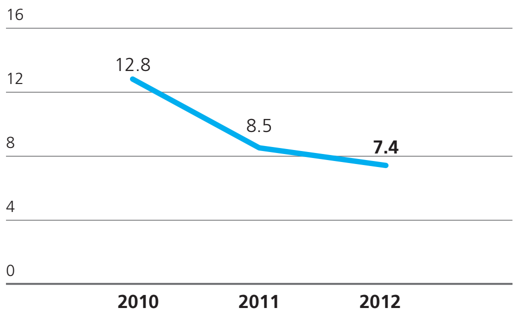
Succession planning is an important component of Sembcorp's leadership development strategy. Our succession planning strategies are overseen by our Executive Remuneration and Compensation Committee. Potential candidates are identified and groomed for succession through mentoring, job rotation as well as skills enhancement training. Senior executives undergo company-sponsored programmes at well-regarded institutes such as Harvard Business School and INSEAD.

2012 performance

In 2012, we refined our "My Career Journey @ Sembcorp" platform to accelerate people development in support of Sembcorp's growth aspirations. We also formalised our mentorship programme for current leaders to groom and nurture future leaders in line with our succession planning strategy. We are also increasing our investment in leadership development out of our total development expenditure.

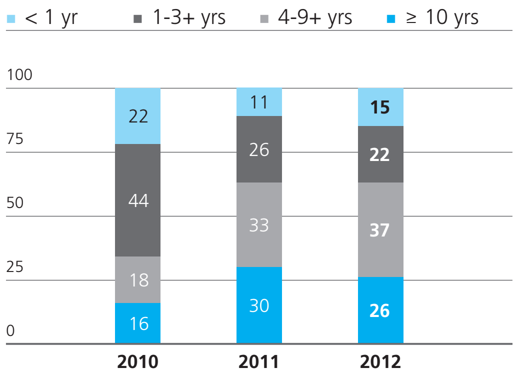
We implemented the Team Insights Programme in Singapore which utilises a psychometric profiling tool to enhance self-awareness and help strengthen working relationships in the organisation, leading to increased productivity and business performance.

Rate of turnover *(%)*



Our turnover rate for full scope of reporting in 2012 is 10.8%. The chart is based on common scope for 2010 to 2012. Our turnover rate has seen a steady decline since 2010. For further breakdown of our turnover rate, please refer to our website.

Tenure of employees *(%)*



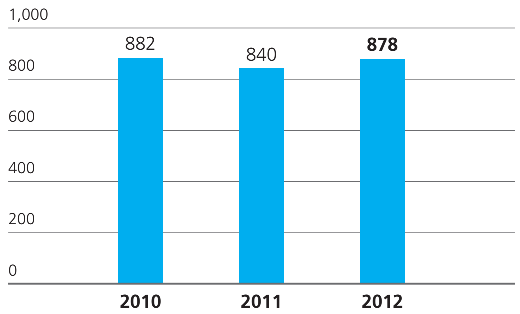
Since 2011, the percentage of employees who have served four years or more has increased to more than 60%.

Sembcorp also upgraded our human resource management systems to manage our employees' training and development via our business intelligence platform globally.

For further information on our reporting scope, please refer to Our Approach to Reporting.

Further performance information is available on our website.

Training cost per employee *(S$)*



Sembcorp consistently invests in training to help improve employee performance and competency skills.

Going forward

Developing the right team of individuals with the right skills, motivation and passion to succeed will continue to be a key focus for us. We will continue to monitor and expand our mentorship programme, and we aim to set up and operationalise the Sembcorp Enablement Centre to capture, retain and transfer core capabilities and competencies among employees. The Centre will play a central role in our employees' competency development through experiential learning, exposure and formal training.

Health, Safety and Environment

At Sembcorp, we are committed to the health and safety of our employees and others who visit or work in our premises; and to protect the environment in our business activities through good environmental practices.

We regard the health and safety of our people as top priority, and exercise our duty of care by providing a working environment that goes beyond health and safety regulatory obligations. We are also committed to enforcing safe working practices within our sphere of influence.

As a provider of essential utilities, Sembcorp's businesses are inextricably tied to environmental issues. We recognise our role as a key player in the utilities sector, and the emerging challenges and risks faced by our businesses. We acknowledge that one of the biggest environmental challenges is the demand for energy that is clean and environmentally friendly, while also secure and cost-competitive. At Sembcorp, we believe that it is our job to meet these challenges with innovative solutions.

Environmental stewardship is an integral part of our operations philosophy. We recognise the importance of environmental issues, especially in light of increasing legal requirements on emissions and discharges, coupled with scarce water supplies as key vulnerabilities that may affect our businesses. As a responsible corporate citizen, we seek to minimise our environmental impacts by continuously ensuring the effectiveness of our Health, Safety and Environment (HSE) management practices and focusing on reduction at source.

Highlight

In 2012, we increased our renewable energy capacity in operation and under development to approximately 5% of our Group's total power portfolio. With the acquisition of wind power assets in China in 2012, our renewable energy capabilities now include wind in addition to biomass and energy-from-waste.

Why it is material

Occupational health and safety

Occupational health and safety are of paramount importance in our businesses. With operations in 16 countries across six continents, we recognise the importance of an effective occupational health and safety management approach to prevent health and safety-related incidences, instill sound and practical health and safety regimes, comply with applicable laws and regulatory requirements in all the countries we operate in, and ensure a competent workforce across the organisation.

Climate change and energy efficiency

Given increased urbanisation and industrialisation in emerging economies, there is a growing need to tackle the dual challenges of climate change and an increasing demand for affordable and reliable products and services such as energy and water. Sembcorp believes that we can play a role in enhancing the quality of life and protecting the environment by investing in, and applying advanced technologies and innovations to address our customers' needs.

Environmental protection

In the course of our business activities, Sembcorp believes that we also have a duty to conserve the natural environment and resources. Our businesses consume primary resources and it is in these areas that our responsible stewardship can have the greatest impact.

Management approach
HSE is integrated as a value-added component in Sembcorp's Business Development-Project Development-Asset Management work processes, alongside legal and regulatory requirements.

Sembcorp's HSE Strategy

Leadership commitment
- Board-level oversight
- HSE initiatives led by senior management

Continuous improvement
- Through implementation of key HSE requirements and standardisation of management systems

Effective communication
- Reinforce HSE process through effective communication

HSE policy and guidelines
Sembcorp's Group HSE policy articulates our aspirations with respect to health, safety and environment to our stakeholders. The Group HSE policy is available on our website.

The Group HSE guidelines outline the roles and responsibilities of various relevant departments and business units, in line with the Group HSE policy. The guidelines were endorsed by the Board Risk Committee. Business units under the management and operational control of the Sembcorp Group have to comply with the requirements set out in the HSE guidelines, and track and monitor standardised key HSE statistics based on our 4/0 targets. The 4/0 targets refer to: zero harm to people, zero damage to the environment, zero damage to assets and zero non-compliance with legal and regulatory requirements.

Sembcorp encourages the implementation of internationally recognised HSE management systems across our operations. Detailed disclosure of certifications achieved by Sembcorp's businesses is available on our website.

HSE structure
HSE issues are driven at the board level by the Board Risk Committee, reflecting its top priority. The Board Risk Committee discusses HSE issues quarterly, supported with monthly HSE performance statistics reported by the Group HSE department. HSE statistics are also included in the Monthly Management Report submitted to the board.

Board Risk Committee
- Monitors and drives performance
- Quarterly discussion of HSE issues

▼

Group HSE department
- Co-ordinates global HSE efforts
- Establishes reporting structures
- Formalises and standardises requirements

▼

Business units
- Reports standardised HSE indicators at monthly management meetings

The Group HSE department coordinates our global HSE efforts across our business units and establishes HSE reporting structures. It works closely with regional HSE coordinators to ensure the effective and timely management of HSE issues across the Group.

The Group HSE department also formalises and standardises group-level HSE requirements and guidelines. Standardised HSE indicators are reported at the monthly management meetings of each business unit.

Training and audits
Sembcorp believes that proper arrangements must be made to ensure all employees are competent to maximise their contribution to the organisation's HSE performance. Training needs are identified, including refresher training and training arising from change in job appointment, legal and / or regulatory requirements, risk control needs and business environment, in consultation with employees.

The Group HSE department also organises a one-day workshop annually to reflect, learn and improve on the past year's performance. Business units are involved to develop key goals and initiatives for the year.

Periodic HSE audits are conducted to ensure that HSE matters are managed professionally in order to meet legal compliance and ensure continuous improvement in all our activities.

Occupational health and safety
We are committed to the prevention and reduction of workplace injuries and occupational illnesses by active management of risks associated with our activities and services throughout our global operations. Besides the management of workplace safety hazards, we also place focus on the prevention of occupational illnesses. The Group HSE guidelines require all businesses to have in place programmes to manage occupational health hazards. Examples of these programmes include promoting ergonomics for manual handling activities for field operators and professional counselling for employees diagnosed or suspected with noise-induced hearing loss.

Life cycle risk assessment and prevention
Sembcorp recognises that risk assessment is the cornerstone of effective health and safety management. We seek to ensure that all hazards have been identified and their risks assessed at all relevant life cycle stages: pre-bid due diligence study, design, construction, operation and decommissioning phases.

We implement suitable control systems such as engineering safeguards (including guards, interlocks, and local exhaust ventilation) and procedural safeguards (including permits to work, adequate training and supervision) to prevent harm to people and equipment at the point of risk. We emphasise the importance of providing and maintaining adequate workplace controls throughout the entire operation process.

Climate change and energy efficiency
As a global energy player, we recognise that investing in energy efficiency, renewables and low-carbon technologies not only helps to manage emissions, but also makes business sense. Be it the use of energy-efficient technologies, alternative fuels or optimising fuel mix, these are critical issues that both nations and corporations will increasingly have to grapple with.

By actively engaging the policy makers, academic institutions, industry peers and customers, Sembcorp keeps abreast of developments pertinent to climate change. Our Group President & CEO serves as a member of Singapore's Climate Change Network, a multi-sector network spearheaded by the National Climate Change Secretariat for dialogue on climate change issues. Our Technology department collaborates with academic and research institutions, technology suppliers and end users to develop and continuously improve our processes, ensuring the optimisation of our facilities.

Sembcorp is committed towards conservative use of energy, by focusing efforts on setting strategies to mitigate climate change, and achievable renewable energy and energy efficiency targets as key drivers and growth opportunities for our businesses. A portfolio of high-efficiency assets with a diversified fuel mix enhances the management of risks, cost, and ultimately helps us stay competitive. We achieve this through a three-pronged approach.

Firstly, Sembcorp aims to maintain and develop a diverse generation portfolio involving a range of different technologies and energy sources. Sembcorp is Singapore's first commercial importer and retailer of natural gas. The majority of

Sembcorp's power generation facilities are fuelled by natural gas.

Secondly, Sembcorp maintains highly efficient, state-of-the-art generation plants for producing energy competitively with low emissions, and create innovative solutions for clean, sustainable water. We incorporate energy efficiency considerations across design, operation and maintenance phases. We ensure the technical integrity of facilities and installations through effective maintenance programmes and proactive asset management initiatives. This includes the regular review of our operating efficiency and implementation of energy efficiency programmes.

Thirdly, Sembcorp will continue to explore opportunities to grow our current renewable energy and low carbon intensity portfolio via acquisition or organic growth. Our green facilities include a large biomass station in the UK, energy-from-waste operations in Singapore and wind power assets in China. To date, Sembcorp has a total of 283 megawatts of renewable power capacity.

Environmental protection

At Sembcorp, our operations are focused on ensuring that adequate resources are allocated to maintain environmental quality where we operate.

Environmental studies are carried out in accordance with national and / or international standards and methodologies for new major projects and expansions. These studies include environmental impact assessments, environmental baseline studies and pollution control studies. All recommendations put forth from the assessments form part of our management of HSE risks and are incorporated in the planning, design, construction and commissioning of the new plants.

Atmospheric emissions

Our management approach to reduce fuel consumption and increase energy efficiency concurrently reduces atmospheric emissions. We also minimise atmospheric emissions through various technologies, including catalytic convertors and adjusting combustion temperatures for nitrogen oxides (NOx) and carbon dioxide (CO_2) control. Emission levels are monitored at our energy plants, where emissions are significant.

Water

Our wastewater treatment facilities treat high organic concentration and high salinity industrial wastewater for customers to ensure their wastewater meets discharge standards. Water quality is sampled regularly for testing based on criteria relevant to the nature of the water product: drinking, demineralised or wastewater. Sembcorp's facilities are able to treat high concentration wastewater with chemical oxygen demand of up to 19,000 milligrammes per litre and high salinity wastewater with salinity of up to 50,000 milligrammes per litre directly from source. Water quality is tested on a daily basis to ensure water products meet internal and external standards. Sembcorp also reclaims water from treated effluent, which minimises liquid discharge and conserves water resources. This integrated closed-loop approach offers a sustainably-sourced alternative to industries and households.

Waste and spills

All hazardous waste are disposed in accordance with local regulations. In the instance of an emergency arising from major spillage or hazards, emergency response plans will be activated.

Sembcorp actively develops differentiating know-how which can reduce waste going to incineration or landfill facilities, including energy-from-waste capabilities. An example is our woodchip-fuelled biomass steam production plant, which uses wood waste collected by our solid waste management arm to produce economical steam. This demonstrates our unique capabilities to manage the entire energy-from-waste value chain, by leveraging the expertise in our solid waste management and energy businesses.

2012 performance

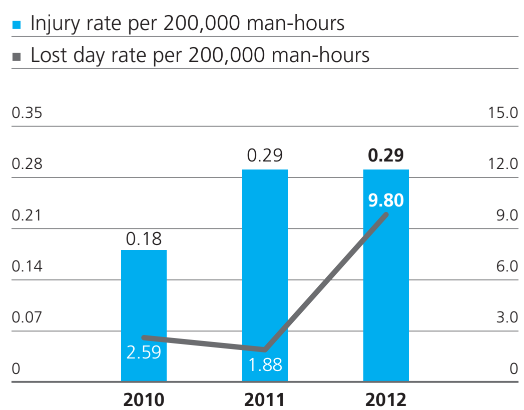
Occupational health and safety

To support Sembcorp's rapid global growth, the key goal for the Group HSE department in 2012 was to reiterate the importance of the HSE Management System Framework to ensure that all businesses under our management and operational control operate and manage HSE issues under the same framework. Conformance to the Group HSE guidelines was ensured through HSE audits conducted at the business units, such as our water plants in China. For newly commissioned greenfield plants, Group HSE participated with the team on site to support the development and implementation of a HSE management system that is aligned with the Group HSE guidelines requirements.

Injury rate and lost day rate are measured per 200,000 man-hours, which is roughly equivalent to hours worked by 100 full time employees in a calendar year. As it is not meaningful to illustrate ratios such as injury rates and lost day rates across years for different scopes, the charts below illustrate data from a common scope from 2010 to 2012. This is the same scope presented in the Sustainability Performance Snapshot. For detailed clarification on scopes, please refer to Our Approach to Reporting. There were no fatalities in 2012.

Injury rate and lost day rate per 200,000 man-hours

(Common scope excluding solid waste management operations in Singapore)



In 2012, our lost day rate increased to 9.80 as the injuries sustained by employees required longer recuperating periods. For example, an employee suffered a sprained ankle when he missed a footing while walking down the stairs, and required a three-month medical leave. To prevent recurrence of similar incidents, all cases were investigated, and preventive and corrective actions were implemented. Lessons learnt were communicated to all employees through various platforms such as HSE bulletins and HSE committee meetings.

Occupational health and safety statistics

(Common scope excluding solid waste management operations in Singapore)

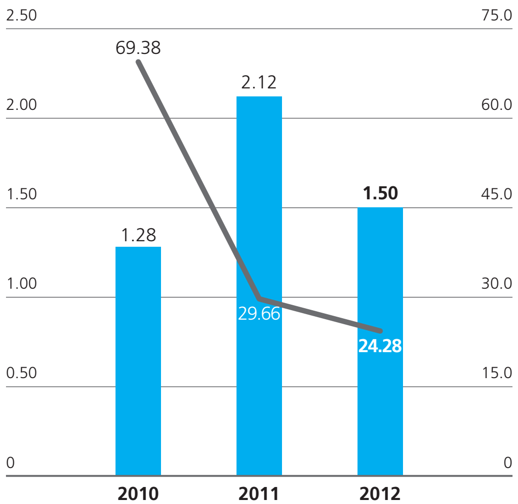
	Performance in 2012
Number of fatalities	0
Number of lost-time injuries	22
Number of lost work days	435
Number of man-hours worked	7,305,918
Injury rate per 200,000 man-hours	0.60
Lost day rate per 200,000 man-hours	11.91
Number of medical treatment cases	0
Number of near miss cases	7
Number of dangerous occurrences	8
Number of first-aid cases	42
Number of occupational disease cases	0

Solid waste management operations in Singapore are excluded from the common scope for more meaningful comparison and analysis, as the solid waste management operations employ manual labour to a greater degree and have a different risk profile from other Utilities businesses.

Injury rate and lost day rate per 200,000 man-hours

(Solid waste management operations in Singapore)

- Injury rate per 200,000 man-hours
- Lost day rate per 200,000 man-hours



2012 saw a decrease in both our injury rate and lost day rate for our solid waste management operations in Singapore. HSE programmes were implemented in 2012 to better manage work-related hazards such as managing road traffic conditions, and manual handling of bulky items. A Road Safety Awareness Campaign was organised in collaboration with the traffic police, and drivers with good traffic records were rewarded to encourage them to practise safe driving. Cameras and digital video recorders were installed in vehicles to assist the drivers in checking blind spots via a display panel on the vehicle dashboard.

In June 2012, a stringent, structured and documented internal training and evaluation programme was developed and implemented for new drivers to equip them with the necessary skills. A pocket-sized driver's handbook was also distributed to all drivers so that they have easy access to useful information at all times.

Occupational health and safety statistics

(Solid waste management operations in Singapore)

	Performance in 2012
Number of fatalities	0
Number of lost-time injuries	21
Number of lost work days	336
Number of man-hours worked	2,766,321
Injury rate per 200,000 man-hours	1.50
Lost day rate per 200,000 man-hours	24.29
Number of medical treatment cases	0
Number of near miss cases	0
Number of dangerous occurrences	0
Number of first-aid cases	0
Number of occupational disease cases	0

Definitions of the above parameters are available on our website.

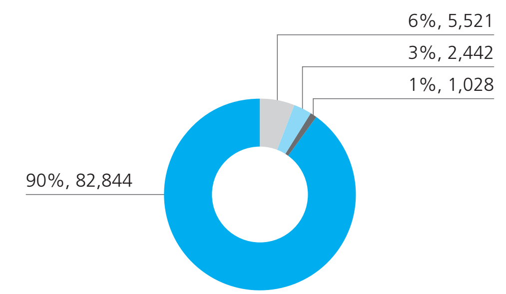
Climate change and energy efficiency, and environmental protection

In 2012, we diversified our energy portfolio. Through an acquisition of four wind power assets in China, we increased our renewable energy capacity in operation and under development to approximately 5% of our Group's total power portfolio.

Our NOx emission was 3,555 tonnes and sulphur oxides (SOx) emission was 1,795 tonnes. We registered a slight decrease in our SOx emissions from 2011, but an increase in NOx emissions. The increase in NOx concentration was attributed to the higher quantity of fuel oil used by our Singapore operations due to a period of natural gas curtailment during the year. These emissions continued to be below regulatory limits.

Primary energy source consumed in 2012 *('000 gigajoules)*

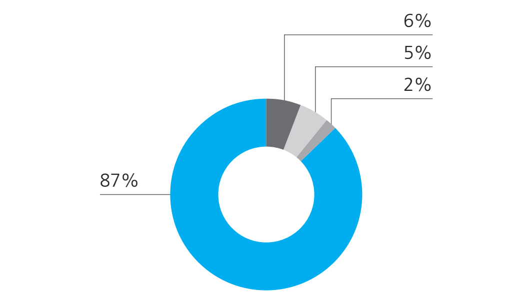
- Natural gas
- Coal
- Biomass
- Fuel oil and diesel



90% of our primary energy source comes from natural gas. The chart reflects actual energy consumed, hence energy sources from our businesses that are under development are excluded. The coal consumed is low sulphur coal.

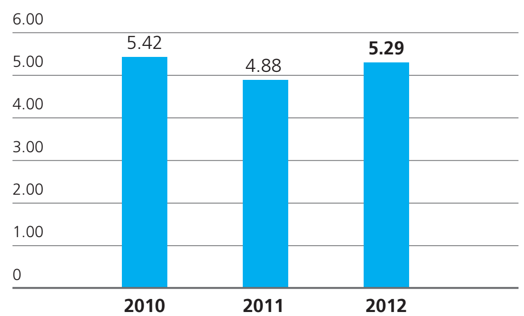
Water withdrawal in 2012 *(%)*

- Surface water
- Ground water
- Potable water
- Recycled / reused water



87% of our water supplies are withdrawn mainly from surface water, majority of which is sourced from seawater.

Direct greenhouse gas emissions *('000,000 tonnes CO_2 equivalent)*

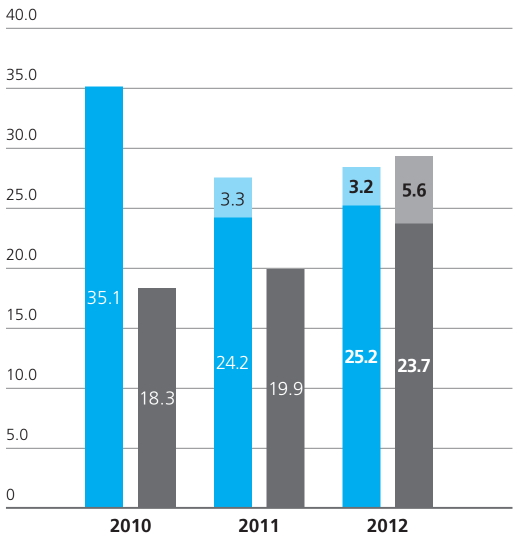


All our direct greenhouse gas emissions are from businesses within the common scope.

In 2012, direct greenhouse gas emissions from stationary fuel combustion amounted to 5,292 thousand tonnes CO_2 equivalent, which is an 8.42% increase compared to 2011 due to increased generation demand. Sembcorp is commited to reducing carbon emissions through the use of clean fossil fuels and energy efficiency considerations across our operating facilities.

Potable and recycled water consumption
('000,000 m³)

- Potable water (common scope)
- Potable water (additional scope)
- Recycled / reused water (common scope)
- Recycled / reused water (additional scope)



Our use of recycled / reused water continues to increase, while our use of potable water has remained constant, despite the increase in the scope of our operations. We will continue to look for ways to reduce our water use, and encourage use of recycled / reused water where possible.

For detailed clarification on scopes, please refer to Our Approach to Reporting.

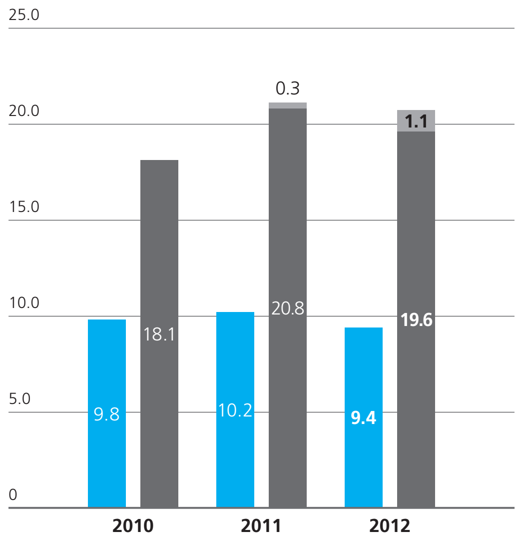
Further environmental performance information is available on our website.

Going forward

Going forward, Sembcorp aims to strengthen our governance of HSE management at our work sites through collaboration with Group Internal Audit to formalise and conduct regular HSE conformance audits.

Waste disposal *('000 tonnes)*

- Hazardous waste (common scope)
- Non-hazardous waste (common scope)
- Non-hazardous waste (additional scope)



We maintained our waste disposal at 30.1 tonnes of waste in 2012 through waste minimisation efforts and ongoing reduction of waste generated at facilities.

All hazardous waste are from businesses within the common scope. This data excludes waste that is collected and incinerated for our customers.

We recognise the need to enhance our existing management of project risks to reduce and prevent severe incidents and lost-time injury cases for our projects. The Group HSE department is working towards formalising HSE guidelines at the group level with the Group Project Development department for implementation in all our global projects.

With our evolving and expanding global portfolio, we seek to ensure that our management approach and systems are aligned with the needs and differing contexts of the businesses. Close monitoring and appraisal of our occupational health and safety performance will be tagged closely to the key performance indicators which will include both lagging and leading indicators for continuous improvements.

As part of our carbon conservation efforts, Sembcorp aims to benchmark its corporate carbon footprint, through development of a carbon management system based on the ISO 14064 standard. The first phase of this measurement will cover our Singapore operations.

In support of Energy Efficient Singapore, an initiative by Singapore's Energy Efficiency Programme Office, the Sembcorp corporate office will be embarking on a comprehensive energy audit covering an extensive assessment of the existing building's major energy consuming system, which will be used for benchmarking against design efficiencies to quantify potential energy savings through efficiencies enhancement measures.

We are also working towards identifying and developing competencies of employees responsible for managing and reporting environmental issues at each business unit. This will ensure that our competencies are aligned across our global operations to maintain high standards of environmental management practices for the Group. We believe that this will help Sembcorp meet evolving and increasingly complex environmental business challenges ahead.

Community

As a global company with operations across six continents worldwide, we recognise the importance of being a responsible business that contributes positively to our communities. Our long-term success is premised upon being an integral part of the communities we are in, and we aim to contribute positively, directly or indirectly, to the local communities in which we operate.

At Sembcorp, we are committed to assessing and responsibly managing our impact, as well as investing in the local communities in which we operate.

Highlight

In 2012, Sembcorp launched our Global Corporate Social Responsibility (CSR) Framework, based on the London Benchmarking Group model and best practices. The framework provides guidance for our global businesses on our CSR strategy. Through clearly defined selection and reporting parameters, it also helps shape our investment in communities towards global best practices.

Why it is material

Community integration

Sembcorp provides essential solutions that are indispensable to everyday life. As vital partners to our host communities, we play an integral part in the development and progress of the community, and believe that when the community prospers, we grow in tandem as well. Doing our part for the community exerts a positive effect on our businesses, helping us build mutually beneficial relationships with communities, governments and business partners.

Management approach

At Sembcorp, we understand that the needs of each community can be very different from one another, and therefore, our local sites can better understand and serve local needs.

Community integration is managed at the local level, with the Group providing tools, frameworks and guidelines to ensure consistency and acceptable standards in assessment, engagement and development plans.

We believe that assessing and responsibly managing our impact on local communities is key to successful community integration and acceptance. Environmental impact studies are carried out in accordance with national and / or international standards and methodologies for new major projects and expansions. Some of these studies include social impact assessments and social management plans which are implemented through the various stages of the site's development.

We seek to nurture open communication in the communities we operate in. At our local sites, various communication platforms including community liaison panels and meetings, newsletters, telephone and email contacts are utilised.

Sembcorp's Global CSR Framework establishes a strategic and consistent approach for investing in the communities in which we operate. We invest our resources where we can engage in issues that are important to the local community and which are aligned with our core businesses. We focus on two areas:

- **Environment**
  We are committed to fostering environmental stewardship in our community through contributions to sustainability and environmental initiatives.
- **Community**
  We are committed to improving the living standard and quality of life of the community, such as through providing access to energy and water, social welfare and education.

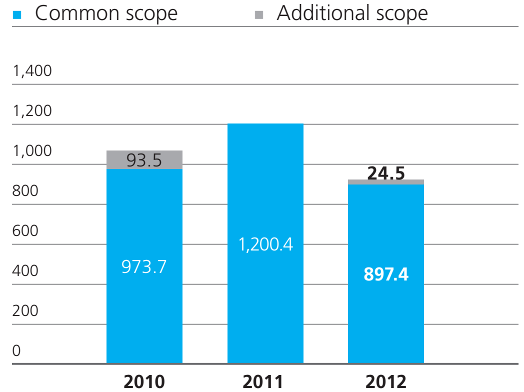
Our framework also aligns the tracking and reporting of our community investments with guidelines set by the London Benchmarking Group. This allows us to account for our total community investment using standard definitions and valuations, ensuring that contributions recorded are meaningfully spent on community investment activities.

2012 performance

In 2012, we launched our Global CSR Framework. We also maintained our ongoing commitment to support the local communities in which we operate through community investment as well as development programmes. Apart from the community investment of over S$900,000 made during the year across our global operations, numerous initiatives were undertaken including youth development, environmental and water conservation education as well as apprenticeship and job training programmes. In 2012, 64% of our operations had local community engagement and development programmes.

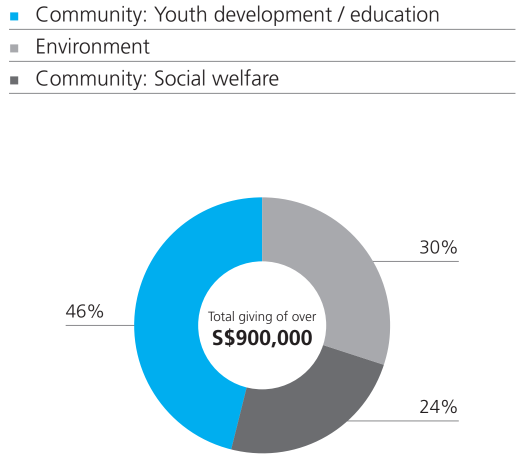
In order to assess and responsibly manage our impact on local communities where we operate, we performed a group review across our operations on the availability of impact assessment studies, community engagement processes and channels, and community development programmes.

Community investment *(S$'000)*

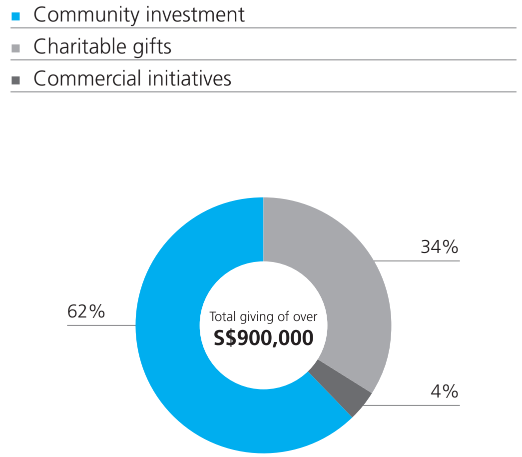


Based on the London Benchmarking Group measurement standards, we invested over S$900,000 in communities in 2012. This amount excludes S$380,000, which was raised for community investment in 2012 but will be disbursed only in 2013.

Categories by subject focus



Categories by contribution motives



For more information on our community initiatives, please refer to Sembcorp in Our Communities on our website.

Going forward

Going forward, our focus is to enhance group-wide frameworks and guidelines for impact assessments, engagement and development plans for our global operations. We also plan to incorporate social impact risk assessments into our pre-investment approval process and our existing Enterprise Risk Management Framework.

To ensure we are making a positive contribution to the communities in which we operate, we will continue to support our global businesses to achieve greater alignment with the Global CSR Framework.

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Sembcorp Industries Ltd** has presented its report "Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 28 February 2013

B
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 21 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

Financial Statements

Directors' Report

Year ended December 31, 2012

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended December 31, 2012.

Directors

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

Ang Kong Hua
Tang Kin Fei
Goh Geok Ling
Evert Henkes
Bobby Chin Yoke Choong
Margaret Lui
Tan Sri Mohd Hassan Marican
Tham Kui Seng
Dr Teh Kok Peng *(appointed on October 15, 2012)*

Directors' Interests

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

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**Exercise period**	**At beginning of the year / At date of appointment**	**At end of the year**	**At 21/01/2013**	**At beginning of the year / At date of appointment**	**At end of the year**	**At 21/01/2013**
Ang Kong Hua								
Sembcorp Industries Ltd	Ordinary shares		20,300	36,500	36,500	–	–	–
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares		3,593,826	3,936,206	3,936,206	–	–	–
	Options to subscribe for ordinary shares at							
	– S$2.36 per share	22/11/2006 to 21/11/2015	150,000	150,000	150,000	–	–	–
	– S$2.52 per share	10/06/2007 to 09/06/2016	300,000	300,000	300,000	–	–	–
	Conditional award of:							
	– 400,000 performance shares to be delivered after 2011 (Note 1a)		Up to 600,000	–	–	–	–	–
	– 400,000 performance shares to be delivered after 2012 (Note 1b)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–

Directors' Interests *(cont'd)*

			Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**Exercise period**	**At beginning of the year / At date of appointment**	**At end of the year**	**At 21/01/2013**	**At beginning of the year / At date of appointment**	**At end of the year**	**At 21/01/2013**
Tang Kin Fei *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of:							
	– 400,000 performance shares to be delivered after 2013 (Note 1c)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–
	– 400,000 performance shares to be delivered after 2014 (Note 1d)		–	Up to 600,000	Up to 600,000	–	–	–
	– 126,000 restricted shares to be delivered after 2009 (Note 2a(i))		41,160	–	–	–	–	–
	– 126,000 restricted shares to be delivered after 2010 (Note 2b(i))		100,800	50,400	50,400	–	–	–
	– 126,000 restricted shares to be delivered after 2011 (Note 2c)		Up to 189,000	101,640	101,640	–	–	–
	– 126,000 restricted shares to be delivered after 2012 (Note 2d)		Up to 189,000	Up to 189,000	Up to 189,000	–	–	–
	– 126,000 restricted shares to be delivered after 2013 (Note 2e)		–	Up to 189,000	Up to 189,000	–	–	–
Sembcorp Marine Ltd	Ordinary shares		182,570	209,670	209,670	–	–	–
	Conditional award of:							
	– 12,000 restricted shares to be delivered after 2009 (Note 2a(ii))		6,000	–	–	–	–	–
	– 17,000 restricted shares to be delivered after 2010 (Note 2b(ii))		17,000	8,500	8,500	–	–	–

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children: At beginning of the year / At date of appointment	At end of the year	At 21/01/2013	Other shareholdings in which director is deemed to have an interest: At beginning of the year / At date of appointment	At end of the year	At 21/01/2013
Tang Kin Fei *(cont'd)*								
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the S$1.5 Billion Multicurrency Medium Term Note Programme (Note 3)		Principal amount:	Principal amount:	Principal amount:			
	– Due 2014		S$500,000	S$500,000	S$500,000	–	–	–
	– Due 2020		S$500,000	S$500,000	S$500,000	–	–	–
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		484,320	503,874	503,874	47,000	47,000	47,000
	Conditional award of:							
	– 13,700 restricted shares to be delivered after 2009 (Note 2a(iii))		4,474	–	–	–	–	–
	– 13,700 restricted shares to be delivered after 2010 (Note 2b(iii))		10,960	5,480	5,480	–	–	–
Sembcorp Marine Ltd	Ordinary shares		293,040	335,540	335,540	–	–	–
	Conditional award of:							
	– 22,000 restricted shares to be delivered after 2009 (Note 2a(iv))		11,000	–	–	–	–	–
	– 29,000 restricted shares to be delivered after 2010 (Note 2b(iv))		29,000	14,500	14,500	–	–	–

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children: At beginning of the year / At date of appointment	At end of the year	At 21/01/2013	Other shareholdings in which director is deemed to have an interest: At beginning of the year / At date of appointment	At end of the year	At 21/01/2013
Evert Henkes								
Sembcorp Industries Ltd	Ordinary shares		113,018	130,604	130,604	–	–	–
	Conditional award of:							
	– 7,000 restricted shares to be delivered after 2009 (Note 2a(v))		2,286	–	–	–	–	–
	– 7,000 restricted shares to be delivered after 2010 (Note 2b(v))		5,600	2,800	2,800	–	–	–
Bobby Chin Yoke Choong								
Sembcorp Industries Ltd	Ordinary shares		15,400	30,100	30,100	–	–	–
	Conditional award of:							
	– 11,000 restricted shares to be delivered after 2010 (Note 2b(vi))		8,800	4,400	4,400	–	–	–
Margaret Lui								
Sembcorp Industries Ltd	Ordinary shares		–	9,700	9,700	–	–	–
Tan Sri Mohd Hassan Marican								
Sembcorp Industries Ltd	Ordinary shares		–	–	–	–	10,100	10,100
Sembcorp Marine Ltd	Ordinary shares		–	–	–	–	1,800	1,800
Tham Kui Seng								
Sembcorp Industries Ltd	Ordinary shares		–	3,300	3,300	–	–	–
Dr Teh Kok Peng								
Sembcorp Marine Ltd	Ordinary shares		40,000	40,000	40,000	–	–	–

Directors' Interests *(cont'd)*

Note 1: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

a. Period from 2009 to 2011*
b. Period from 2010 to 2012
c. Period from 2011 to 2013
d. Period from 2012 to 2014

* For this period, 600,000 Sembcorp Industries Ltd (SCI) shares were released to Tang Kin Fei on March 26, 2012.

Note 2: The actual number to be delivered will depend on the achievement of set targets at the end of the 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

a. Period from 2008 to 2009**
b. Period from 2009 to 2010^
c. Period from 2010 to 2011#
d. Period from 2011 to 2012
e. Period from 2012 to 2013

** i. For this period, 41,160 SCI shares (the final release of the 1/3 of the 123,480 shares) were vested under the award to Tang Kin Fei on March 26, 2012. The 1st and 2nd release of 41,160 shares each have been vested in 2010 and 2011 respectively.

ii. For this period, 6,000 Sembcorp Marine Ltd (SCM) shares (the final release of the 1/3 of the 18,000 shares) were vested under the award to Tang Kin Fei on March 5, 2012. The 1st and 2nd release of 6,000 shares each have been vested in 2010 and 2011 respectively.

iii. For this period, 4,474 SCI shares (the final release of the 1/3 of the 13,426 shares) were vested under the award to Goh Geok Ling on March 26, 2012. The 1st and 2nd release of 4,476 shares each have been vested in 2010 and 2011 respectively.

iv. For this period, 11,000 SCM shares (the final release of the 1/3 of the 33,000 shares) were vested under the award to Goh Geok Ling on March 5, 2012. The 1st and 2nd release of 11,000 shares each have been vested in 2010 and 2011 respectively.

v. For this period, 2,286 SCI shares (the final release of the 1/3 of the 6,860 shares) were vested under the award to Evert Henkes on March 26, 2012. The 1st and 2nd release of 2,287 shares each have been vested in 2010 and 2011 respectively.

^ i. For this period, 50,400 SCI shares (2nd release of the 1/3 of the 151,200 shares) were vested under the award to Tang Kin Fei on March 26, 2012 and the remaining 50,400 shares will be vested in year 2013. The 1st release of 50,400 shares has been vested on March 23, 2011.

ii. For this period, 8,500 SCM shares (2nd release of the 1/3 of the 25,500 shares) were vested under the award to Tang Kin Fei on March 5, 2012 and the remaining 8,500 shares will be vested in year 2013. The 1st release of 8,500 shares has been vested on March 15, 2011.

iii. For this period, 5,480 SCI shares (2nd release of the 1/3 of the 16,440 shares) were vested under the award to Goh Geok Ling on March 26, 2012 and the remaining 5,480 shares will be vested in year 2013. The 1st release of 5,480 shares has been vested on March 23, 2011.

iv. For this period, 14,500 SCM shares (2nd release of the 1/3 of the 43,500 shares) were vested under the award to Goh Geok Ling on March 5, 2012 and the remaining 14,500 shares will be vested in year 2013. The 1st release of 14,500 shares has been vested on March 15, 2011.

v. For this period, 2,800 SCI shares (2nd release of the 1/3 of the 8,400 shares) were vested under the award to Evert Henkes on March 26, 2012 and the remaining 2,800 shares will be vested in year 2013. The 1st release of 2,800 shares has been vested on March 23, 2011.

vi. For this period, 4,400 SCI shares (2nd release of the 1/3 of the 13,200 shares) were vested under the award to Bobby Chin Yoke Choong on March 26, 2012 and the remaining 4,400 shares will be vested in year 2013. The 1st release of 4,400 shares has been vested on March 23, 2011.

\# For this period, 50,820 SCI shares (1st release of the 1/3 of the 152,460 shares) were vested under the award to Tang Kin Fei on March 26, 2012 and the remaining 101,640 shares will be vested in year 2013/2014.

Note 3: Fixed Rate Notes issued under the S$1.5 Billion Multicurrency Medium Term Note Programme of Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and January 21, 2013.

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

Except as disclosed in Notes 33(a) and 39 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share-based Incentive Plans

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

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

Ang Kong Hua (Chairman)
Goh Geok Ling
Margaret Lui

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

The 2010 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2010 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

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

The 2010 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2010 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2010 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The 2010 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2010 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2010 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associated companies over which the Company has operational control.

A participant's awards under the 2010 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

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

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.

v. Sembcorp Industries Ltd Share Option Plan

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

Sembcorp Industries Ltd
Ordinary shares
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**	

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

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

v. Sembcorp Industries Ltd Share Option Plan *(cont'd)*

Sembcorp Industries Ltd
Ordinary shares
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**	

The details of options of the Company awarded / exercised since commencement of the Scheme (aggregate) to December 31, 2012 are as follows:

Option participants	Aggregate options granted	Aggregate options cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
Directors				
Ang Kong Hua	–	–	–	–
Tang Kin Fei	3,444,052	(607,759)[1]	(2,386,293)	450,000
Goh Geok Ling	370,000	–	(370,000)	–
Evert Henkes	94,000	–	(94,000)	–
Bobby Chin Yoke Choong	–	–	–	–
Margaret Lui	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–
Tham Kui Seng	–	–	–	–
Dr Teh Kok Peng	–	–	–	–
Other executives				
Group	149,771,742	(69,304,038)	(78,893,880)	1,573,824
Associated company	748,600	(215,100)	(533,500)	–
Parent Group[2]	378,500	(113,000)	(265,500)	–
Former directors of the Company	10,641,578	(2,383,328)	(8,258,250)	–
Total	**165,448,472**	**(72,623,225)**	**(90,801,423)**	**2,023,824**

Directors' Report

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

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

v. Sembcorp Industries Ltd Share Option Plan *(cont'd)*

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

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

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

vi. Share options of a listed subsidiary

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

Sembcorp Marine Ltd
Ordinary shares
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.

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

b. Performance Share Plan

Under the Performance Share Plan (SCI PSP 2010), the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCI PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 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.

i. Sembcorp Industries Ltd Performance Shares

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

		Movements during the year				
Performance shares participants	At Jan 1	Conditional performance shares awarded	Additional performance shares awarded arising from targets met	Conditional performance shares released	Conditional performance shares lapsed	At Dec 31
2012						
Director of the Company:						
Tang Kin Fei	1,200,000	400,000	200,000	(600,000)	–	1,200,000
Key executives of the Group	1,433,333	420,000	252,500	(757,500)	–	1,348,333
	2,633,333	**820,000**	**452,500**	**(1,357,500)**	**–**	**2,548,333**
2011						
Director of the Company:						
Tang Kin Fei	1,200,000	400,000	–	(300,000)	(100,000)	1,200,000
Key executives of the Group	1,411,665	420,000	–	(292,500)	(105,832)	1,433,333
	2,611,665	**820,000**	**–**	**(592,500)**	**(205,832)**	**2,633,333**

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.

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

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

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

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.

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 share 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.

Directors' Report

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:

		Movements during the year				
Restricted shares participants	At Jan 1	Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
2012						
Directors of the Company:						
Ang Kong Hua	–	16,200	–	(16,200)	–	–
Tang Kin Fei	393,960	126,000	26,460	(142,380)	–	404,040
Goh Geok Ling	15,434	9,600	–	(19,554)	–	5,480
Evert Henkes	7,886	12,500	–	(17,586)	–	2,800
Bobby Chin Yoke Choong	8,800	10,300	–	(14,700)	–	4,400
Margaret Lui	–	9,700	–	(9,700)	–	–
Tan Sri Mohd Hassan Marican	–	10,100	–	(10,100)	–	–
Tham Kui Seng	–	3,300	–	(3,300)	–	–
Dr Teh Kok Peng	–	–	–	–	–	–
Former directors of the Company	–	5,200	–	(5,200)	–	–
Other executives of the Group	5,744,249	2,251,500	392,910	(1,948,635)	(148,307)	6,291,717
	6,170,329	**2,454,400**	**419,370**	**(2,187,355)**	**(148,307)**	**6,708,437**
2011						
Directors of the Company:						
Ang Kong Hua	20,300	–	–	(20,300)	–	–
Tang Kin Fei	362,181	126,000	25,200	(119,421)	–	393,960
Goh Geok Ling	39,378	–	2,740	(26,684)	–	15,434
Evert Henkes	20,121	–	1,400	(13,635)	–	7,886
Bobby Chin Yoke Choong	22,000	–	2,200	(15,400)	–	8,800
Margaret Lui	–	–	–	–	–	–
Tan Sri Mohd Hassan Marican	–	–	–	–	–	–
Tham Kui Seng	–	–	–	–	–	–
Former directors of the Company	88,242	–	6,140	(94,382)	–	–
Other executives of the Group	4,963,224	2,179,800	361,880	(1,492,987)	(267,668)	5,744,249
	5,515,446	**2,305,800**	**399,560**	**(1,782,809)**	**(267,668)**	**6,170,329**

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

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

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

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).

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:

Restricted shares participants	At Jan 1	Movements during the year: Conditional restricted shares awarded	Additional conditional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
2012						
Directors of the Company:						
Tang Kin Fei	23,000	12,600	–	(27,100)	–	8,500
Goh Geok Ling	40,000	17,000	–	(42,500)	–	14,500
Tan Sri Mohd Hassan Marican	–	1,800	–	(1,800)	–	–
Former director of the Company	22,000	19,000	–	(41,000)	–	–
Other participants	10,065,285	2,814,300	1,466,001	(4,301,658)	(523,398)	9,520,530
	10,150,285	**2,864,700**	**1,466,001**	**(4,414,058)**	**(523,398)**	**9,543,530**
2011						
Directors of the Company:						
Tang Kin Fei	48,690	–	8,500	(34,190)	–	23,000
Goh Geok Ling	84,846	–	14,500	(59,346)	–	40,000
Former director of the Company	36,700	–	11,000	(25,700)	–	22,000
Other participants	11,210,067	3,085,800	1,607,205	(4,923,035)	(914,752)	10,065,285
	11,380,303	**3,085,800**	**1,641,205**	**(5,042,271)**	**(914,752)**	**10,150,285**

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

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

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

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 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 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).

d. Maximum Number of Shares Issuable

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

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

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

The Audit Committee held four meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performed the functions specified in Section 201B of the Singapore Companies Act, Chapter 50, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external and internal auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Ang Kong Hua
Chairman

Tang Kin Fei
Director

Singapore
February 26, 2013

Statement by Directors

Year ended December 31, 2012

In our opinion:

a. the financial statements set out on pages 153 to 274 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012, and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Ang Kong Hua
Chairman

Tang Kin Fei
Director

Singapore
February 26, 2013

Independent Auditors' Report

Year ended December 31, 2012

Independent Auditors' Report
Members of the Company
Sembcorp Industries Ltd

Report on the financial statements

We have audited the accompanying financial statements of Sembcorp Industries Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at December 31, 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 153 to 274.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2012, and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants

Singapore
February 26, 2013

Balance Sheets

As at December 31, 2012

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'000
Non-current assets					
Property, plant and equipment	3	**5,158,266**	4,249,575	**582,352**	450,265
Investment properties	4	**21,684**	23,007	**–**	–
Investments in subsidiaries	5	**–**	–	**1,708,551**	1,561,239
Interests in associates and joint ventures	6	**1,505,609**	1,344,700	**–**	–
Other financial assets	7	**221,099**	145,280	**–**	–
Long-term receivables and prepayments	8	**405,219**	380,464	**7,420**	7,730
Intangible assets	12	**321,276**	331,883	**20,008**	19,515
Deferred tax assets	13	**56,955**	60,655	**–**	–
		7,690,108	6,535,564	**2,318,331**	2,038,749
Current assets					
Inventories and work-in-progress	14	**1,886,546**	1,078,269	**9,789**	9,101
Trade and other receivables	15	**1,175,501**	1,090,259	**130,658**	100,864
Tax recoverable		**6,954**	12,073	**–**	–
Assets held for sale	17	**24,437**	24,437	**–**	–
Other financial assets	7	**41,509**	16,545	**–**	–
Cash and cash equivalents	18	**2,059,800**	2,995,478	**524,601**	629,074
		5,194,747	5,217,061	**665,048**	739,039
Current liabilities					
Trade and other payables	19	**2,832,524**	2,746,273	**572,195**	179,883
Excess of progress billings over work-in-progress	14	**886,042**	355,300	**–**	–
Provisions	20	**83,078**	117,522	**14,093**	20,766
Other financial liabilities	23	**16,261**	22,509	**177**	–
Current tax payable		**233,100**	269,822	**40,893**	17,178
Interest-bearing borrowings	25	**115,061**	186,073	**100**	94
		4,166,066	3,697,499	**627,458**	217,921
Net current assets		**1,028,681**	1,519,562	**37,590**	521,118
		8,718,789	8,055,126	**2,355,921**	2,559,867
Non-current liabilities					
Deferred tax liabilities	13	**410,796**	387,651	**40,061**	40,349
Provisions	20	**50,696**	37,087	**593**	593
Other financial liabilities	23	**161,445**	187,325	**–**	–
Retirement benefit obligations	24	**11,454**	17,740	**–**	–
Interest-bearing borrowings	25	**2,204,785**	1,856,365	**54**	156
Other long-term liabilities	26	**235,186**	328,298	**319,931**	653,962
		3,074,362	2,814,466	**360,639**	695,060
		5,644,427	5,240,660	**1,995,282**	1,864,807
Equity attributable to owners of the Company:					
Share capital	27	**565,572**	565,572	**565,572**	565,572
Other reserves	28	**(102,322)**	(46,322)	**(6,048)**	(9,884)
Revenue reserve		**4,040,081**	3,595,266	**1,435,758**	1,309,119
		4,503,331	4,114,516	**1,995,282**	1,864,807
Non-controlling interests		**1,141,096**	1,126,144	**–**	–
Total equity		**5,644,427**	5,240,660	**1,995,282**	1,864,807

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

Consolidated Income Statement

Year ended December 31, 2012

		Group	
		2012	2011
	Note	S$'000	S$'000
Turnover	30	**10,189,058**	9,047,066
Cost of sales		**(8,808,796)**	(7,692,621)
Gross profit		**1,380,262**	1,354,445
General and administrative expenses		**(320,380)**	(288,641)
Other income		**58,849**	47,492
Other expense (net)		**(15,781)**	(12,190)
Finance income	31	**28,552**	64,568
Finance costs	31	**(139,997)**	(65,668)
Share of results of associates and joint ventures, net of tax		**163,251**	170,573
Profit before tax		**1,154,756**	1,270,579
Tax expense	32	**(121,698)**	(124,769)
Profit for the year	33	**1,033,058**	1,145,810
Profit attributable to:			
Owners of the Company		**753,283**	809,282
Non-controlling interests		**279,775**	336,528
Profit for the year		**1,033,058**	1,145,810
Earnings per share (cents):	34		
Basic		**42.17**	45.32
Diluted		**41.84**	44.98

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

Consolidated Statement of Comprehensive Income

Year ended December 31, 2012

		Group	
		2012	2011
	Note	S$'000	S$'000
Profit for the year		**1,033,058**	1,145,810
Foreign currency translation differences for foreign operations		**(131,501)**	13,192
Exchange differences on monetary items forming part of net investment in foreign operation		**(506)**	(223)
Net change in fair value of cash flow hedges		**35,831**	(114,261)
Net change in fair value of cash flow hedges transferred to profit or loss		**(7,146)**	(27,451)
Net change in fair value of available-for-sale financial assets		**22,120**	(132,220)
Share of other comprehensive income of associates and joint ventures		**662**	(5,869)
Other comprehensive income for the year, net of tax	29	**(80,540)**	(266,832)
Total comprehensive income for the year		**952,518**	878,978
Total comprehensive income attributable to:			
Owners of the Company		680,724	644,457
Non-controlling interests		271,794	234,521
Total comprehensive income for the year		**952,518**	878,978

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2012

	Attributable to owners of the Company											
Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Revenue reserve S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
At January 1, 2012	565,572	(18,455)	(229,340)	334,585	29,201	(3,088)	15,894	(175,119)	3,595,266	4,114,516	1,126,144	5,240,660
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	–	753,283	753,283	279,775	1,033,058
Other comprehensive income												
Foreign currency translation differences for foreign operations	–	–	(107,094)	–	–	–	–	–	–	(107,094)	(24,407)	(131,501)
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	(506)	–	–	–	–	–	–	(506)	–	(506)
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	19,907	–	19,907	15,924	35,831
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	–	–	(3,173)	–	(3,173)	(3,973)	(7,146)
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	17,645	–	–	17,645	4,475	22,120
Share of other comprehensive income of associates and joint ventures	–	–	(1)	–	–	–	11	652	–	662	–	662
Total other comprehensive income for the year	–	–	(107,601)	–	–	–	17,656	17,386	–	(72,559)	(7,981)	(80,540)
Total comprehensive income for the year	–	–	(107,601)	–	–	–	17,656	17,386	753,283	680,724	271,794	952,518

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

	Attributable to owners of the Company											
Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Revenue reserve S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,479	1,479
Share-based payments	–	–	–	–	–	22,842	–	–	–	22,842	6,904	29,746
Purchase of treasury shares	–	(10,184)	–	–	–	–	–	–	–	(10,184)	–	(10,184)
Issue of treasury shares under Share Option Plan	–	3,820	–	–	–	–	–	–	–	3,820	–	3,820
Issue of treasury shares under Performance Share Plan	–	6,404	–	–	–	–	–	–	–	6,404	–	6,404
Issue of treasury shares under Restricted Share Plan	–	10,252	–	–	–	–	–	–	–	10,252	–	10,252
Treasury shares transferred to employees	–	–	–	–	–	(18,993)	–	–	–	(18,993)	–	(18,993)
Treasury shares of a subsidiary	–	–	–	4,444	–	(6,506)	–	–	–	(2,062)	(1,341)	(3,403)
Realisation of reserve upon disposal of investments and changes in group structure	–	–	5,221	(2)	–	(49)	–	–	(4,827)	343	251	594
Final one-tier tax exempt dividend paid of 15.0 cents per share in respect of year 2011	–	–	–	–	–	–	–	–	(268,109)	(268,109)	–	(268,109)
Final bonus one-tier tax exempt dividend paid of 2.0 cents per share in respect of year 2011	–	–	–	–	–	–	–	–	(35,748)	(35,748)	–	(35,748)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(241,669)	(241,669)
Unclaimed dividends	–	–	–	–	–	–	–	–	216	216	–	216
Total contributions by and distributions to owners of the Company	–	10,292	5,221	4,442	–	(2,706)	–	–	(308,468)	(291,219)	(234,376)	(525,595)
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests without a change in control	–	–	–	(690)	–	–	–	–	–	(690)	(22,466)	(23,156)
Total changes in ownership interests in subsidiaries	–	–	–	(690)	–	–	–	–	–	(690)	(22,466)	(23,156)
Total transactions with owners	–	10,292	5,221	3,752	–	(2,706)	–	–	(308,468)	(291,909)	(256,842)	(548,751)
At December 31, 2012	565,572	(8,163)	(331,720)	338,337	29,201	(5,794)	33,550	(157,733)	4,040,081	4,503,331	1,141,096	5,644,427

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

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Capital reserve S$'000	Merger reserve S$'000	Share-based payments reserve S$'000	Fair value reserve S$'000	Hedging reserve S$'000	Revenue reserve S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
At January 1, 2011	571,099	(5,668)	(230,754)	338,152	29,201	12,753	96,216	(83,312)	3,087,523	3,815,210	1,205,050	5,020,260
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	–	809,282	809,282	336,528	1,145,810
Other comprehensive income												
Foreign currency translation differences for foreign operations	–	–	7,536	–	–	–	–	–	–	7,536	5,656	13,192
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	(223)	–	–	–	–	–	–	(223)	–	(223)
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	(58,836)	–	(58,836)	(55,425)	(114,261)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	–	–	(27,112)	–	(27,112)	(339)	(27,451)
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(80,331)	–	–	(80,331)	(51,889)	(132,220)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	(5,859)	–	(5,859)	(10)	(5,869)
Total other comprehensive income for the year	–	–	7,313	–	–	–	(80,331)	(91,807)	–	(164,825)	(102,007)	(266,832)
Total comprehensive income for the year	–	–	7,313	–	–	–	(80,331)	(91,807)	809,282	644,457	234,521	878,978
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Cancellation of shares	(5,527)	5,527	–	–	–	–	–	–	–	–	–	–
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	14,537	14,537
Share-based payments	–	–	–	–	–	19,564	–	–	–	19,564	6,995	26,559
Purchase of treasury shares	–	(37,771)	–	–	–	–	–	–	–	(37,771)	–	(37,771)
Issue of treasury shares under Share Option Plan	–	7,942	–	–	–	–	–	–	–	7,942	–	7,942
Issue of treasury shares under Performance Share Plan	–	2,913	–	–	–	–	–	–	–	2,913	–	2,913
Issue of treasury shares under Restricted Share Plan	–	8,602	–	–	–	–	–	–	–	8,602	–	8,602
Treasury shares transferred to employees	–	–	–	–	–	(15,976)	–	–	–	(15,976)	–	(15,976)
Treasury shares of a subsidiary	–	–	–	(6,413)	–	(19,443)	–	–	–	(25,856)	(16,701)	(42,557)
Realisation of reserve upon disposal of investments and changes in group structure	–	–	(5,899)	2,846	–	14	9	–	2,490	(540)	496	(44)
Final one-tier tax exempt dividend paid of 15.0 cents per share in respect of year 2010	–	–	–	–	–	–	–	–	(268,261)	(268,261)	–	(268,261)
Final bonus one-tier tax exempt dividend paid of 2.0 cents per share in respect of year 2010	–	–	–	–	–	–	–	–	(35,768)	(35,768)	–	(35,768)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(318,754)	(318,754)
Total contributions by and distributions to owners of the Company	(5,527)	(12,787)	(5,899)	(3,567)	–	(15,841)	9	–	(301,539)	(345,151)	(313,427)	(658,578)
At December 31, 2011	565,572	(18,455)	(229,340)	334,585	29,201	(3,088)	15,894	(175,119)	3,595,266	4,114,516	1,126,144	5,240,660

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

Consolidated Statement of Cash Flows

Year ended December 31, 2012

	Group 2012 S$'000	Group 2011 S$'000
Cash flows from operating activities		
Profit for the year	**1,033,058**	1,145,810
Adjustments for:		
Dividend and interest income	**(32,175)**	(69,218)
Finance costs	**139,997**	65,668
Depreciation and amortisation	**281,620**	234,816
Share of results of associates and joint ventures	**(163,251)**	(170,573)
Gain on disposal of property, plant and equipment	**(329)**	(980)
Gain on disposal of intangible assets	**(82)**	–
Gain on disposal of investment properties	**(7,858)**	(822)
Gain on disposal of investments and assets held for sale	**(180)**	(455)
Changes in fair value of financial instruments	**(1,149)**	7,280
Equity settled share-based compensation expenses	**29,746**	26,559
Allowance made for impairment in value of assets and assets written off (net)	**17,767**	17,922
Tax expense (Note 32)	**121,698**	124,769
Operating profit before working capital changes	**1,418,862**	1,380,776
Changes in working capital:		
Inventories and work-in-progress	**(275,633)**	(471,233)
Receivables	**(143,869)**	(364,748)
Payables	**(250,768)**	453,216
	748,592	998,011
Tax paid	**(128,158)**	(84,605)
Net cash from operating activities	**620,434**	913,406
Cash flows from investing activities		
Dividends and interest received	**93,117**	140,392
Proceeds from disposal of interests in subsidiaries	**480**	(2,428)
Proceeds from sale of investments	**713**	1,685
Proceeds from sale of property, plant and equipment	**937**	3,621
Proceeds from sale of investment properties	**7,858**	850
Proceeds from sale of intangible assets	**510**	–
Proceeds from sale of assets held for sale	**–**	759
Acquisition of non-controlling interests	**(23,156)**	–
Acquisition of / additional investments in associates and joint ventures	**(133,006)**	(197,566)
Acquisition of other financial assets	**(47,430)**	–
Purchase of property, plant and equipment (Note (a))	**(1,119,777)**	(990,022)
Payment for intangible assets	**(10,098)**	(38,578)
Net cash used in investing activities	**(1,229,852)**	(1,081,287)

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

	Group 2012 S$'000	Group 2011 S$'000
Cash flows from financing activities		
Proceeds from share issue to non-controlling interests of subsidiaries	**1,479**	14,537
Proceeds from share options exercised with issue of treasury shares	**1,483**	3,481
Proceeds from share options exercised with issue of treasury shares of a subsidiary	**1,926**	496
Purchase of treasury shares	**(10,184)**	(37,771)
Purchase of treasury shares by a subsidiary	**(5,329)**	(43,053)
Proceeds from borrowings	**842,929**	476,715
Repayment of borrowings	**(522,926)**	(50,556)
Payment on finance leases	**(2,577)**	(2,785)
Increase / (decrease) in other long-term liabilities	**33,389**	(31)
Dividends paid to owners of the Company	**(303,857)**	(304,029)
Dividends paid to non-controlling interests of subsidiaries	**(241,669)**	(318,754)
Unclaimed dividends	**216**	–
Interest paid	**(104,511)**	(61,706)
Net cash used in financing activities	**(309,631)**	(323,456)
Net decrease in cash and cash equivalents	**(919,049)**	(491,337)
Cash and cash equivalents at beginning of the year	**2,995,478**	3,487,876
Effect of exchange rate changes on balances held in foreign currency	**(16,629)**	(1,061)
Cash and cash equivalents at end of the year (Note 18)	**2,059,800**	2,995,478

a. During the year, the Group acquired property, plant and equipment with an aggregate cost of S$1,305,832,000 (2011: S$1,053,314,000) of which S$15,469,000 (2011: S$851,000) was acquired by means of finance lease, S$155,891,000 (2011: S$61,604,000) relates to other accrued capital expenditure (Note 22) and S$14,695,000 (2011: S$837,000) relates to provision for restoration costs (Note 20).

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

These notes form an integral part of the financial statements.

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

Cash and Cash Equivalents

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

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.

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

When entities within the Group are lessees of an operating lease

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

When entities within the Group are lessors of an operating lease

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

ii. Finance Lease

When entities within the Group are lessors of a finance lease

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

x. Finance Costs

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.

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

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:

	Note	Group 2012 S$'000	Group 2011 S$'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

	Note	Group 2012 S$'000	Group 2011 S$'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 S$'000	Group 2011 S$'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 S$'000	Company 2011 S$'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		Company	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'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

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'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

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'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	**–**	–

Notes to the Financial Statements

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

		Associates		Joint ventures		Related companies		Non-controlling interests		Total	
	Note	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'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)*

		Subsidiaries		Associates		Joint ventures		Related companies		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
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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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

	Note	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'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 S$'000	Group 2011 S$'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 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'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

	Note	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'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 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								
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.

Notes to the Financial Statements

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

		Group		Company	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'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		Company	
	2012	2011	2012	2011
	S$'000	S$'000	S$'000	S$'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

		Group	
		2012	2011
	Note	S$'000	S$'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	2011
	S$'000	S$'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	2011
	S$'000	S$'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:

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

Notes to the Financial Statements

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 S$'000	2011 S$'000	2010 S$'000	2009 S$'000	2008 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	
	Note	2012 S$'000	2011 S$'000	2012 S$'000	2011 S$'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 S$'000	2011 S$'000	2012 S$'000	2011 S$'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	
	Note	2012 S$'000	2011 S$'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

	Note	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'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

	Note	Group 2012 S$'000	Group 2011 S$'000	Company 2012 S$'000	Company 2011 S$'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:

		Group	
		2012	2011
	Note	S$'000	S$'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	2011
	S$'000	S$'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	2011
	S$'000	S$'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	**2011**
	S$'000	**S$'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	**No. of shares**
	'000	**'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.

Notes to the Financial Statements

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 S$'000	Group 2011 S$'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 S$'000	Group 2011 S$'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.

Notes to the Financial Statements

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	USD	EURO	GBP	Others
	S$'000	S$'000	S$'000	S$'000	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	USD	EURO	GBP	Others
	S$'000	S$'000	S$'000	S$'000	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	EURO	GBP	Others
	S$'000	S$'000	S$'000	S$'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$'000	2011 S$'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$'000	2011 S$'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	
		2012	2011	2012	2011
	Note	S$'000	S$'000	S$'000	S$'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	2011	2012	2011
	S$'000	S$'000	S$'000	S$'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.

Notes to the Financial Statements

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.

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.

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.

Notes to the Financial Statements

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

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:

		Effective equity held by the Group	
	Country of	2012	2011
Name of significant subsidiaries	**incorporation**	**%**	**%**
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:

	Name of significant associates and joint ventures	Country of incorporation	Effective equity held by the Group 2012 %	Effective equity held by the Group 2011 %
	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.

Supplementary Information

Year ended December 31, 2012

(Under SGX-ST Listing Manual requirements)

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

Summary compensation table for the year ended December 31, 2012

Name of Director	Salary[1] S$'000	Bonus Earned S$'000	Fair value of share-based compensation granted for the year[3] S$'000	Directors' fees Cash-based[4] S$'000	Directors' fees Share-based[5] S$'000	Brought Forward Bonus Bank[2] S$'000
Payable by Company						
Ang Kong Hua	–	–	–	183	78	–
Tang Kin Fei	1,145	3,558	2,322	–	–	6,578
Goh Geok Ling	–	–	–	105	45	–
Evert Henkes	–	–	–	148	63	–
Bobby Chin Yoke Choong	–	–	–	118	51	–
Margaret Lui	–	–	–	100	43	–
Tan Sri Mohd Hassan Marican	–	–	–	104	45	–
Tham Kui Seng	–	–	–	66	28	–
Dr Teh Kok Peng	–	–	–	16	7	–
Payable by Subsidiaries						
Goh Geok Ling	–	–	–	280	84	–
Tan Sri Mohd Hassan Marican	–	–	–	99	42	–
Tang Kin Fei[4]	–	–	–	287	64	–

Name of Key Executive	Salary[1] S$'000	Bonus Earned S$'000	Fair value of share-based compensation granted for the year[3] S$'000	Directors' fees Cash-based[4] S$'000	Directors' fees Share-based[5] S$'000	Brought Forward Bonus Bank[2] S$'000
Low Sin Leng	580	646	591	–	–	1,111
Tan Cheng Guan[4]	594	1,194	591	32	–	1,269
Koh Chiap Khiong[4]	497	1,082	591	195	32	792
Ng Meng Poh	512	1,602	591	–	–	1,167
Wong Weng Sun	795	2,830	1,273	–	–	10,946

Notes:

1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. The Brought Forward Bonus Bank is the outstanding balance of bonus as at December 31, 2012 (excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and the payouts made from the Bonus Bank.
3. The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executive will not be vested with any shares.
4. Directors' fees in cash from subsidiaries for Mr Tang Kin Fei, Mr Tan Cheng Guan and Mr Koh Chiap Khiong are payable to SCI.

(Under SGX-ST Listing Manual requirements)

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

Notes:

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

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

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

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

(Under SGX-ST Listing Manual requirements)

B. Interested Person Transactions

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

	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000) 2012 S$'000
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– PSA International Pte Ltd and its Associates	3,755
– Singapore Power Ltd and its Associates	2,119
– Temasek Capital (Private) Limited and its Associates	1,490
– Singapore Technologies Telemedia Pte Ltd and its Associates	617
	7,981
Starhub Ltd and its Associates	960
SATS Ltd and its Associates	236
Singapore Airlines Limited and its Associates	2,740
Singapore Technologies Engineering Ltd and its Associates	7,858
	19,775
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates[1]	1,269,077
– Singapore Power Ltd and its Associates	4,259
– Certis CISCO Security Pte Ltd	149
	1,273,485
SMRT Corporation Ltd and its Associates	1,208
Singapore Technologies Engineering Ltd and its Associates	6,057
	1,280,750
Management and support services	
– Temasek Capital (Private) Limited and its Associates	2,370
Sub-total	1,302,895
Establishment of joint venture	
Temasek Holdings (Private) Limited and its Associates	
– Tembusu Capital Pte. Ltd. and its Associates	92,837
Sale of property	
Singapore Technologies Engineering Ltd and its Associates	8,233
Sub-total	101,070
Total interested person transactions	**1,403,965**

Note:

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

EVA Statement

Year ended December 31, 2012

	Note	2012 S$'000	2011 S$'000
Net operating profit before tax expense		**991,505**	1,100,006
Adjust for:			
Share of associates' and joint ventures' profits		**207,627**	205,619
Interest expense	1	**139,857**	69,337
Others	2	**(29,772)**	(6,849)
Adjusted profit before interest and tax		**1,309,217**	1,368,113
Cash operating taxes	3	**(164,980)**	(160,805)
Net operating profit after tax (NOPAT)		**1,144,237**	1,207,308
Average capital employed	4	**8,874,320**	8,120,351
Weighted average cost of capital	5	**5.9%**	5.9%
Capital charge		**523,585**	479,101
Economic Value Added (EVA)		**620,652**	728,207
Non-controlling share of EVA		**(198,443)**	(255,857)
EVA attributable to shareholders		**422,209**	472,350
Less: Unusual items (UI) gains	6	**49,175**	–
EVA attributable to shareholders (exclude UI)		**373,034**	472,350

Notes:

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

	2012 S$'000	2011 S$'000
Major Capital Components:		
Property, plant and equipment	**5,034,076**	4,045,713
Investments	**1,697,060**	1,546,745
Other long-term assets	**697,311**	690,313
Net working capital and long-term liabilities	**1,445,873**	1,837,580
Average capital employed	**8,874,320**	8,120,351

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

    i. Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2011: 5.0%);
    ii. Risk-free rate of 2.39% (2011: 2.69%) based on yield-to-maturity of Singapore Government 10-year Bonds;
    iii. Ungeared beta ranging from 0.5 to 1.0 (2011: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
    iv. Cost of Debt rate at 2.87% (2011: 2.63%).

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

Shareholders' Information

Statistics of Shareholders as of March 5, 2013

Issued and fully paid-up capital:	S$565,571,683.28
Number of issued shares:	1,787,547,732
Number / percentage of treasury shares:	2,929,029 (0.16%)
Number of shareholders:	25,729
Class of shares:	Ordinary shares with equal voting rights@

Shareholdings Held by the Public

Based on information available to the company as of March 5, 2013, 50.47%* of the issued ordinary shares of the company is held by the public and therefore, the company has complied with Rule 723 of the SGX-ST Listing Manual.

Substantial Shareholders	Direct Interest	Indirect Interest	Total	%*
Temasek Holdings (Private) Limited	871,200,328	12,718,760**	883,919,088	49.53

Top 20 Shareholders as of March 5, 2013

No.	Name	No. of Ordinary Shares Held	%*
1	Temasek Holdings (Private) Limited	871,200,328	48.82
2	Citibank Nominees Singapore Pte Ltd	184,997,329	10.37
3	DBS Nominees Pte Ltd	175,389,890	9.83
4	DBSN Services Pte Ltd	136,119,198	7.63
5	HSBC (Singapore) Nominees Pte Ltd	96,631,600	5.41
6	United Overseas Bank Nominees Pte Ltd	79,219,663	4.44
7	Raffles Nominees (Pte) Ltd	25,911,927	1.45
8	BNP Paribas Securities Services	10,645,660	0.60
9	Startree Investments Pte Ltd	9,400,000	0.53
10	DB Nominees (S) Pte Ltd	8,438,161	0.47
11	OCBC Nominees Singapore Pte Ltd	5,692,773	0.32
12	Merrill Lynch (Singapore) Pte Ltd	5,043,365	0.28
13	Tang Kin Fei	3,936,206	0.22
14	Bank of Singapore Nominees Pte Ltd	2,997,830	0.17
15	Phillip Securities Pte Ltd	2,120,319	0.12
16	Oversea Chinese Bank Nominees Pte Ltd	1,847,125	0.10
17	Low Sin Leng	1,540,312	0.09
18	Morgan Stanley Asia (Singapore)	1,355,048	0.07
19	DBS Vickers Securities (S) Pte Ltd	1,320,356	0.07
20	BNP Paribas Nominees Singapore Pte Ltd	1,317,276	0.07
		1,625,124,366	91.06

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

* The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as of March 5, 2013 excluding 2,929,029 ordinary shares held as treasury shares as at that date.

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

Analysis of Shareholdings as of March 5, 2013

Range of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares Held	%
1 – 999	2,975	11.56	1,582,928	0.09
1,000 – 10,000	20,210	78.55	65,252,209	3.65
10,001 – 1,000,000	2,518	9.79	87,268,569	4.88
1,000,001 and above	26	0.10	1,633,444,026	91.38
	25,729	100.00	1,787,547,732	100.00

Corporate Information

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

Board of Directors
Ang Kong Hua
Chairman

Tang Kin Fei
Group President & CEO

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

Executive Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Tang Kin Fei
Margaret Lui

Audit Committee
Bobby Chin Yoke Choong
Chairman

Tan Sri Mohd Hassan Marican
Evert Henkes

Executive Resource & Compensation Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Margaret Lui

Nominating Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Margaret Lui

Risk Committee
Evert Henkes
Chairman

Bobby Chin Yoke Choong
Tan Sri Mohd Hassan Marican

Technology Advisory Panel
Ang Kong Hua
Chairman

Tang Kin Fei
Dr Teh Kok Peng
Dr Josephine Kwa Lay Keng
Dr Ng How Yong
Prof Lui Pao Chuen

Company Secretary
Kwong Sook May

Registrar
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Principal Bankers
Australia and New Zealand Banking Group Limited

CIMB Bank Berhad

Citibank N.A.

DBS Bank

Maybank

Mizuho Corporate Bank, Ltd

Natixis

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank

Sumitomo Mitsui Banking Corporation

The Bank of Tokyo-Mitsubishi UFJ, Ltd

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

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

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

Notice of Annual General Meeting

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

Notice is hereby given that the Fifteenth Annual General Meeting of Sembcorp Industries Ltd (the "**Company**") will be held at the Multi-function Room, Sembcorp Industries Ltd, Level 1, 30 Hill Street, Singapore 179360 on Thursday, April 25, 2013 at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2012 and the Auditors' Report thereon. **Resolution 1**

2. To declare a final tax exempt 1-Tier dividend of 15 cents per ordinary share for the year ended December 31, 2012. **Resolution 2**

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

   a. Ang Kong Hua **Resolution 3**
   b. Tang Kin Fei **Resolution 4**
   c. Margaret Lui **Resolution 5**

4. To re-elect Dr Teh Kok Peng, a director retiring pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer himself for re-election. **Resolution 6**

5. To re-appoint Goh Geok Ling, a director retiring under Section 153 of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **Resolution 7**

6. To approve directors' fees of S$1,198,842 for the year ended December 31, 2012, comprising: **Resolution 8**

   a. S$839,189 to be paid in cash (2011: S$896,429); and
   b. S$359,653 to be paid in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010 (2011: S$384,184), with the number of shares to be awarded rounded down to the nearest hundred and any residual balance settled in cash.

7. To re-appoint KPMG LLP as Auditors of the Company and to authorise the directors to fix their remuneration. **Resolution 9**

Special Business

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

8. That authority be and is hereby given to the directors to: **Resolution 10**

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

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

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

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

   provided that:

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

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

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

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

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

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

Special Business *(cont'd)*

9. That approval be and is hereby given to the directors to: **Resolution 11**

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

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

   provided that:

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

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

10. To transact any other business.

By Order of the Board

Kwong Sook May
Company Secretary
March 28, 2013

Explanatory Notes

Resolutions 3 to 7 – Detailed information on these directors can be found under the Board of Directors and Corporate Governance Report sections in the Annual Report 2012.

Resolution 8 – is to approve the payment of directors' fees, comprising a cash component and a share component. Detailed information on compensation to the non-executive directors can be found under the Corporate Governance Report section in the Annual Report 2012. Directors and their associates will abstain from voting on Resolution 8.

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

For year 2012, the awards granted under the Sembcorp Industries Restricted Share Plan 2010 to all directors as part of their directors' fees (except for Mr Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S$65,000); any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

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

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

Resolution 10 – is to empower the directors to issue shares in the capital of the Company and to make or grant Instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such Instruments, up to a number not exceeding 50% of the total number of issued shares in the capital of the Company excluding treasury shares, of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time that Resolution 10 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 10 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Resolution 11 – is to empower the directors to offer and grant awards pursuant to the Sembcorp Industries Performance Share Plan 2010 and the Sembcorp Industries Restricted Share Plan 2010 (collectively, the **"Share Plans"**) and to issue ordinary shares in the capital of the Company pursuant to the vesting of awards granted pursuant to the Share Plans provided that: (a) the aggregate number of (i) new ordinary shares allotted and issued and / or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and / or to be delivered, and (iii) ordinary shares released and / or to be released in the form of cash in lieu of ordinary shares, pursuant to the Share Plans shall not exceed 7% of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting to the next Annual General Meeting shall not exceed 1% of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be lodged at the office of the Company's Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 not later than 48 hours before the time appointed for the Annual General Meeting.

Notice of Books Closure and Dividend Payment Date

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will be closed on May 3, 2013 to determine the shareholders' entitlements to the proposed dividend. Duly completed transfers of shares received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on May 2, 2013 (the **"Book Closure Date"**) will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Annual General Meeting, will be paid on May 14, 2013.

Glue and seal along the edge

Proxy Form

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

Fifteenth Annual General Meeting

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

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

of ____________________________________ (Address)

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

Name	Address	NRIC / Passport No.	% of Shareholdings

and / or (delete as appropriate)

Name	Address	NRIC / Passport No.	% of Shareholdings

as my / our proxy / proxies to attend and vote for me / us on my / our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held on Thursday, April 25, 2013 at 11.00 a.m. at the Multi-function Room, Sembcorp Industries Ltd, Level 1, 30 Hill Street, Singapore 179360 and at any adjournment thereof.

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

	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To adopt the Directors' Report and Accounts		
2.	To declare a final dividend		
3.	To re-elect Ang Kong Hua		
4.	To re-elect Tang Kin Fei		
5.	To re-elect Margaret Lui		
6.	To re-elect Dr Teh Kok Peng		
7.	To re-appoint Goh Geok Ling		
8.	To approve directors' fees for financial year ended December 31, 2012		
9.	To re-appoint KPMG LLP as Auditors and to fix their remuneration		
	SPECIAL BUSINESS		
10.	To approve the renewal of Share Issue Mandate		
11.	To authorise the directors to grant awards and issue shares under the Sembcorp Industries' Share Plans		

Total Number of Shares Held

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

__________ Date

Glue and seal along the edge

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 not less than 48 hours before the time appointed for the Annual General Meeting.

1st FOLD

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

2nd FOLD

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BUSINESS REPLY SERVICE
PERMIT NO. 06735

The Company Secretary
Sembcorp Industries Ltd
c/o M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

3rd FOLD

Sembcorp Industries Financial Calendar 2013

February 26, 2013	Announcement of full year results for the year ended December 31, 2012
April 25, 2013	15th Annual General Meeting
April 29, 2013	Ex-dividend date for 2012 final dividend
May 8, 2013*	Announcement of first quarter results for the period ending March 31, 2013
May 14, 2013	Payment of 2012 dividend
August 6, 2013*	Announcement of half year results for the period ending June 30, 2013
November 11, 2013*	Announcement of third quarter results for the period ending September 30, 2013

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

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