FINANCIAL STATEMENTS

DIRECTORS' REPORT

Year ended December 31, 2014

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, 2014.

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
Ajaib Haridass *(appointed on May 1, 2014)*
Neil McGregor *(appointed on May 1, 2014)*

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, infant children or nominees			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**Exercise period**	**At beginning of the year / date of appointment**	**At end of the year**	**At 21/01/2015**	**At beginning of the year / date of appointment**	**At end of the year**	**At 21/01/2015**
Ang Kong Hua								
Sembcorp Industries Ltd	Ordinary shares (Note 1)		52,100	70,500	70,500	–	–	–
Tang Kin Fei								
Sembcorp Industries Ltd	Ordinary shares (Note 2)		4,776,546	5,499,486	5,499,486	–	–	–
	Options to subscribe for ordinary shares at – S$2.52 per share	10/06/2007 to 09/06/2016	300,000	–	–	–	–	–
	Conditional award of: – 400,000 performance shares to be delivered after 2013 (Note 3a)		Up to 600,000	–	–	–	–	–
	– 400,000 performance shares to be delivered after 2014 (Note 3b)		Up to 600,000	Up to 600,000	Up to 600,000	–	–	–

Directors' Interests *(cont'd)*

			Shareholdings registered in the name of director, spouse, infant children or nominees			Other shareholdings in which director is deemed to have an interest		
Name of director and corporation in which interests held	**Description of interests**	**Exercise period**	**At beginning of the year / date of appointment**	**At end of the year**	**At 21/01/2015**	**At beginning of the year / date of appointment**	**At end of the year**	**At 21/01/2015**
Tang Kin Fei *(cont'd)*								
Sembcorp Industries Ltd	Conditional award of: – 300,000 performance shares to be delivered after 2015 (Note 3c)		Up to 450,000	Up to 450,000	Up to 450,000	–	–	–
	– 300,000 performance shares to be delivered after 2016 (Note 3d)		–	Up to 450,000	Up to 450,000	–	–	–
	Conditional award of: – 126,000 restricted shares to be delivered after 2011 (Note 4a)		50,820	–	–	–	–	–
	– 126,000 restricted shares to be delivered after 2012 (Note 4b)		114,240	57,120	57,120	–	–	–
	– 126,000 restricted shares to be delivered after 2013 (Note 4c)		Up to 189,000	126,000	126,000	–	–	–
	– 180,000 restricted shares to be delivered after 2014 (Note 4d)		Up to 270,000	Up to 270,000	Up to 270,000	–	–	–
	– 180,000 restricted shares to be delivered after 2015 (Note 4e)		–	Up to 270,000	Up to 270,000	–	–	–
	Subordinated Perpetual Securities issued on August 21, 2013 under the S$2 Billion Multicurrency Debt Issuance Programme (Note 5)		Principal amount: S$1,000,000	Principal amount: S$1,000,000	Principal amount: S$1,000,000	–	–	–

Directors' Interests *(cont'd)*

Name of director and corporation in which interests held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse, infant children or nominees: At beginning of the year / date of appointment	At end of the year	At 21/01/2015	Other shareholdings in which director is deemed to have an interest: At beginning of the year / date of appointment	At end of the year	At 21/01/2015
Tang Kin Fei *(cont'd)*								
Sembcorp Marine Ltd	Ordinary shares		232,970	249,470	249,470	–	–	–
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the S$2 Billion Multicurrency Debt Issuance Programme (Note 6)		Principal amount:	Principal amount:	Principal amount:			
	– Due 2014		S$500,000	–	–	–	–	–
	– Due 2020		S$500,000	S$500,000	S$500,000	–	–	–
Goh Geok Ling								
Sembcorp Industries Ltd	Ordinary shares		518,254	528,154	528,154	47,000	47,000	47,000
Sembcorp Marine Ltd	Ordinary shares		369,340	369,340	369,340	–	–	–
Evert Henkes								
Sembcorp Industries Ltd	Ordinary shares		146,004	159,504	159,504	–	–	–
Bobby Chin Yoke Choong								
Sembcorp Industries Ltd	Ordinary shares		44,600	55,600	55,600	–	–	–
Margaret Lui								
Sembcorp Industries Ltd	Ordinary shares		18,200	28,100	28,100	–	–	–
Tan Sri Mohd Hassan Marican								
Sembcorp Industries Ltd	Ordinary shares (Note 7a)		19,000	29,600	29,600	–	–	–
Sembcorp Marine Ltd	Ordinary shares (Note 7b)		11,500	30,200	30,200	–	–	–
Tham Kui Seng								
Sembcorp Industries Ltd	Ordinary shares		8,900	15,500	15,500	–	–	–
Dr Teh Kok Peng								
Sembcorp Industries Ltd	Ordinary shares		1,300	8,700	8,700	–	–	–
Sembcorp Marine Ltd	Ordinary shares		40,000	40,000	40,000	–	–	–
Ajaib Haridass								
Sembcorp Marine Ltd	Ordinary shares		595,710	713,910	713,910	–	–	–

Directors' Interests *(cont'd)*

Note 1: The 70,500 Sembcorp Industries Ltd (SCI) shares are held in the name of DBS Nominees Pte Ltd.

Note 2: Of the 5,499,486 SCI shares, 1,000,000 shares are held in the name of DBS Nominees Pte Ltd and 1,000,000 shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 3: 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 2011 to 2013 *
b) Period from 2012 to 2014
c) Period from 2013 to 2015
d) Period from 2014 to 2016

* For this period, 252,000 SCI shares were released to Tang Kin Fei on March 27, 2014. The balance of the conditional awards covering the period has thus lapsed.

Note 4: 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 2010 to 2011 #
b) Period from 2011 to 2012 *
c) Period from 2012 to 2013 ^
d) Period from 2013 to 2014
e) Period from 2014 to 2015

\# For this period, 50,820 SCI shares (the final release of the 1/3 of the 152,460 shares) were vested under the award to Tang Kin Fei on March 27, 2014. The 1st and 2nd release of 50,820 shares each have been vested in 2012 and 2013 respectively.

* For this period, 57,120 SCI shares (2nd release of the 1/3 of the 171,360 shares) were vested under the award to Tang Kin Fei on March 27, 2014 and the remaining 57,120 shares will be vested in year 2015. The 1st release of 57,120 shares has been vested on March 27, 2013.

^ For this period, 63,000 SCI shares (1st release of the 1/3 of the 189,000 shares) were vested under the award to Tang Kin Fei on March 27, 2014 and the remaining 126,000 shares will be vested in year 2015/2016.

Note 5: Subordinated Perpetual Securities issued on August 21, 2013 under the S$2 Billion Multicurrency Debt Issuance Programme.

Note 6: Fixed Rate Notes and Floating Rate Notes issued under the S$2 Billion Multicurrency Debt Issuance Programme of Sembcorp Industries Ltd and Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

Note 7: a) The 29,600 SCI shares are held in the name of Citibank Nominees Singapore Pte Ltd.
b) The 30,200 Sembcorp Marine Ltd shares are held in the name of Citibank Nominees Singapore Pte Ltd.

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, 2015.

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 40 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share-based Incentive Plans

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

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

Ang Kong Hua (Chairman)
Goh Geok Ling
Margaret Lui
Tan Sri Mohd Hassan Marican *(appointed on May 1, 2014)*

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 2014 and 2013, all options were settled by the issuance of treasury shares.

iv. The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group. There are no outstanding share options for non-executive directors.

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

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

v. Sembcorp Industries Ltd Share Option Plan

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

Sembcorp Industries Ltd
Ordinary shares
2014

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2014	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2014	Options exercisable at Jan 1, 2014	Options exercisable at Dec 31, 2014	Exercise period
17/05/2004	S$0.99	26,500	(3,625)	(22,875)	–	26,500	–	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	29,375	(5,875)	(23,500)	–	29,375	–	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	139,875	(15,625)	(3,000)	121,250	139,875	121,250	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	217,625	(36,875)	(4,000)	176,750	217,625	176,750	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	809,049	(431,750)	(4,000)	373,299	809,049	373,299	10/06/2007 to 09/06/2016
		1,222,424	**(493,750)**	**(57,375)**	**671,299**	**1,222,424**	**671,299**	

2013

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2013	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2013	Options exercisable at Jan 1, 2013	Options exercisable at Dec 31, 2013	Exercise period
02/06/2003	S$0.78	24,000	(3,250)	(20,750)	–	24,000	–	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	32,500	(3,250)	(29,250)	–	32,500	–	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	102,250	(75,750)	–	26,500	102,250	26,500	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	101,125	(71,750)	–	29,375	101,125	29,375	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	263,025	(117,650)	(5,500)	139,875	263,025	139,875	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	512,125	(289,000)	(5,500)	217,625	512,125	217,625	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	988,799	(175,750)	(4,000)	809,049	988,799	809,049	10/06/2007 to 09/06/2016
		2,023,824	**(736,400)**	**(65,000)**	**1,222,424**	**2,023,824**	**1,222,424**	

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

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

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

The details of options of the Company awarded / exercised since commencement of the Scheme (aggregate) to December 31, 2014 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]	(2,836,293)	–
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	(69,426,413)	(79,674,030)	671,299
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**	**(72,745,600)**	**(92,031,573)**	**671,299**

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

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

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

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

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

vi. Share options of a listed subsidiary

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

Sembcorp Marine Ltd
Ordinary shares
2014

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2014	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2014	Options exercisable at Jan 1, 2014	Options exercisable at Dec 31, 2014	Exercise period
10/08/2004	S$0.74	168,710	(129,760)	(38,950)	–	168,710	–	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	857,140	(173,500)	(16,450)	667,190	857,140	667,190	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	1,134,329	(109,617)	(15,400)	1,009,312	1,134,329	1,009,312	03/10/2007 to 02/10/2016
		2,160,179	**(412,877)**	**(70,800)**	**1,676,502**	**2,160,179**	**1,676,502**	

2013

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2013	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2013	Options exercisable at Jan 1, 2013	Options exercisable at Dec 31, 2013	Exercise period
08/08/2003	S$0.71	70,420	(19,670)	(50,750)	–	70,420	–	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	189,410	(19,300)	(1,400)	168,710	189,410	168,710	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	948,100	(84,810)	(6,150)	857,140	948,100	857,140	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	1,308,327	(157,943)	(16,055)	1,134,329	1,308,327	1,134,329	03/10/2007 to 02/10/2016
		2,516,257	**(281,723)**	**(74,355)**	**2,160,179**	**2,516,257**	**2,160,179**	

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. For awards granted from 2014 onwards, the performance levels were calibrated based on Wealth Added, Total Shareholder Return and Earnings per share. 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 2014 to 2016 will be vested to the senior management participants only if the restricted shares for the performance period 2015 to 2016 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.

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 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	Performance shares lapsed arising from targets not met	Conditional performance shares released	Conditional performance shares lapsed	At Dec 31
2014							
Director of the Company:							
Tang Kin Fei	1,100,000	300,000	–	(148,000)	(252,000)	–	1,000,000
Key executives of the Group	1,069,723	325,000	–	(144,249)	(245,613)	–	1,004,861
	2,169,723	**625,000**	**–**	**(292,249)**	**(497,613)**	**–**	**2,004,861**
2013							
Director of the Company:							
Tang Kin Fei	1,200,000	300,000	132,000	–	(532,000)	–	1,100,000
Key executives of the Group	1,348,333	325,000	153,450	–	(618,449)	(138,611)	1,069,723
	2,548,333	**625,000**	**285,450**	**–**	**(1,150,449)**	**(138,611)**	**2,169,723**

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2011 to 2013 (2013: performance period 2010 to 2012), a total of 497,613 (2013: 1,150,449) performance shares were released via the issuance of treasury shares.

In 2014, there were 292,249 performance shares lapsed for under-achievement of the performance targets for the performance period 2011 to 2013. In 2013, there were additional 285,450 performance shares awarded for over-achievement of performance targets for the performance period 2010 to 2012.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2014, was 2,004,861 (2013: 2,169,723). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,007,292 (2013: 3,254,585) performance shares.

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

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

ii. Performance shares of a listed subsidiary

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

	2014	2013
At January 1	**1,915,000**	1,865,000
Conditional performance shares awarded	**1,480,000**	655,000
Conditional performance shares lapsed	**(62,225)**	(60,556)
Additional performance shares awarded arising from targets met	**–**	157,889
Performance shares lapsed arising from targets not met	**(360,715)**	–
Conditional performance shares released	**(162,060)**	(702,333)
At December 31	**2,810,000**	1,915,000

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 2011 to 2013 (2013: 2010 to 2012), a total of 162,060 (2013: 702,333) performance shares were released via the issuance of treasury shares.

In 2014, there were 360,715 performance shares lapsed for under-achievement of the performance targets for the performance period 2011 to 2013. In 2013, there were additional 157,889 performance shares awarded for over-achievement of the performance targets for the performance period 2010 to 2012.

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, 2014, was 2,810,000 (2013: 1,915,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,215,000 (2013: 2,872,500) 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 2014.

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 2014 and 2013, 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 will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, 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. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

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:

Restricted shares participants	At Jan 1	Movements during the year: Conditional restricted shares awarded	Additional restricted shares awarded arising from targets met	Conditional restricted shares released	Conditional restricted shares lapsed	At Dec 31
2014						
Directors of the Company:						
Ang Kong Hua	–	18,400	–	(18,400)	–	–
Tang Kin Fei	471,060	180,000	63,000	(170,940)	–	543,120
Goh Geok Ling	–	9,900	–	(9,900)	–	–
Evert Henkes	–	13,500	–	(13,500)	–	–
Bobby Chin Yoke Choong	–	11,000	–	(11,000)	–	–
Margaret Lui	–	9,900	–	(9,900)	–	–
Tan Sri Mohd Hassan Marican	–	10,600	–	(10,600)	–	–
Tham Kui Seng	–	6,600	–	(6,600)	–	–
Dr Teh Kok Peng	–	7,400	–	(7,400)	–	–
Other executives of the Group	6,483,954	2,113,000	1,087,350	(2,627,146)	(267,349)	6,789,809
	6,955,014	**2,380,300**	**1,150,350**	**(2,885,386)**	**(267,349)**	**7,332,929**
2013						
Directors of the Company:						
Ang Kong Hua	–	15,600	–	(15,600)	–	–
Tang Kin Fei	404,040	180,000	45,360	(158,340)	–	471,060
Goh Geok Ling	5,480	8,900	–	(14,380)	–	–
Evert Henkes	2,800	12,600	–	(15,400)	–	–
Bobby Chin Yoke Choong	4,400	10,100	–	(14,500)	–	–
Margaret Lui	–	8,500	–	(8,500)	–	–
Tan Sri Mohd Hassan Marican	–	8,900	–	(8,900)	–	–
Tham Kui Seng	–	5,600	–	(5,600)	–	–
Dr Teh Kok Peng	–	1,300	–	(1,300)	–	–
Other executives of the Group	6,291,717	2,011,100	737,640	(2,375,362)	(181,141)	6,483,954
	6,708,437	**2,262,600**	**783,000**	**(2,617,882)**	**(181,141)**	**6,955,014**

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 2012 to 2013, a total of 1,223,584 restricted shares were released in 2014. For awards in relation to the performance period 2011 to 2012, a total of 907,067 (2013: 1,093,116) were released in 2014. For awards in relation to the performance period 2010 to 2011, a total of 667,435 (2013: 777,859) restricted shares were released in 2014. For awards in relation to the performance period 2009 to 2010, a total of nil (2013: 675,407) restricted shares were released in 2014. In 2014, there were 87,300 (2013: 71,500) shares released to non-executive directors. Of the restricted shares released, 29,887 (2013: 14,555) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2014, additional 1,150,350 (2013: 783,000) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2012 to 2013 (2013: performance period 2011 to 2012).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2014, was 7,332,929 (2013: 6,955,014). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,383,100 (2013: 4,492,000). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,574,650 (2013: 6,738,000) 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 2012 to 2013 (2013: performance period 2011 to 2012), a total of S$3,337,008, equivalent to 555,450 (2013: S$3,351,315, equivalent to 562,889) notional restricted shares, were paid. A total of 450,000 (2013: 400,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2014 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 2014, was 850,000 (2013: 799,135). 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 1,275,000 (2013: 1,198,703).

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:

		Movements during the year				
Restricted shares participants	**At Jan 1**	**Conditional restricted shares awarded**	**Additional conditional restricted shares awarded arising from targets met**	**Conditional restricted shares released**	**Conditional restricted shares lapsed**	**At Dec 31**
2014						
Directors of the Company:						
Tang Kin Fei	–	16,500	–	(16,500)	–	–
Tan Sri Mohd Hassan Marican	–	18,700	–	(18,700)	–	–
Ajaib Haridass	–	18,200	–	(18,200)	–	–
Other participants	8,545,150	2,996,580	508,977	(3,504,178)	(283,728)	8,262,801
	8,545,150	**3,049,980**	**508,977**	**(3,557,578)**	**(283,728)**	**8,262,801**
2013						
Directors of the Company:						
Tang Kin Fei	8,500	14,800	–	(23,300)	–	–
Goh Geok Ling	14,500	19,300	–	(33,800)	–	–
Tan Sri Mohd Hassan Marican	–	9,700	–	(9,700)	–	–
Former director of the Company	–	4,000	–	(4,000)	–	–
Other participants	9,520,530	2,758,910	464,732	(3,828,164)	(370,858)	8,545,150
	9,543,530	**2,806,710**	**464,732**	**(3,898,964)**	**(370,858)**	**8,545,150**

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 2012 to 2013, a total of 1,154,566 (2013: nil) restricted shares were released. For awards in relation to the performance period 2011 to 2012, a total of 1,074,512 (2013: 1,242,654) restricted shares were released. For awards in relation to the performance period 2010 to 2011, a total of 1,232,100 (2013: 1,325,800) restricted shares were released. In 2013, 1,236,610 restricted shares were released for awards in relation to the performance period 2009 to 2010. In 2014, there were 96,400 (2013: 93,900) 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 2014, additional 508,977 (2013: 464,732) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2012 to 2013 (2013: performance period 2011 to 2012).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2014, was 8,262,801 (2013: 8,545,150). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,450,570 (2013: 5,243,250). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,175,855 (2013: 7,864,875) 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 2012 to 2013 (2013: performance period 2011 to 2012), a total of S$4,122,758 (2013: S$5,027,602), equivalent to 1,010,480 (2013: 1,129,037) notional restricted shares, were paid.

A total of 1,223,280 (2013: 1,091,350) notional restricted shares were awarded on June 15, 2014 (2013: May 31, 2013) 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, 2014, was 2,066,240 (2013: 1,886,000). 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 3,099,360 (2013: 2,829,000).

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)
Evert Henkes
Tham Kui Seng
Dr Teh Kok Peng *(appointed on May 1, 2014)*

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 17, 2015

STATEMENT BY DIRECTORS

Year ended December 31, 2014

In our opinion:

a. the financial statements set out on pages 178 to 329 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, 2014, 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 17, 2015

INDEPENDENT AUDITORS' REPORT

Year ended December 31, 2014

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, 2014, 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 178 to 329.

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, 2014, and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
February 17, 2015

BALANCE SHEETS

As at December 31, 2014

	Note	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Non-current assets					
Property, plant and equipment	3	**7,725,423**	5,126,650	**606,245**	637,590
Investment properties	4	**23,579**	20,954	**–**	–
Investments in subsidiaries	5	**–**	–	**1,999,357**	1,706,116
Interests in associates and joint ventures	6	**2,074,394**	1,852,249	**–**	–
Other financial assets	7	**314,933**	344,181	**–**	–
Long-term receivables and prepayments	8	**467,340**	360,970	**14,440**	7,223
Intangible assets	11	**390,566**	308,223	**21,857**	21,068
Deferred tax assets	12	**49,706**	51,170	**–**	–
		11,045,941	8,064,397	**2,641,899**	2,371,997
Current assets					
Inventories and work-in-progress	13	**3,204,912**	2,240,655	**11,200**	10,023
Trade and other receivables	14	**1,200,336**	1,140,173	**157,075**	104,885
Tax recoverable		**8,514**	6,698	**–**	–
Assets held for sale	16	**24,437**	36,517	**–**	–
Other financial assets	7	**30,825**	9,581	**–**	–
Cash and cash equivalents	17	**1,661,427**	2,255,865	**198,395**	450,220
		6,130,451	5,689,489	**366,670**	565,128
Total assets		**17,176,392**	13,753,886	**3,008,569**	2,937,125
Current liabilities					
Trade and other payables	18	**2,745,363**	2,691,962	**286,636**	188,396
Excess of progress billings over work-in- progress	13	**1,028,587**	1,448,501	**5**	–
Provisions	19	**73,714**	92,347	**13,416**	20,931
Other financial liabilities	22	**165,930**	18,695	**1,558**	–
Current tax payable		**257,826**	236,254	**41,009**	37,970
Interest-bearing borrowings	24	**1,086,003**	413,993	**8**	61
		5,357,423	4,901,752	**342,632**	247,358
Net current assets		**773,028**	787,737	**24,038**	317,770

	Note	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Non-current liabilities					
Deferred tax liabilities	12	**413,680**	371,596	**53,298**	44,212
Provisions	19	**105,423**	101,693	**593**	593
Other financial liabilities	22	**106,472**	56,786	**–**	–
Retirement benefit obligations	23	**15,658**	30,910	**–**	–
Interest-bearing borrowings	24	**3,648,578**	1,485,011	**3**	12
Other long-term liabilities	25	**296,884**	276,144	**482,846**	462,915
		4,586,695	2,322,140	**536,740**	507,732
Total liabilities		**9,944,118**	7,223,892	**879,372**	755,090
Net assets		**7,232,274**	6,529,994	**2,129,197**	2,182,035
Equity attributable to owners of the Company:					
Share capital	26	**565,572**	565,572	**565,572**	565,572
Other reserves	27	**(130,297)**	(101,230)	**(22,386)**	(18,839)
Revenue reserve		**4,978,291**	4,563,136	**1,383,446**	1,432,332
		5,413,566	5,027,478	**1,926,632**	1,979,065
Perpetual securities	28	**202,565**	202,970	**202,565**	202,970
		5,616,131	5,230,448	**2,129,197**	2,182,035
Non-controlling interests		**1,616,143**	1,299,546	**–**	–
Total equity		**7,232,274**	6,529,994	**2,129,197**	2,182,035

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

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2014

		Group	
		2014	2013
	Note	S$'000	S$'000
Turnover	30	**10,894,660**	10,797,622
Cost of sales		**(9,479,983)**	(9,502,023)
Gross profit		**1,414,677**	1,295,599
General and administrative expenses		**(352,486)**	(347,378)
Other income		**103,611**	213,092
Other expense (net)		**(26,924)**	(1,126)
Finance income	31	**19,431**	17,051
Finance costs	31	**(70,132)**	(117,903)
Share of results of associates and joint ventures, net of tax		**158,261**	155,024
Profit before tax		**1,246,438**	1,214,359
Tax expense	32	**(162,156)**	(117,154)
Profit for the year	33	**1,084,282**	1,097,205
Profit attributable to:			
Owners of the Company		**801,096**	820,448
Non-controlling interests		**283,186**	276,757
Profit for the year		**1,084,282**	1,097,205
Earnings per share (cents):	34		
Basic		**44.31**	45.70
Diluted		**43.98**	45.36

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2014

		Group	
		2014	2013
	Note	S$'000	S$'000
Profit for the year		**1,084,282**	1,097,205
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**129,982**	21,118
Exchange differences on monetary items forming part of net investment in foreign operation		**(2,280)**	(6,003)
Net change in fair value of cash flow hedges		**(147,973)**	22,206
Net change in fair value of cash flow hedges transferred to profit or loss		**18,873**	3,615
Net change in fair value of available-for-sale financial assets		**(33,572)**	(31,924)
Share of other comprehensive income of associates and joint ventures		**(8,654)**	(4,507)
		(43,624)	4,505
Items that may not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial gains and losses		**16,776**	(25,139)
Other comprehensive income for the year, net of tax	29	**(26,848)**	(20,634)
Total comprehensive income for the year		**1,057,434**	1,076,571
Total comprehensive income attributable to:			
Owners of the Company		**766,663**	790,388
Non-controlling interests		**290,771**	286,183
Total comprehensive income for the year		**1,057,434**	1,076,571

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2014

	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	Perpetual securities S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
At January 1, 2014	565,572	(13,877)	(333,798)	313,875	29,201	(14,661)	13,063	(95,033)	4,563,136	5,027,478	202,970	5,230,448	1,299,546	6,529,994
Total comprehensive income for the year														
Profit for the year	–	–	–	–	–	–	–	–	801,096	801,096	–	801,096	283,186	1,084,282
Other comprehensive income														
Foreign currency translation differences for foreign operations	–	–	98,545	–	–	–	–	–	–	98,545	–	98,545	31,437	129,982
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	(2,280)	–	–	–	–	–	–	(2,280)	–	(2,280)	–	(2,280)
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	(132,702)	–	(132,702)	–	(132,702)	(15,271)	(147,973)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	–	–	18,868	–	18,868	–	18,868	5	18,873
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(24,986)	–	–	(24,986)	–	(24,986)	(8,586)	(33,572)
Defined benefit plan actuarial gains and losses	–	–	–	–	–	–	–	–	16,776	16,776	–	16,776	–	16,776
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	(35)	(8,619)	–	(8,654)	–	(8,654)	–	(8,654)
Total other comprehensive income for the year	–	–	96,265	–	–	–	(25,021)	(122,453)	16,776	(34,433)	–	(34,433)	7,585	(26,848)
Total comprehensive income for the year	–	–	96,265	–	–	–	(25,021)	(122,453)	817,872	766,663	–	766,663	290,771	1,057,434

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

Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Capital reserve S$'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	Perpetual securities S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
	Attributable to owners of the Company													
Transactions with owners of the Company, recognised directly in equity														
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	1,723	1,723
Share-based payments	–	–	–	–	–	24,899	–	–	–	24,899	–	24,899	4,799	29,698
Purchase of treasury shares	–	(20,886)	–	–	–	–	–	–	–	(20,886)	–	(20,886)	–	(20,886)
Treasury shares transferred to employees	–	19,722	–	–	–	(18,499)	–	–	–	1,223	–	1,223	–	1,223
Treasury shares of a subsidiary	–	–	–	3,686	–	(10,300)	–	–	–	(6,614)	–	(6,614)	(4,229)	(10,843)
Non-controlling interests of subsidiary acquired (Note 38(b))	–	–	–	–	–	–	–	–	–	–	–	–	186,942	186,942
Acquisition of non-controlling interests	–	–	–	(13,552)	–	–	–	–	–	(13,552)	–	(13,552)	(12,625)	(26,177)
Realisation of reserve when a joint venture became a subsidiary (Note 38(b))	–	–	37,178	–	–	–	–	–	–	37,178	–	37,178	–	37,178
Reduction of non-controlling interests upon sale of investment for sale	–	–	–	–	–	–	–	–	–	–	–	–	(4,830)	(4,830)
Realisation of reserve upon liquidation of subsidiaries	–	–	(106)	–	–	–	–	–	–	(106)	–	(106)	–	(106)
Perpetual securities distribution paid	–	–	–	–	–	–	–	–	–	–	(10,000)	(10,000)	–	(10,000)
Accrued perpetual securities distribution (Note 28)	–	–	–	–	–	–	–	–	(9,595)	(9,595)	9,595	–	–	–
Dividend paid to owners (Note 35)	–	–	–	–	–	–	–	–	(393,124)	(393,124)	–	(393,124)	–	(393,124)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(145,954)	(145,954)
Unclaimed dividends	–	–	–	–	–	–	–	–	2	2	–	2	–	2
Total transactions with owners	–	(1,164)	37,072	(9,866)	–	(3,900)	–	–	(402,717)	(380,575)	(405)	(380,980)	25,826	(355,154)
At December 31, 2014	565,572	(15,041)	(200,461)	304,009	29,201	(18,561)	(11,958)	(217,486)	4,978,291	5,413,566	202,565	5,616,131	1,616,143	7,232,274

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

Group	Share capital S$'000	Reserve for own shares S$'000	Currency translation reserve S$'000	Capital reserve S$'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	Perpetual securities S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
	Attributable to owners of the Company													
At January 1, 2013	565,572	(8,163)	(331,720)	338,337	29,201	(5,794)	33,550	(157,733)	4,040,081	4,503,331	–	4,503,331	1,141,096	5,644,427
Total comprehensive income for the year														
Profit for the year	–	–	–	–	–	–	–	–	820,448	820,448	–	820,448	276,757	1,097,205
Other comprehensive income														
Foreign currency translation differences for foreign operations	–	–	3,966	–	–	–	–	–	–	3,966	–	3,966	17,152	21,118
Exchange differences on monetary items forming part of net investment in foreign operation	–	–	(6,003)	–	–	–	–	–	–	(6,003)	–	(6,003)	–	(6,003)
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	20,960	–	20,960	–	20,960	1,246	22,206
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	–	–	1,157	–	1,157	–	1,157	2,458	3,615
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(20,494)	–	–	(20,494)	–	(20,494)	(11,430)	(31,924)
Defined benefit plan actuarial gains and losses	–	–	–	–	–	–	–	–	(25,139)	(25,139)	–	(25,139)	–	(25,139)
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	7	(4,514)	–	(4,507)	–	(4,507)	–	(4,507)
Total other comprehensive income for the year	–	–	(2,037)	–	–	–	(20,487)	17,603	(25,139)	(30,060)	–	(30,060)	9,426	(20,634)
Total comprehensive income for the year	–	–	(2,037)	–	–	–	(20,487)	17,603	795,309	790,388	–	790,388	286,183	1,076,571

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	Perpetual securities S$'000	Total S$'000	Non-controlling interests S$'000	Total equity S$'000
Transactions with owners of the Company, recognised directly in equity														
Contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	133,496	133,496
Issue of perpetual securities	–	–	–	–	–	–	–	–	–	–	198,751	198,751	–	198,751
Share-based payments	–	–	–	–	–	22,013	–	–	–	22,013	–	22,013	5,200	27,213
Purchase of treasury shares	–	(28,819)	–	–	–	–	–	–	–	(28,819)	–	(28,819)	–	(28,819)
Treasury shares transferred to employees	–	23,105	–	–	–	(21,538)	–	–	–	1,567	–	1,567	–	1,567
Treasury shares of a subsidiary	–	–	–	(2,749)	–	(9,342)	–	–	–	(12,091)	–	(12,091)	(7,861)	(19,952)
Non-controlling interests of subsidiary acquired	–	–	–	–	–	–	–	–	–	–	–	–	2,056	2,056
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(7,611)	(7,611)
Realisation of reserve upon reclassification of associate to available-for-sale	–	–	–	(21,713)	–	–	–	–	–	(21,713)	–	(21,713)	–	(21,713)
Realisation of reserve upon reclassification of subsidiary to associate	–	–	(2,579)	–	–	–	–	45,097	–	42,518	–	42,518	(108,483)	(65,965)
Realisation of reserve upon reclassification of subsidiary to investment held for sale	–	–	2,538	–	–	–	–	–	–	2,538	–	2,538	–	2,538
Accrued perpetual securities distribution (Note 28)	–	–	–	–	–	–	–	–	(4,219)	(4,219)	4,219	–	–	–
Dividend paid to owners (Note 35)	–	–	–	–	–	–	–	–	(268,035)	(268,035)	–	(268,035)	–	(268,035)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(144,530)	(144,530)
Total transactions with owners	–	(5,714)	(41)	(24,462)	–	(8,867)	–	45,097	(272,254)	(266,241)	202,970	(63,271)	(127,733)	(191,004)
At December 31, 2013	565,572	(13,877)	(333,798)	313,875	29,201	(14,661)	13,063	(95,033)	4,563,136	5,027,478	202,970	5,230,448	1,299,546	6,529,994

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2014

	Group 2014 S$'000	Group 2013 S$'000
Cash flows from operating activities		
Profit for the year	**1,084,282**	1,097,205
Adjustments for:		
Dividend	**(1,194)**	(2,476)
Finance income	**(19,431)**	(17,051)
Finance costs	**70,132**	117,903
Depreciation and amortisation	**314,834**	303,293
Share of results of associates and joint ventures, net of tax	**(158,261)**	(155,024)
Gain on disposal of property, plant and equipment	**(4,150)**	(13,012)
Loss on disposal of intangible assets	**3**	–
Gain on disposal of investment properties	**(3,097)**	(358)
Gain on disposal of investment in an associate	**–**	(39,508)
Fair value gain on re-measurement of remaining equity interest in an associate	**–**	(79,882)
Fair value gain on re-measurement of pre-existing equity interest in a joint venture, which became a subsidiary	**(3,792)**	–
Changes in fair value of financial instruments	**11,225**	30,840
Equity settled share-based compensation expenses	**29,698**	27,213
Allowance made for impairment in value of assets and assets written off (net)	**7,024**	63,677
Gain on acquisition	**(13,505)**	–
Impairment loss on re-measurement of investment held for sale	**–**	4,632
Tax expense (Note 32)	**162,156**	117,154
Operating profit before working capital changes	**1,475,924**	1,454,606
Changes in working capital:		
Inventories and work-in-progress	**(1,383,998)**	(29,191)
Receivables	**(33,015)**	45,944
Payables	**2,652**	162,857
	61,563	1,634,216
Tax paid	**(118,979)**	(125,004)
Net cash (used in) / from operating activities	**(57,416)**	1,509,212

	Group 2014 S$'000	Group 2013 S$'000
Cash flows from investing activities		
Dividend received	**101,958**	77,446
Interest received	**19,840**	17,273
Proceeds from disposal of interests in a subsidiary, net of cash disposed of (Note 37)	**1**	8,582
Proceeds from sale of investments in an associate and a financial asset	**–**	6,976
Proceeds from capital reduction in a joint venture	**4,135**	–
Proceeds from sale of investment held for sale	**7,250**	–
Proceeds from sale of property, plant and equipment	**7,983**	25,019
Proceeds from sale of investment properties	**4,031**	493
Proceeds from sale of intangible assets	**14**	216
Acquisition of subsidiary, net of cash acquired	**61,741**	1,014
Acquisition of / additional investments in associates and joint ventures	**(303,203)**	(284,156)
Acquisition of other financial assets	**(7,341)**	(5,419)
Purchase of property, plant and equipment (Note (a))	**(1,306,419)**	(1,188,761)
Payment for intangible assets	**(31,423)**	(9,196)
Net cash used in investing activities	**(1,441,433)**	(1,350,513)
Cash flows from financing activities		
Proceeds from share issue to non-controlling interests of subsidiaries	**1,723**	1,030
Proceeds from share options exercised with issue of treasury shares	**1,223**	1,567
Proceeds from share options exercised with issue of treasury shares of a subsidiary	**736**	414
Purchase of treasury shares	**(20,886)**	(28,819)
Purchase of treasury shares by a subsidiary	**(11,579)**	(20,366)
Proceeds from issue of perpetual securities, net of transaction costs	**–**	198,751
Proceeds from borrowings	**2,292,133**	744,683
Repayment of borrowings	**(720,900)**	(352,187)
Payment on finance leases	**(4,131)**	(3,308)
Acquisition of non-controlling interests	**(26,177)**	(7,611)
Dividends paid to owners of the Company	**(393,124)**	(268,035)
Dividends paid to non-controlling interests of subsidiaries	**(145,954)**	(144,530)
Perpetual securities distribution paid	**(10,000)**	–
Unclaimed dividends	**2**	–
Interest paid	**(62,426)**	(106,344)
Net cash used from financing activities	**900,640**	15,245
Net (decrease) / increase in cash and cash equivalents	**(598,209)**	173,944
Cash and cash equivalents at beginning of the year	**2,255,865**	2,059,800
Effect of exchange rate changes on balances held in foreign currency	**1,778**	22,121
Cash and cash equivalents at end of the year (Note 17)	**1,659,434**	2,255,865

a. During the year, the Group acquired property, plant and equipment with an aggregate cost of S$1,276,418,000 (2013: S$1,147,075,000) of which S$604,000 (2013: S$31,000) was acquired by means of finance lease, S$31,479,000 (2013: S$58,383,000) relates to net payment on prior year's accrued capital expenditure and S$84,000 (2013: S$16,666,000) relates to provision for restoration costs in Note 19.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2014

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 17, 2015.

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.

With the adoption of FRS110 on January 1, 2014, the Company has been assessed to be a subsidiary of Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore. As such, the Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited.

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

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. Marine

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. Urban Development

The Urban Development segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia; and

iv. Others / Corporate

Others/Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

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.

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 45.

The accounting policies set out below have been applied consistently by Group entities to all periods presented in these financial statements, except as explained below, which address changes in accounting policies as a result of adopting the new or revised FRS in 2014.

With effect from January 1, 2014, 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, except for the adoption of FRS 110 Consolidated Financial Statements, which results in additional related parties disclosures in Note 17, Note 20, Note 24, Note 40 and Note 41, as the Group's ultimate holding company is now Temasek Holdings (Private) Limited.

The table below summarises the additional related parties transactions in 2013 as a result of the above adoption disclosed in Note 40:

December 31, 2013	As previously reported S$'000	As restated S$'000
Related Corporations		
Sales	32,465	594,196
Purchases including rental	62,971	157,876

i. Subsidiaries

From January 1, 2014, as a result of FRS 110 Consolidated Financial Statements, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

ii. Joint Arrangements

From January 1, 2014, as a result of FRS 111 Joint Arrangements, the Group has changed its accounting policy for its interests in joint arrangement. Under FRS 111, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

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

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

iii. Disclosure of interests in other entities

From January 1, 2014, as a result of FRS 112 Disclosure of Interests in Other Entities, the Group has expanded its disclosures about its interests in subsidiaries (Note 39), associates and joint ventures (Note 6).

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

b. Consolidation

i. Business Combinations

Acquisitions on or after January 1, 2010

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

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred.

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 re-measured 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, where 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 and no gain or loss is recognised in profit or loss. 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 Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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.

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

b. Consolidation *(cont'd)*

vi. Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities.

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 20% or more of the voting power of another entity.

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 its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation 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

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement.

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 retranslated to the functional currency using foreign exchange rates at that date.

- Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction.

- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

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

Foreign currency 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 a 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.

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

c. Foreign Currencies *(cont'd)*

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.

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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

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.

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

d. Property, Plant and Equipment

i. Owned Assets

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

The cost of self-constructed asset includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the 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 and its costs can be measured reliably. 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.

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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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.

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

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

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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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 25 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.

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.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

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

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

f. Intangible Assets

i. Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree;
- plus if the business combination is achieved in stages, the fair value of the 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 that arises upon the acquisition of subsidiaries is included in intangible assets.

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(l).

ii. Goodwill / Negative Goodwill Previously Written Off Against Reserves

Goodwill that has previously been taken to reserves is not taken to profit or loss when (i) the business is disposed of or discontinued or (ii) the goodwill is impaired. Similarly, negative goodwill that has previously been taken to reserves is not taken to profit or loss when the business is disposed of or discontinued.

iii. Intellectual Property rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful life of 10 years.

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 the Group has a right to charge for the usage of the infrastructure 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. Long-term Revenue Contract

Long-term revenue contract is fair valued using cash flow projections over the contractual period of 25 years. Amortisation is charged to profit or loss on a straight-line basis over the contractual period.

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

f. Intangible Assets *(cont'd)*

vi. 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(l).

vii. 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.

viii. 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.

ix. Amortisation

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

g. Financial Assets

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

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

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss; held to maturity investments; loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired or held. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets at fair value through profit or loss is irrevocable.

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

g. Financial Assets *(cont'd)*

i. Financial Assets at Fair Value Through Profit or Loss

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

Financial assets designated at fair value through profit or loss comprise unquoted securities that otherwise would have been classified as available-for-sale.

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 are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables comprise cash and cash equivalents, trade and other receivables, including service concession receivables.

Cash and Cash Equivalents

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

Service Concession Arrangement

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

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

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

g. Financial Assets *(cont'd)*

iv. Available-for-Sale Financial Assets

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

Available-for-sale financial assets comprise equity shares, unit trusts and funds.

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.

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and receivables and held-to-maturity investment securities with similar risk characteristics.

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 the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised 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 re-measured at fair value. The gain or loss on re-measurement 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 and presented in the hedging reserve in equity. 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, 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 the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to 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 a Net Investment in Foreign Operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

v. Separable Embedded Derivatives

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

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

j. Inventories

i. Finished Goods and Components

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity. Costs of inventories also include the transfer from other comprehensive income, if any, of gains or losses on qualifying cash flow hedges relating to purchases of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

ii. Long-term Contracts

The accounting policy for recognition of contract revenue is set out in Note 2(u)(ii).

Long-term contracts-in-progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the balance sheet as "Work-in-progress" (as an asset) or "Excess of progress billings over work-in-progress" (as a liability), as applicable. Long-term contract costs include the cost of direct materials, direct labour and allocation of overheads. 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 and other receivables". Amounts received before progress billings are included in the balance sheet, as "Trade and other payables".

k. Government Grants

Asset related grants are credited to a deferred asset grant account at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants 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.

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

l. 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. 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.

i. Calculation of Recoverable Amount

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

ii. Reversals of Impairment

An impairment loss in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or balance sheet date. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

m. 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, trade and other payables and other long-term liabilities (excludes deferred income, deferred grants, advance payments and long-term employee benefits).

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.

n. 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 financial asset as recognised under FRS 39 and the fair value of construction services recognised as income under the construction phase of the service concession agreement. 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.

o. 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.

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

o. Employee Benefits *(cont'd)*

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 its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The discount rate is the yield at the reporting date on high quality bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

iii. Long-term Employee Benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is 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 its present value. This has been reported in other long-term payables.

iv. Short-term Employee Benefits

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

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

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

o. Employee Benefits *(cont'd)*

v. 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.

vi. Equity and Equity-related Compensation Benefits

Share Option Plan

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

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

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

Performance Share Plan

The fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

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

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

o. Employee Benefits *(cont'd)*

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

Restricted Share Plan

Similar to the Performance Share Plan, the fair value of equity-related compensation is measured using the Monte Carlo simulation method as at the date of the grant. The method involves projecting future outcomes using statistical distributions of key random variables including the share prices and volatility of returns. This model takes into account the probability of achieving the performance conditions in the future.

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. 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.

vii. Cash-related Compensation Benefits

Sembcorp Challenge Bonus

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

The compensation cost is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus. The liability takes into account the probability of achieving the performance conditions in the future.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement with any changes in fair value recognised in profit or loss for the period.

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

p. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that 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. The unwinding of the discount is recognised as finance cost.

q. 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)*

r. 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.

s. Perpetual Securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution, subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issue and the perpetual securities are classified and presented as equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

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.

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

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

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

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

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

iii. Sale of Electricity, Utilities and Gases

Revenue from the sale of electricity, utilities and gases is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when electricity, utilities and gases are delivered based on contractual terms stipulated in respective agreements with customers.

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 Finance Income

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

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method.

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

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 interest expense on borrowings, amortisation of capitalised transaction costs, transaction costs written off 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.

y. Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company (excluding perpetual security holders) by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders (excluding perpetual security holders) and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise awards of share options, restricted shares and performance shares granted to employees.

z. 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.

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

aa. 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 re-measurement 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).

ab. 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.

ac. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

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, 2014		1,181,757	56,026	883,133	277,039	3,468,870	247,996	53,742	130,575	63,148	1,238,360	7,600,646
Translation adjustments		8,999	268	9	(5,529)	7,293	10,135	46	390	(57)	(8,174)	13,380
Additions		26,006	3,164	28,715	15,498	209,344	–	1,366	15,365	21,117	955,843	1,276,418
Reclassification		8,148	3,772	10	519	729,725	–	1,198	3,128	4,583	(751,083)	–
Transfer to intangible assets	11	–	–	–	1,344	–	–	–	–	–	(3,014)	(1,670)
Transfer to investment properties	4	(1,450)	–	–	–	–	–	–	(3)	–	–	(1,453)
Disposals / Write-offs		(1,786)	(313)	(213)	(235)	(31,724)	–	(222)	(2,763)	(11,548)	(164)	(48,968)
Acquisition of subsidiary	38	43,608	–	–	1,797	1,277	–	–	1,743	237	1,579,973	1,628,635
Balance at December 31, 2014		1,265,282	62,917	911,654	290,433	4,384,785	258,131	56,130	148,435	77,480	3,011,741	10,466,988
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2014		358,420	33,978	231,259	12,759	1,641,388	15,306	41,904	102,362	36,620	–	2,473,996
Translation adjustments		2,064	42	8	(2,363)	6,790	453	41	437	(354)	–	7,118
Depreciation for the year	(v), 33(a)	37,040	4,233	20,623	5,947	198,547	9,294	4,388	12,470	6,420	–	298,962
Reclassification		(44)	64	–	–	–	–	–	(20)	–	–	–
Transfer to investment properties	4	(879)	–	–	–	–	–	–	(3)	–	–	(882)
Disposals / Write-offs		(702)	(281)	(38)	–	(23,237)	–	(219)	(2,646)	(10,506)	–	(37,629)
Balance at December 31, 2014		395,899	38,036	251,852	16,343	1,823,488	25,053	46,114	112,600	32,180	–	2,741,565
Carrying Amount												
At December 31, 2014		869,383	24,881	659,802	274,090	2,561,297	233,078	10,016	35,835	45,300	3,011,741	7,725,423

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$'000	Infrastructure S$'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, 2013		1,014,105	47,926	356,894	262,423	4,143,626	17,751	47,805	122,407	58,742	1,274,809	7,346,488
Translation adjustments		17,563	205	5	7,966	87,019	3,085	26	549	51	(27,834)	88,635
Additions		6,636	3,212	–	12,014	96,765	21	1,740	12,319	12,063	1,002,305	1,147,075
Reclassification		308,873	6,962	526,261	1,806	157,171	–	4,412	4,208	38	(1,009,731)	–
Transfer to intangible assets	11	–	–	–	–	–	–	–	–	–	(1,079)	(1,079)
Transfer from inventories and work-in-progress		–	–	–	–	–	227,532	–	–	–	–	227,532
Transfer to assets held for sale	16	(1,794)	(1,950)	–	–	(1,628)	–	–	(502)	(940)	–	(6,814)
Disposals / Write-offs		(3,615)	(329)	(27)	(7,170)	(21,624)	(393)	(241)	(7,463)	(6,048)	(110)	(47,020)
Acquisition of subsidiary		–	–	–	–	–	–	–	53	–	–	53
Disposal of subsidiary	37	(160,011)	–	–	–	(992,459)	–	–	(996)	(758)	–	(1,154,224)
Balance at December 31, 2013		1,181,757	56,026	883,133	277,039	3,468,870	247,996	53,742	130,575	63,148	1,238,360	7,600,646
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2013		330,906	30,133	208,140	5,985	1,424,727	11,220	38,036	100,943	38,132	–	2,188,222
Translation adjustments		2,541	14	6	1,196	27,144	(9)	25	646	78	–	31,641
Depreciation for the year	(v), 33(a)	34,400	3,743	23,116	5,578	197,149	4,432	4,084	10,772	4,742	–	288,016
Reclassification		74	2,149	–	–	(102)	–	–	(2,122)	1	–	–
Transfer to assets held for sale	16	(301)	(1,742)	–	–	(880)	–	–	(190)	(632)	–	(3,745)
Disposals / Write-offs		(1,077)	(319)	(3)	–	(17,813)	(337)	(241)	(7,338)	(5,770)	–	(32,898)
Acquisition of subsidiary		–	–	–	–	–	–	–	27	–	–	27
Disposal of subsidiary	37	(8,123)	–	–	–	(49,402)	–	–	(376)	(115)	–	(58,016)
Allowance made for impairment	33(a)	–	–	–	–	60,649	–	–	–	184	–	60,833
Reversal of impairment loss	33(a)	–	–	–	–	(84)	–	–	–	–	–	(84)
Balance at December 31, 2013		358,420	33,978	231,259	12,759	1,641,388	15,306	41,904	102,362	36,620	–	2,473,996
Carrying Amount												
At December 31, 2013		823,337	22,048	651,874	264,280	1,827,482	232,690	11,838	28,213	26,528	1,238,360	5,126,650

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, 2014		19,656	7,576	8,226	616,520	15,450	1,635	193,065	862,128
Additions		–	338	–	13,806	1,439	153	5,277	21,013
Reclassification		–	–	–	191,619	538	–	(192,157)	–
Transfer to intangible assets	11	–	–	–	–	–	–	(307)	(307)
Disposals / Write-offs		(90)	(9)	–	(828)	(482)	–	(159)	(1,568)
Balance at December 31, 2014		19,566	7,905	8,226	821,117	16,945	1,788	5,719	881,266
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2014		5,653	3,776	2,429	200,840	10,816	1,024	–	224,538
Depreciation for the year		1,052	1,105	404	46,455	2,163	231	–	51,410
Disposals / Write-offs		(26)	(9)	–	(417)	(475)	–	–	(927)
Balance at December 31, 2014		6,679	4,872	2,833	246,878	12,504	1,255	–	275,021
Carrying Amount									
At December 31, 2014		12,887	3,033	5,393	574,239	4,441	533	5,719	606,245
Cost									
Balance at January 1, 2013		19,988	4,894	8,226	560,635	13,734	1,227	159,863	768,567
Additions		44	1,355	–	12,583	2,090	413	82,130	98,615
Reclassification		–	1,597	–	45,034	1,367	–	(47,998)	–
Transfer to intangible assets	11	–	–	–	–	–	–	(930)	(930)
Intercompany transfer		–	–	–	–	(12)	–	–	(12)
Disposals / Write-offs		(376)	(270)	–	(1,732)	(1,729)	(5)	–	(4,112)
Balance at December 31, 2013		19,656	7,576	8,226	616,520	15,450	1,635	193,065	862,128
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2013		4,693	2,860	2,024	164,972	10,876	790	–	186,215
Depreciation for the year		1,062	955	405	36,590	1,885	239	–	41,136
Reclassification		–	221	–	–	(221)	–	–	–
Reversal of impairment loss		–	–	–	(5)	–	–	–	(5)
Intercompany transfer		–	–	–	–	(9)	–	–	(9)
Disposals / Write-offs		(102)	(260)	–	(717)	(1,715)	(5)	–	(2,799)
Balance at December 31, 2013		5,653	3,776	2,429	200,840	10,816	1,024	–	224,538
Carrying Amount									
At December 31, 2013		14,003	3,800	5,797	415,680	4,634	611	193,065	637,590

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

Group and Company

In 2013, management noted indications of impairment with respect to assets of a subsidiary in UK due to changes in operating conditions. 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 projection over 5 years and a growth rate of 2.5%, which are based on forecasts approved by management. A discount rate of 8.19% was used. An impairment loss of S$60,649,000 was recognised in the cost of sales.

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

		Group	
		2014	2013
	Note	S$'000	S$'000
Freehold land and buildings		**31,084**	–
Leasehold land and buildings		**90,365**	75,829
Plant and machinery		**68,613**	68,093
Capital work-in-progress		**1,873,660**	–
Other assets		**4,313**	–
	24(a)	**2,068,035**	143,922

ii. Assets with net book value of S$17,070,000 (2013: S$17,028,000) 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 (2013: 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 (2013: 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$78,140,000 (2013: S$9,365,000) and S$17,470,000 (2013: S$7,784,000), respectively were capitalised as capital work-in-progress.

v. During the year, depreciation amounting to S$573,000 (2013: S$50,000) was capitalised as work-in-progress.

vi. Property, plant and equipment arising from acquisition of subsidiary was at fair value.

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

Change in estimates

During the year ended December 31, 2013, the Group revised its estimates for the useful lives of certain assets within buildings, cranes, plant and machinery and motor vehicles after conducting an operational review of their useful lives. As a result, there was a change in the expected useful lives of these assets. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2013	2014	2015	2016	2017	Later
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
(Decrease) / Increase in depreciation expense and (increase) / decrease in profit before tax	(8,409)	(10,256)	(9,963)	(8,672)	(8,243)	45,543

4. Investment Properties

		Group	
		2014	2013
	Note	S$'000	S$'000
Cost			
Balance at January 1		**43,499**	43,234
Translation adjustments		**43**	400
Transfer from property, plant and equipment	3	**1,453**	–
Disposals		**(934)**	(135)
Balance at December 31		**44,061**	43,499
Accumulated Depreciation and Impairment Losses			
Balance at January 1		**22,545**	21,550
Depreciation for the year	33(a)	**870**	995
Transfer from property, plant and equipment	3	**882**	–
Reversal of impairment	33(a)	**(3,815)**	–
Balance at December 31		**20,482**	22,545
Carrying Amount			
At December 31		**23,579**	20,954

The following amounts are recognised in profit or loss:

	Group	
	2014	2013
	S$'000	S$'000
Rental income	**6,613**	8,635
Operating expenses arising from rental of investment properties	**3,489**	3,585

The fair value of the investment properties as at the balance sheet date is S$62,349,000 (2013: S$55,287,000). The fair values are mostly determined by independent professional valuers using a combination of investment income method and direct or market comparison techniques, including adjustments to reflect the specific use of the investment properties. Such valuation is derived from observable market data from an active and transparent market. 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	
	2014	2013
	S$'000	S$'000
At cost and carrying value:		
Quoted equity shares	**739,225**	713,048
Unquoted equity shares	**870,911**	603,911
Preference shares	**387,500**	387,500
Share-based payments reserve	**1,721**	1,657
	1,999,357	1,706,116

The fair value of the equity interest of the listed subsidiary with carrying amount of S$739,225,000 (2013: S$713,048,000), amounts to S$4,154,122,000 (2013: S$5,630,900,000) based on the last transacted market price as at December 31, 2014 (December 31, 2013).

Details of key subsidiaries are set out in Note 48.

6. Interests in Associates and Joint Ventures

		Group	
		2014	2013
	Note	S$'000	S$'000
Interests in associates and joint ventures		**2,019,160**	1,797,208
Quasi-equity loan to an associate	(a)	**55,234**	55,041
		2,074,394	1,852,249

In 2014, the Group received dividends of S$100,764,000 from its investments in associates and joint ventures (2013: S$74,970,000).

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

	Group	
	2014	2013
	S$'000	S$'000
Balance at beginning of the year	**2,034**	1,987
Translation during the year	**329**	47
Allowance made for impairment	**(1,688)**	–
Goodwill on acquisition	**8,660**	–
Balance at end of the year	**9,335**	2,034

a. The quasi-equity loan to an associate is unsecured, bears interest rates at 3.72% (2013: 3.72%) per annum and the settlement of the amount is neither planned nor likely to occur in the foreseeable future.

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

Associates

No individual associates are considered to be material to the Group. Summarised financial information of the associates are presented in aggregate, representing the Group's share, is as follows:

	Group	
	2014	2013
	S$'000	S$'000
Carrying amount	**1,017,361**	985,223
Profit for the year	**80,532**	73,758
Other comprehensive income	**16,890**	28,588
Total comprehensive income	**97,422**	102,346

The fair value of the equity interest of a listed associate amounts to S$289,839,000 (2013: S$236,534,000) based on the last transacted market price as at December 31, 2014 (December 31, 2013).

Sembcorp Salalah Power & Water Company SAOG (Sembcorp Salalah)

In 2013, the Group's interest in Sembcorp Salalah Power and Water Company SAOG (Sembcorp Salalah) was reduced from 60% to 40%. As a consequence, the Company has assessed and concluded that it has significant influence over the financial and operating policies of Sembcorp Salalah and accordingly, it had been de-consolidated and was equity accounted for as an associate from 2013.

A Power and Water Purchase Agreement (PWPA) was entered into between Sembcorp Salalah and Oman Power & Water Procurement Company SAOG (OPWP) 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 SEPCOIII Electric Power Construction (SEPCOIII) for the construction of the power and desalination plant. Through the EPC, Sembcorp Salalah has contracted out all risks of construction of the plant to SEPCOIII.

As a result of the delays in achieving various phases of commencement dates for the plants, OPWP had sought for claims on liquidated damages and compensation for revenue losses from Sembcorp Salalah under the PWPA. The above were fully settled in 2014.

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

Joint Ventures

No individual joint ventures are considered to be material to the Group. Summarised financial information of the joint ventures are presented in aggregate, representing the Group's share, is as follows:

	Group	
	2014	2013
	S$'000	S$'000
Carrying amount	**1,057,033**	867,026
Profit for the year	**77,729**	81,266
Other comprehensive income	**19,242**	(2,153)
Total comprehensive income	**96,971**	79,113

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S$292,561,000 (2013: S$199,827,000).

The Group's interest in joint ventures with total carrying amount of S$236,176,000 (2013: S$63,598,000) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

In February 2014, the Group has acquired 45% in NCC Power Projects Limited (NCCPP) and has injected the first tranche of its equity into NCCPP. In May 2014, the Group has increased its stake from 45% to 49%. The total consideration amounted to S$160,960,000. In November 2014, the Group paid S$57,347,000 for Fully and Compulsory Convertible Debentures (FCCDs) of NCCPP. The FCCDs will be converted into equity upon fullfiling the agreed conversion criteria.

In September 2014, the Group completed the acquisition of the additional interest in Phu My 3 BOT Power Company (Phu My 3) on the basis that the remaining condition precedent outstanding, has been determined by management to be of an administrative procedure. As such, for accounting purposes, the Group's stake in Phu My 3 is deemed to have increased from 33.33% to 66.67%. The total consideration for the increase in stake amounted to S$53,496,000. As the venture with the other partner under the contractual agreement requires unanimous consent for all major decisions over the relevant activities, Phu My 3 remains a joint venture.

On July 14, 2014, the Group's interest in Thermal Powertech Corporation India Limited (TPCIL), a joint venture in India, was increased from 49% to 65% by conversion of the preference shares held by the Group and subscription of new shares. With this increase in stake, TPCIL became a subsidiary of the Group (Note 38) and the Group agreed to inject a total of S$82,946,000 at future dates.

Details of the key associates and joint ventures are set out in Note 49.

7. Other Financial Assets

	Group	
	2014	2013
	S$'000	S$'000
a. Non-current Assets		
Available-for-sale financial assets:		
– Equity shares	**242,199**	275,877
– Unit trusts and funds	**12,600**	5,550
	254,799	281,427
Financial assets at fair value through profit or loss, on initial recognition:		
– Equity shares	**52,432**	56,388
– Unit trusts and funds	**1,957**	1,510
	54,389	57,898
Cash flow hedges:		
– Forward foreign exchange contracts	**2,592**	1,173
– Fuel oil swaps	**30**	710
– Interest rate swaps	**3,123**	2,973
	5,745	4,856
	314,933	344,181
b. Current Assets		
Financial assets at fair value through profit or loss, on initial recognition:		
– Forward foreign exchange contracts	**15,180**	–
– Foreign exchange swap contracts	**120**	1,248
	15,300	1,248
Hedge of net investment in foreign operations:		
– Forward foreign exchange contracts	**122**	–
Cash flow hedges:		
– Forward foreign exchange contracts	**14,616**	3,877
– Fuel oil swaps	**787**	4,456
	15,403	8,333
	30,825	9,581

The non-derivative financial assets designated at fair value through profit or loss relate to investment in equity shares of a company, which owns, operates and manages a plant in the People's Republic of China.

8. Long-term Receivables and Prepayments

		Group		Company	
		2014	2013	2014	2013
	Note	S$'000	S$'000	S$'000	S$'000
Long-term trade receivables	9	**7,543**	–	**7,543**	–
Service concession receivables	(a)	**234,849**	241,956	**–**	–
Other receivables and deposits		**44,056**	–	**–**	–
Amounts due from related parties	10	**117,245**	87,230	**–**	–
Amount due from non-controlling interests		**1,542**	–	**–**	–
Staff loans		**54**	22	**–**	–
Loan and receivables	41(b)	**405,289**	329,208	**7,543**	–
Prepayments	(b)	**54,903**	31,762	**6,897**	7,223
Defined benefit assets	23(b)	**7,148**	–	**–**	–
		467,340	360,970	**14,440**	7,223

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 values 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 between 2024 to 2035.

b. 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 to a related corporation amounted to S$32,208,000 (2013: S$14,375,000); 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	
		2014	2013	2014	2013
	Note	S$'000	S$'000	S$'000	S$'000
Trade receivables		631,807	510,975	93,443	25,936
Allowance for doubtful receivables		(28,060)	(28,969)	(1,529)	(176)
		603,747	482,006	91,914	25,760
Trade receivables due within 1 year	14	(596,204)	(482,006)	(84,371)	(25,760)
	8	7,543	–	7,543	–

10. Amounts Due from Related Parties

	Note	Associates 2014 S$'000	Associates 2013 S$'000	Joint ventures 2014 S$'000	Joint ventures 2013 S$'000	Related companies 2014 S$'000	Related companies 2013 S$'000	Total 2014 S$'000	Total 2013 S$'000
Group									
Amounts due from:									
Trade		**2,527**	3,283	**21,557**	82,926	**49,485**	27,100	**73,569**	113,309
Non-trade		**4,814**	5,885	**530**	1,155	**–**	–	**5,344**	7,040
Loans		**–**	–	**119,891**	88,624	**–**	–	**119,891**	88,624
		7,341	9,168	**141,978**	172,705	**49,485**	27,100	**198,804**	208,973
Allowance for doubtful receivables		**(668)**	(895)	**(1,360)**	(898)	**–**	141	**(2,028)**	(1,652)
		6,673	8,273	**140,618**	171,807	**49,485**	27,241	**196,776**	207,321
Amount due within 1 year	14	**(6,673)**	(8,273)	**(23,373)**	(84,577)	**(49,485)**	(27,241)	**(79,531)**	(120,091)
	8	**–**	–	**117,245**	87,230	**–**	–	**117,245**	87,230

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

The loans to joint ventures of S$117,245,000 (2013: S$87,230,000) are unsecured, not expected to be repaid in the next 12 months and bear a weighted average rate of 1.43% (2013: 0.71%) per annum. The remaining balance is repayable in the next 12 months.

	Note	Holding company 2014 S$'000	Holding company 2013 S$'000	Subsidiaries 2014 S$'000	Subsidiaries 2013 S$'000	Associates 2014 S$'000	Associates 2013 S$'000	Joint ventures 2014 S$'000	Joint ventures 2013 S$'000	Related companies 2014 S$'000	Related companies 2013 S$'000	Total 2014 S$'000	Total 2013 S$'000
Company													
Amounts due from related parties		**–**	–	**10,691**	11,570	**–**	202	**468**	240	**263**	28	**11,422**	12,040
	14	**–**	–	**10,691**	11,570	**–**	202	**468**	240	**263**	28	**11,422**	12,040

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

11. Intangible Assets

	Note	Goodwill S$'000	Service concession arrangements S$'000	Long-term revenue contract S$'000	Intellectual property rights S$'000	Water rights S$'000	Others S$'000	Total S$'000
Group								
Cost								
Balance at January 1, 2014		137,660	145,334	–	33,559	11,265	28,375	356,193
Translation adjustments		2,000	(2,527)	865	–	(1,097)	(151)	(910)
Additions		–	899	–	26,513	–	4,011	31,423
Acquisition of subsidiary	38	26,131	–	38,910	–	–	244	65,285
Transfer from property, plant and equipment	3	–	411	–	–	–	1,259	1,670
Disposals		–	(130)	–	–	–	(89)	(219)
Write-offs	33(a)	–	–	–	–	–	(14)	(14)
Balance at December 31, 2014		165,791	143,987	39,775	60,072	10,168	33,635	453,428
Accumulated Amortisation and Impairment Losses								
Balance at January 1, 2014		1,901	22,160	–	9,397	–	14,512	47,970
Translation adjustments		–	(677)	–	–	–	(7)	(684)
Amortisation charge for the year	33(a)	–	7,591	–	4,240	–	3,961	15,792
Disposals		–	(113)	–	–	–	(89)	(202)
Write-offs	33(a)	–	–	–	–	–	(14)	(14)
Balance at December 31, 2014		1,901	28,961	–	13,637	–	18,363	62,862
Carrying Amount								
At December 31, 2014		163,890	115,026	39,775	46,435	10,168	15,272	390,566

11. Intangible Assets *(cont'd)*

	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, 2013		139,722	146,970	33,559	12,219	26,633	359,103
Translation adjustments		942	(7,017)	–	(1,005)	114	(6,966)
Additions		–	6,270	–	51	2,875	9,196
Acquisition of subsidiary		1,390	–	–	–	–	1,390
Disposal of subsidiary	37	–	–	–	–	(299)	(299)
Reclassification to assets held for sale		(4,394)	–	–	–	–	(4,394)
Transfer from property, plant and equipment	3	–	–	–	–	1,079	1,079
Disposals		–	(889)	–	–	(2,010)	(2,899)
Write-offs	33(a)	–	–	–	–	(17)	(17)
Balance at December 31, 2013		137,660	145,334	33,559	11,265	28,375	356,193
Accumulated Amortisation and Impairment Losses							
Balance at January 1, 2013		1,901	16,751	6,041	–	13,134	37,827
Translation adjustments		–	(1,510)	–	–	254	(1,256)
Amortisation charge for the year	33(a)	–	7,592	3,356	–	3,384	14,332
Disposal of subsidiary	37	–	–	–	–	(250)	(250)
Disposals		–	(673)	–	–	(2,010)	(2,683)
Balance at December 31, 2013		1,901	22,160	9,397	–	14,512	47,970
Carrying Amount							
At December 31, 2013		135,759	123,174	24,162	11,265	13,863	308,223

During the year, the Group's amortisation amounting to S$217,000 (2013: S$nil) is capitalised as work-in-progress (Note 3).

11. Intangible Assets *(cont'd)*

	Note	Goodwill S$'000	Others S$'000	Total S$'000
Company				
Cost				
Balance at January 1, 2014		18,946	3,911	22,857
Additions		–	1,978	1,978
Transfer from property, plant and equipment	3	–	307	307
Disposal		–	(87)	(87)
Write-Off		–	(14)	(14)
Balance at December 31, 2014		18,946	6,095	25,041
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2014		–	1,789	1,789
Amortisation charge for the year		–	1,496	1,496
Disposal		–	(87)	(87)
Write-Off		–	(14)	(14)
Balance at December 31, 2014		–	3,184	3,184
Carrying Amount				
At December 31, 2014		18,946	2,911	21,857
Company				
Cost				
Balance at January 1, 2013		18,946	1,749	20,695
Additions		–	1,232	1,232
Transfer from property, plant and equipment	3	–	930	930
Balance at December 31, 2013		18,946	3,911	22,857
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2013		–	687	687
Amortisation charge for the year		–	1,102	1,102
Balance at December 31, 2013		–	1,789	1,789
Carrying Amount				
At December 31, 2013		18,946	2,122	21,068

11. Intangible Assets *(cont'd)*

Amortisation

The amortisation of intangible assets is analysed as follows:

	Group	
	2014 S$'000	2013 S$'000
Cost of sales	**12,022**	11,100
Administrative expenses	**3,553**	3,232
Capitalised as capital work-in-progress	**217**	–
Total	**15,792**	14,332

Service concession arrangements

The subsidiaries in Chile, Panama, South Africa and China have service concession agreements with the local municipalities in Chile; Panama; 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.

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 4 Build-Own-Operate-Transfer (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 arrangements, the assets are to be transferred to the local municipality at no cost.
- The tariffs in the South African 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.

Long-term revenue contract

The acquired subsidiary in India has a long-term contract to provide 500 megawatts of power to the Andhra Pradesh Power distribution companies for a period of 25 years.

Intellectual property rights

Intellectual property rights relate to acquired patents of offshore designs.

11. Intangible Assets *(cont'd)*

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.

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	
		2014	2013
	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
Thermal Powertech Corporation India Limited	(d)	**26,712**	–
Sembcorp Bournemouth Water Limited	(e)	**32,049**	30,702
Multiple units with insignificant goodwill		**17,819**	17,747
		163,890	135,759

The recoverable amounts for SUT Division, Sembcorp Cogen Pte Ltd, Sembcorp Gas Pte Ltd and Thermal Powertech Corporation Water Limited were 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 utilities and power business. Pre-tax discount rates between 4.4% to 5.9% (2013: 4.4%) had been used.

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

11. Intangible Assets *(cont'd)*

Goodwill (cont'd)

Group *(cont'd)*

a. SUT Division

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

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

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

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

v. Inflation rate of 2.7% has been used to project overheads and other general expenses;

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

vii. No terminal value is considered.

b. Sembcorp Cogen Pte Ltd

i. Use cash flow projections over a period of 12 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 costs are assumed to range from 3% to 4% of the asset value;

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

v. Inflation rate assumption of 2.7% has been used to project overheads and other general expenses; and

vi. No terminal value is considered.

c. Sembcorp Gas Pte Ltd

i. Use cash flow projections over a period of 12 years;

ii. Forward 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 2.7% has been used to project overheads and other general expenses;

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

vi. No terminal value is considered.

11. Intangible Assets *(cont'd)*

Goodwill (cont'd)

Group *(cont'd)*

d. Thermal Powertech Corporation India Limited (TPCIL)

i. Use of cash flow projections over a period of 25 years;

ii. Estimation of demand and supply of electricity and electricity margin is derived based on long-term secured contract;

iii. Scheduled plant maintenance and its associated costs have been accounted for in the forecast based on contractual price;

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

v. Inflation rate assumption of 5.1% has been used to project overheads and other general expenses; and

vi. No terminal value is considered.

e. Sembcorp Bournemouth Water Limited

The recoverable amount was based on its fair value less costs to sell, determined by reference to the Regulatory Capital Value (RCV) plus a premium (Level 2 in fair value in hierarchy). The RCV is a published figure in United Kingdom (UK), and the premium was calculated based on the premiums paid on the recent acquisitions of water companies in the UK. The recoverable amount was higher than its carrying value.

Company

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

12. 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$'000	Disposal of subsidiary (Note 37) S$'000	Acquisition of subsidiary (Note 38) S$'000	Translation adjustments S$'000	At Dec 31 S$'000
Group							
2014							
Deferred tax liabilities							
Property, plant and equipment	392,872	49,973	–	–	28,132	410	471,387
Interests in associates	9,709	575	–	–	–	–	10,284
Other financial assets	22,442	–	210	–	–	7	22,659
Trade and other receivables	8,366	1,168	–	–	–	(63)	9,471
Intangible assets	–	–	–	–	11,206	236	11,442
Other items	8,072	695	1,104	–	–	36	9,907
Total	441,461	52,411	1,314	–	39,338	626	535,150
Deferred tax assets							
Property, plant and equipment	(56,122)	(21,072)	–	–	–	(63)	(77,257)
Inventories	(477)	(31)	–	–	–	–	(508)
Trade receivables	(343)	(29)	–	–	–	11	(361)
Trade and other payables	(4,314)	(4,634)	–	–	–	16	(8,932)
Tax losses	(1,410)	(3,845)	–	–	–	264	(4,991)
Provisions	(29,029)	3,052	–	–	–	250	(25,727)
Other financial liabilities	(21,931)	316	(27,176)	–	–	(2)	(48,793)
Retirement benefit obligations	(6,458)	15	3,233	–	–	(45)	(3,255)
Other items	(951)	(445)	–	–	–	44	(1,352)
Total	(121,035)	(26,673)	(23,943)	–	–	475	(171,176)
Group							
2013							
Deferred tax liabilities							
Property, plant and equipment	393,369	16,825	–	(19,008)	–	1,686	392,872
Interests in associates	8,966	743	–	–	–	–	9,709
Other financial assets	37,225	–	(14,694)	–	–	(89)	22,442
Trade and other receivables	7,504	1,414	–	–	–	(552)	8,366
Other items	8,248	(253)	–	–	–	77	8,072
Total	455,312	18,729	(14,694)	(19,008)	–	1,122	441,461
Deferred tax assets							
Property, plant and equipment	(35,727)	(20,372)	–	–	–	(23)	(56,122)
Inventories	(357)	(120)	–	–	–	–	(477)
Trade receivables	(148)	(239)	–	–	–	44	(343)
Trade and other payables	(2,480)	(1,266)	–	–	–	(568)	(4,314)
Tax losses	(1,764)	247	–	–	–	107	(1,410)
Provisions	(18,072)	(11,227)	–	–	–	270	(29,029)
Other financial liabilities	(40,511)	978	8,362	9,952	–	(712)	(21,931)
Retirement benefit obligations	(1,666)	1,414	(6,222)	–	–	16	(6,458)
Other items	(746)	(205)	–	–	–	–	(951)
Total	(101,471)	(30,790)	2,140	9,952	–	(866)	(121,035)

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

	At Jan 1, 2013 S$'000	Recognised in profit or loss S$'000	Recognised in equity S$'000	At Dec 31, 2013 S$'000	Recognised in profit or loss S$'000	Recognised in equity S$'000	At Dec 31, 2014 S$'000
Company							
Deferred tax liabilities							
Property, plant and equipment	41,640	6,847	–	48,487	9,351	–	57,838
Derivative assets	–	–	–	–	–	(265)	(265)
Total	41,640	6,847	–	48,487	9,351	(265)	57,573
Deferred tax assets							
Trade and other payables	–	(1,059)	–	(1,059)	–	–	(1,059)
Provisions	(1,549)	(1,667)	–	(3,216)	–	–	(3,216)
Derivative liabilities	(30)	–	30	–	–	–	–
Total	(1,579)	(2,726)	30	(4,275)	–	–	(4,275)

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 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Deferred tax liabilities	**413,680**	371,596	**53,298**	44,212
Deferred tax assets	**(49,706)**	(51,170)	**–**	–
	363,974	320,426	**53,298**	44,212

As at December 31, a deferred tax liability of S$15,474,000 (2013: S$11,093,000) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures were not recognised.

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

	Group 2014 S$'000	Group 2013 S$'000
Deductible temporary differences	**13,212**	15,405
Tax losses	**128,084**	69,776
Capital allowances	**1,154**	1,799
	142,450	86,980

Tax losses of the Group amounting to S$5,887,000 (2013: S$3,159,000) will expire between 2015 and 2019 (2013: 2014 and 2017). Out of the deductible temporary differences, S$709,000 (2013: S$5,207,000) will expire in 2019 (2013: between 2014 and 2018). The remaining tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation.

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

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.

13. Inventories and Work-In-Progress

	Note	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Raw materials		**94,219**	85,953	**4,442**	3,960
Finished goods		**139,902**	104,527	**6,758**	6,063
		234,121	190,480	**11,200**	10,023
Allowance for inventory obsolescence		**(23,045)**	(20,490)	**–**	–
		211,076	169,990	**11,200**	10,023
Work-in-progress	(a)	**2,993,836**	2,070,665	**–**	–
		3,204,912	2,240,655	**11,200**	10,023
a. Work-in-progress:					
Costs and attributable profits less allowance for foreseeable losses		**8,135,344**	5,411,679	**3,154**	2,940
Progress billings		**(6,170,095)**	(4,789,515)	**(3,159)**	(2,940)
		1,965,249	622,164	**(5)**	–
Comprising:					
Work-in-progress		**2,993,836**	2,070,665	**–**	–
Excess of progress billings over work-in-progress		**(1,028,587)**	(1,448,501)	**(5)**	–
		1,965,249	622,164	**(5)**	–

In 2014, raw materials and changes in finished goods included as cost of sales amounted to S$157,723,000 (2013: S$183,546,000).

In 2014, the write-down of inventories to net realisable value by the Group amounted to S$4,004,000 (2013: S$6,306,000). The reversal of write-down by the Group in 2014 amounted to S$821,000 (2013: S$2,904,000). The write-down and reversal are included in cost of sales.

14. Trade and Other Receivables

		Group		Company	
		2014	2013	2014	2013
	Note	S$'000	S$'000	S$'000	S$'000
Trade receivables	9	**596,204**	482,006	**84,371**	25,760
Service concession receivables	8(a)	**11,221**	10,841	**–**	–
Amounts due from related parties	10	**79,531**	120,091	**11,422**	12,040
Amount due from non-controlling interests		**54,749**	94	**–**	–
Dividend receivables		**–**	–	**–**	5,000
Other receivables and deposits	15	**384,379**	467,538	**57,228**	57,753
Loans and receivables	41(b)	**1,126,084**	1,080,570	**153,021**	100,553
Prepayments		**47,329**	43,291	**3,592**	3,933
Advance to suppliers		**26,923**	16,312	**462**	399
		1,200,336	1,140,173	**157,075**	104,885

15. Other Receivables and Deposits

		Group		Company	
		2014	2013	2014	2013
	Note	S$'000	S$'000	S$'000	S$'000
Deposits		**18,547**	6,990	**1,368**	1,323
Sundry receivables	(a)	**88,305**	102,553	**831**	3,256
Unbilled receivables	(b)	**271,956**	357,386	**53,647**	52,401
Loan receivables		**3,824**	3,849	**–**	–
Recoverable		**7,177**	4,249	**1,363**	847
Interest receivable		**905**	48	**93**	–
		390,714	475,075	**57,302**	57,827
Allowance for doubtful receivables		**(6,335)**	(7,537)	**(74)**	(74)
Other receivables and deposits	14	**384,379**	467,538	**57,228**	57,753

a. Sundry receivables represent mainly GST receivables.

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

Included in the Company's unbilled receivables are amounts of S$5.5million (2013: S$4.1 million) due from related companies.

16. Assets Held for Sale

		Group			
		Assets held for sale	Assets held for sale	Investments held for sale	Total
		2014	2013	2013	2013
	Note	S$'000	S$'000	S$'000	S$'000
Property, plant and equipment	3	**24,437**	24,437	3,069	27,506
Goodwill		**–**	–	2,300	2,300
Inventories		**–**	–	62	62
Trade and other receivables		**–**	–	4,163	4,163
Cash and cash equivalents		**–**	–	5,931	5,931
Trade and other payables		**–**	–	(2,006)	(2,006)
Current tax payable		**–**	–	(1,439)	(1,439)
		24,437	24,437	12,080	36,517
Less: Non-controlling interest		**–**	–	(4,830)	(4,830)
		24,437	24,437	7,250	31,687

Assets held for sale
The carrying value of the property, plant and equipment of S$24,437,000 reflects the agreed consideration amount.

Investment held for sale
In 2013, the Group entered into a sale and purchase agreement to divest its entire stake in Sembcorp Enviro (India) and SembRamky Environment Management (collectively known as SembRamky) for S$7,250,000.

As at December 31, 2013, the assets and liabilities related to SembRamky have been presented in the balance sheet as investment held for sale. The disposal of SembRamky was completed on January 27, 2014.

In 2013, an impairment loss of S$4,632,000 on the re-measurement of investment held for sale to the lower of its carrying amount and its fair value less costs to sell has been recognised in other expense in Note 33. There are no other items in other comprehensive income relating to the disposal of investment.

17. Cash and Cash Equivalents

		Group		Company	
		2014	2013	2014	2013
	Note	S$'000	S$'000	S$'000	S$'000
Fixed deposits with banks		**306,151**	253,127	**–**	–
Cash and bank balances		**1,355,276**	2,002,738	**198,395**	450,220
Cash and cash equivalents in the balance sheets		**1,661,427**	2,255,865	**198,395**	450,220
Bank overdrafts	24	**(1,993)**	–	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows		**1,659,434**	2,255,865	**198,395**	450,220

Fixed deposits with banks of the Group earn interest at rates ranging from 0.02% to 11.59% (2013: 0.05% to 9.21%) per annum.

Included in the cash and bank balances are amount of S$356,877,000 (2013: S$443,173,000) placed with a related corporation.

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S$196.4 million (2013: S$449.7 million) placed with a bank under the Group's cash pooling arrangement by a subsidiary and amounts of S$2.0 million (2013: S$nil) placed with a related corporation.

18. Trade and Other Payables

		Group		Company	
		2014	2013	2014	2013
	Note	S$'000	S$'000	S$'000	S$'000
Trade payables		**1,873,742**	1,854,858	**10,329**	8,705
Advance payments from customers		**50,460**	47,935	**1,742**	1,120
Amounts due to related parties	20	**5,612**	6,402	**118,828**	12,147
Amounts due to non-controlling interests		**2,884**	90	**–**	–
Other payables and accrued charges	21	**812,665**	782,677	**155,737**	166,424
		2,745,363	2,691,962	**286,636**	188,396

19. Provisions

	Note	Claims	Onerous contracts	Restoration costs	Warranty	Others	Total
		S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group							
2014							
Balance at January 1		67,936	823	62,221	58,502	4,558	194,040
Translation adjustments		134	–	33	280	130	577
Provisions made / (written back) during the year, net		(7,765)	(823)	84	(4,133)	1,688	(10,949)
Provisions utilised during the year		(5,491)	–	–	–	(148)	(5,639)
Other adjustments		–	–	–	–	1,108	1,108
Balance at December 31		54,814	–	62,338	54,649	7,336	179,137
Provisions due:							
– within 1 year		54,198	–	–	15,187	4,329	73,714
– after 1 year but within 5 years		616	–	3,214	39,462	985	44,277
– after 5 years		–	–	59,124	–	2,022	61,146
		54,814	–	62,338	54,649	7,336	179,137
2013							
Balance at January 1		61,855	2,640	46,899	17,184	5,196	133,774
Translation adjustments		412	–	73	156	75	716
Provisions made / (written back) during the year, net		6,525	838	16,666	41,188	(142)	65,075
Provisions utilised during the year		(856)	(2,655)	–	(26)	(571)	(4,108)
Disposal of subsidiary	37	–	–	(1,417)	–	–	(1,417)
Balance at December 31		67,936	823	62,221	58,502	4,558	194,040
Provisions due:							
– within 1 year		67,129	823	–	22,578	1,817	92,347
– after 1 year but within 5 years		807	–	1,961	35,924	795	39,487
– after 5 years		–	–	60,260	–	1,946	62,206
		67,936	823	62,221	58,502	4,558	194,040

19. Provisions *(cont'd)*

	Claims S$'000	Restoration costs S$'000	Total S$'000
Company			
2014			
Balance at January 1	20,931	593	21,524
Provisions written back during the year	(2,035)	–	(2,035)
Provisions utilised during the year	(5,480)	–	(5,480)
Balance at December 31	13,416	593	14,009
Provisions due:			
– within 1 year	13,416	–	13,416
– after 1 year but within 5 years	–	–	–
– after 5 years	–	593	593
	13,416	593	14,009
2013			
Balance at January 1	14,093	593	14,686
Provisions made during the year	6,997	–	6,997
Provisions utilised during the year	(159)	–	(159)
Balance at December 31	20,931	593	21,524
Provisions due:			
– within 1 year	20,931	–	20,931
– after 1 year but within 5 years	–	–	–
– after 5 years	–	593	593
	20,931	593	21,524

19. Provisions *(cont'd)*

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

Others

Others include provision for maintenance obligation recognised for the contractual obligations to maintain the infrastructure and equipment to specified levels of serviceability under the service concession agreements.

20. Amounts Due to Related Parties

	Note	Associates 2014 S$'000	Associates 2013 S$'000	Joint ventures 2014 S$'000	Joint ventures 2013 S$'000	Related companies 2014 S$'000	Related companies 2013 S$'000	Total 2014 S$'000	Total 2013 S$'000
Group									
Amounts due to:									
Trade		**130**	–	**2,302**	3,481	**145**	54	**2,577**	3,535
Non-trade		**17**	141	**287**	749	**–**	–	**304**	890
Advance payment – trade		**–**	–	**2,731**	1,977	**–**	–	**2,731**	1,977
	18	**147**	141	**5,320**	6,207	**145**	54	**5,612**	6,402

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

	Note	Subsidiaries 2014 S$'000	Subsidiaries 2013 S$'000	Joint ventures 2014 S$'000	Joint ventures 2013 S$'000	Related companies 2014 S$'000	Related companies 2013 S$'000	Total 2014 S$'000	Total 2013 S$'000
Company									
Amounts due to:									
Trade	(i)	**18,727**	12,119	**48**	28	**53**	–	**18,828**	12,147
Loans from a related party	(ii)	**549,000**	440,700	**–**	–	**–**	–	**549,000**	440,700
		567,727	452,819	**48**	28	**53**	–	**567,828**	452,847
Amounts due after 1 year	25	**(449,000)**	(440,700)	**–**	–	**–**	–	**(449,000)**	(440,700)
	18	**118,727**	12,119	**48**	28	**53**	–	**118,828**	12,147

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

ii. The loans from a related party of S$549,000,000 (2013: S$440,700,000) bore effective interest rate of 3.19% (2013: 3.42%) per annum and were unsecured.

21. Other Payables and Accrued Charges

	Note	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Accrued operating expenses		**452,808**	581,353	**136,848**	124,975
Deposits		**34,790**	26,083	**342**	342
Accrued interest payable		**39,564**	14,819	**–**	–
Other payables		**219,474**	62,914	**13,069**	2,211
Accrued capital expenditure		**66,029**	97,508	**5,478**	38,896
	18	**812,665**	782,677	**155,737**	166,424

Included in the Company's accrued operating expenses are amounts of S$1.8 million (2013: S$0.1 million) due to related companies.

22. Other Financial Liabilities

	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Current Liabilities				
Financial liabilities at fair value through profit or loss, on initial recognition:				
– Forward foreign exchange contracts	**3,254**	1,329	**–**	–
– Foreign exchange swap contracts	**4,536**	4,005	**–**	–
Hedge of net investment in foreign operations:				
– Forward foreign exchange contracts	**–**	834	**–**	–
Cash flow hedges:				
– Interest rate swaps	**1,747**	3,078	**–**	–
– Forward foreign exchange contracts	**47,803**	8,937	**1,558**	–
– Fuel oil swaps	**108,590**	512	**–**	–
	165,930	18,695	**1,558**	–
Non-current Liabilities				
Hedge of net investment in foreign operations:				
– Cross currency swaps	**42,072**	34,369	**–**	–
Cash flow hedges:				
– Interest rate swaps	**6,796**	11,670	**–**	–
– Forward foreign exchange contracts	**35,203**	10,534	**–**	–
– Fuel oil swaps	**22,401**	213	**–**	–
	106,472	56,786	**–**	–

23. Retirement Benefit Obligations

		Group	
		2014	2013
	Note	S$'000	S$'000
Provision for retirement gratuities	(a)	**2,121**	1,585
Defined benefit obligations	(b)	**13,537**	29,325
		15,658	30,910
Non-current		**15,658**	30,910

a. Provision for Retirement Gratuities

	Group	
	2014	2013
	S$'000	S$'000
Balance at January 1	**1,585**	1,409
Translation adjustments	**64**	28
Provision made during the year	**514**	347
Less: Amount paid	**(42)**	(199)
Balance at December 31	**2,121**	1,585

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

b. Defined Benefit Obligations

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

One of the pension schemes has been closed to further accruals from June 1, 2013. The pensions for all active members at the closure date, which are based on service prior to closure, remain linked to final pensionable salary.

The numbers shown below have been based on calculations carried out by qualified independent actuaries to take into account the requirements of FRS 19 (2011) in order to assess the liabilities of the schemes at December 31, 2014 and December 31, 2013.

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	
	2014	2013
	S$'000	S$'000
Present value of funded defined benefit obligations	**405,596**	375,101
Fair value of plan assets	**(399,207)**	(345,776)
Deficit in scheme	**6,389**	29,325

The amounts included in the balance sheet are as follows:

		Group	
		2014	2013
	Note	S$'000	S$'000
Defined benefit obligations		**13,537**	29,325
Defined benefit assets	8	**(7,148)**	–
		6,389	29,325

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

	Group	
	2014	2013
	S$'000	S$'000
Equity instruments	**133,205**	95,228
Debt instruments	**229,605**	210,092
Other assets	**36,397**	40,456
	399,207	345,776

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.

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

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

Movement in net defined benefit (asset) liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability / (asset)	
	2014	2013	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
Balance at January 1	**375,101**	324,665	**(345,776)**	(321,055)	**29,325**	3,610
Included in income statement						
Service cost	**33**	631	**–**	–	**33**	631
Interest cost / (income)	**16,381**	14,580	**(15,174)**	(13,965)	**1,207**	615
Administrative expenses	**–**	–	**396**	491	**396**	491
	16,414	15,211	**(14,778)**	(13,474)	**1,636**	1,737
Included in other comprehensive income						
Remeasurements loss / (gain):						
– Actuarial loss / (gain) arising from:						
– demographic assumptions	**3,014**	(1,879)	**–**	–	**3,014**	(1,879)
– financial assumptions	**29,541**	34,202	**–**	–	**29,541**	34,202
– experience adjustment	**(3,388)**	299	**–**	–	**(3,388)**	299
– Return on plan assets excluding interest income	**–**	–	**(50,280)**	(1,261)	**(50,280)**	(1,261)
Effect of movements in exchange rates	**1,097**	16,475	**(861)**	(15,150)	**236**	1,325
	30,264	49,097	**(51,141)**	(16,411)	**(20,877)**	32,686
Other						
Contributions paid by employer	**–**	–	**(3,727)**	(8,708)	**(3,727)**	(8,708)
Contributions paid by employee	**–**	74	**–**	(74)	**–**	–
Benefits paid	**(16,323)**	(13,946)	**16,323**	13,946	**–**	–
Acquisition of subsidiary (see Note 38)	**140**	–	**(108)**	–	**32**	–
	(16,183)	(13,872)	**12,488**	5,164	**(3,695)**	(8,708)
Balance at December 31	**405,596**	375,101	**(399,207)**	(345,776)	**6,389**	29,325

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 to 19 (2013: 17 to 19) years.

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

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

Principal actuarial assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 19 (2011) were as follows:

	Group	
	2014	2013
	%	%
Discount rate at December 31	**3.7**	4.4
Expected return on plan assets at December 31	**4.5 – 5.5**	5.1 – 6.2
Future rate of annual salary increases	**3.3**	3.5
Future rate of pension increases	**1.9 – 3.6**	2.1 – 3.8

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 (2013: 22) for male and 25 (2013: 24) for female.

24. Interest-bearing Borrowings

	Note	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Current Liabilities					
Secured term loans	(a)	**545,630**	20,561	**–**	–
Unsecured term loans	(b)	**534,736**	389,293	**–**	–
Bank overdrafts	17	**1,993**	–	**–**	–
Finance lease liabilities	(c)	**3,644**	4,139	**8**	61
		1,086,003	413,993	**8**	61
Non-current Liabilities					
Secured term loans	(a)	**1,129,882**	216,943	**–**	–
Unsecured term loans	(b)	**2,506,498**	1,252,825	**–**	–
Finance lease liabilities	(c)	**12,198**	15,243	**3**	12
		3,648,578	1,485,011	**3**	12
		4,734,581	1,899,004	**11**	73

Included in interest-bearing borrowings are S$822,679,000 (2013: S$342,697,000) of loans taken with a related corporation.

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

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

	Group		Company	
	2014	2013	2014	2013
	%	%	%	%
Floating rate loans	**0.82 – 13.75**	0.33 – 9.49	**–**	–
Fixed rate loans	**0.72 – 14.00**	0.85 – 12.33	**–**	–
Bonds & notes	**0.87 – 4.25**	0.88 – 5.00	**–**	–

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Within 1 year	**1,082,359**	409,854	**–**	–
After 1 year but within 5 years	**1,362,517**	680,798	**–**	–
After 5 years	**2,273,863**	788,970	**–**	–
Total borrowings	**4,718,739**	1,879,622	**–**	–

a. Secured Term Loans

The secured term loans are collaterised by the following assets:

		Group Net Book Value	
		2014	2013
	Note	S$'000	S$'000
Property, plant and equipment	3(i)	**2,068,035**	143,922
Net assets of a subsidiary		**181,110**	175,810
Equity share of a subsidiary		**74,035**	–

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

b. Unsecured Term Loans

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

The Company jointly with Sembcorp Financial Services Pte Ltd (SFS), a wholly-owned subsidiary of the Company, has a S$2 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 Notes and Securities under the Programme subject to availability of funds from the market. The obligations of the Issuing Subsidiaries under the Programme are fully guaranteed by the Company.

As at December 31, 2014, SFS has the following outstanding medium term notes issued under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount S$'000
S$ 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
S$ medium term notes	3.64%	2013	2024	200,000
S$ medium term notes	2.94%	2014	2021	100,000
S$ medium term notes	3.593%	2014	2026	150,000
				950,000

Apart from the medium term notes issued by SFS, the Company has S$200 million outstanding perpetual securities issued in 2013 under the Programme. The perpetual securities are accounted as equity of the Group.

As at December 31, an amount of S$140,000,000 (2013: S$70,000,000) medium term notes was subscribed by a related corporation.

Sembcorp Marine Ltd (SCM), a subsidiary of the Company 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 Programme 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.

During the year, Jurong Shipyard Pte Ltd has issued the following medium term notes under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount S$'000
S$ medium term notes	2.95%	2014	2021	275,000
S$ medium term notes	3.85%	2014	2029	325,000
				600,000

As at December 31, 2014, an amount of S$167,500,000 medium term notes was subscribed by a related corporation.

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

c. Finance Lease Liabilities

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

	2014			2013		
	Payments S$'000	Interest S$'000	Principal S$'000	Payments S$'000	Interest S$'000	Principal S$'000
Group						
Within 1 year	**4,118**	**474**	**3,644**	4,705	566	4,139
After 1 year but within 5 years	**8,100**	**1,182**	**6,918**	9,563	1,230	8,333
After 5 years	**5,595**	**315**	**5,280**	7,430	520	6,910
Total	**17,813**	**1,971**	**15,842**	21,698	2,316	19,382

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 1.75% to 15.57% (2013: 0.50% to 12.10%) per annum.

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

	2014			2013		
	Payments S$'000	Interest S$'000	Principal S$'000	Payments S$'000	Interest S$'000	Principal S$'000
Company						
Within 1 year	**13**	**5**	**8**	63	2	61
After 1 year but within 5 years	**3**	**–**	**3**	12	–	12
Total	**16**	**5**	**11**	75	2	73

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is 6.09% (2013: 6.09%) per annum.

25. Other Long-term Liabilities

		Group		Company	
	Note	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Deferred income	(a)	**161,290**	168,638	**13,323**	13,787
Deferred grants	(b)	**4,412**	4,747	**–**	–
Other long-term payables	(c)	**122,820**	94,613	**20,523**	8,428
Amounts due to related parties	20	**–**	–	**449,000**	440,700
Loan due to non-controlling interests	(d)	**8,362**	8,146	**–**	–
		296,884	276,144	**482,846**	462,915

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 pursuant to service concession arrangements and the fair value of the financial asset receivable.

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

c. Other long-term payables include retention monies of subsidiaries and long-term employee benefits.

d. Loan due to non-controlling interests of S$8,362,000 (2013: S$8,146,000) is unsecured, non-interest bearing and not expected to be repaid in the next 12 months.

26. Share Capital

	Group and Company No. of ordinary shares	
	2014	2013
Issued and fully paid, with no par value:		
At the beginning and end of the year	**1,787,547,732**	1,787,547,732

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.

27. Other Reserves

	Note	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Distributable					
Reserve for own shares	(a)	**(15,041)**	(13,877)	**(15,041)**	(13,877)
Non-distributable					
Currency translation reserve	(b)	**(200,461)**	(333,798)	**–**	–
Capital reserve	(c)	**304,010**	313,875	**(109,042)**	(90,543)
Merger reserve	(d)	**29,201**	29,201	**–**	–
Share-based payments reserve	(e)	**(18,562)**	(14,661)	**102,990**	85,581
Fair value reserve	(f)	**(11,958)**	13,063	**–**	–
Hedging reserve	(g)	**(217,486)**	(95,033)	**(1,293)**	–
		(130,297)	(101,230)	**(22,386)**	(18,839)

a. Reserve for Own Shares
At December 31, 2014, the Company held 3,319,241 (2013: 2,766,103) of its own uncancelled shares as treasury shares.

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 Group'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.

28. Perpetual Securities

On August 21, 2013, the Company issued subordinated perpetual securities (the "perpetual securities") with an aggregate principal amount of S$200,000,000. Incremental costs incurred amounting to S$1,249,000 were recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 5.0% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering memorandum, the Company may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the perpetual securities do not meet the definition for classification as a financial liability under FRS 32 *Financial Instruments: Disclosure and Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, distributions amounting to S$9,595,000 (2013: S$4,219,000) were accrued to perpetual security holders.

29. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income:

	Group 2014 Before tax S$'000	Group 2014 Tax expense S$'000	Group 2014 Net of tax S$'000	Group 2013 Before tax S$'000	Group 2013 Tax expense S$'000	Group 2013 Net of tax S$'000
Foreign currency translation differences for foreign operations	**129,982**	**–**	**129,982**	21,118	–	21,118
Exchange differences on monetary items forming part of net investment in a foreign operation	**(2,280)**	**–**	**(2,280)**	(6,003)	–	(6,003)
Share of other comprehensive income of associates and joint ventures	**(8,654)**	**–**	**(8,654)**	(4,507)	–	(4,507)
Cash flow hedges: net movement in hedging reserves (Note (a))	**(156,066)**	**26,966**	**(129,100)**	26,434	(613)	25,821
Available-for-sale financial assets: net movement in fair value reserve	**(33,572)**	**–**	**(33,572)**	(38,869)	6,945	(31,924)
Defined benefit plan actuarial gains and losses	**21,113**	**(4,337)**	**16,776**	(31,361)	6,222	(25,139)
Other comprehensive income	**(49,477)**	**22,629**	**(26,848)**	(33,188)	12,554	(20,634)

29. Other Comprehensive Income *(cont'd)*

	Group 2014 S$'000	Group 2013 S$'000
a. Cash flow hedges:		
Net change in fair value of hedging instruments	**(178,748)**	22,377
Amount transferred to profit or loss	**22,682**	4,057
Tax expense	**26,966**	(613)
Net movement in the hedging reserve during the year recognised in other comprehensive income	**(129,100)**	25,821

30. Turnover

	Group 2014 S$'000	Group 2013 S$'000
Sale of gas, water, electricity and related services	**4,730,457**	4,942,352
Ship and rig repair, building, conversion, charter hire and related services	**5,804,792**	5,491,230
Construction and engineering related activities	**171,868**	141,212
Service concession revenue	**53,041**	68,853
Others	**134,502**	153,975
	10,894,660	10,797,622

31. Finance Income and Finance Costs

	Group 2014 S$'000	Group 2013 S$'000
Finance income		
– associates and joint ventures	**3,474**	4,554
– bank and others	**15,957**	12,497
	19,431	17,051
Finance costs		
Interest paid and payable to:		
– banks and others	**67,753**	115,820
Amortisation of capitalised transaction costs and transactions costs written off	**3,920**	6,389
Interest rate swap		
– termination of interest rate swap	**(1,541)**	(4,306)
	70,132	117,903

32. Tax Expense

	Group 2014 S$'000	Group 2013 S$'000
Current tax expense		
Current year	**148,852**	158,032
Over provided in prior years	**(12,434)**	(28,817)
	136,418	129,215
Deferred tax expense		
Movements in temporary differences	**33,096**	19,568
Over provided in prior years	**(7,358)**	(19,921)
Changes in tax rates	**–**	(11,708)
	25,738	(12,061)
Tax expense	**162,156**	117,154
Reconciliation of effective tax rate		
Profit for the year	**1,084,282**	1,097,205
Total tax expense	**162,156**	117,154
Share of results of associates and joint ventures	**(158,261)**	(155,024)
Profit before share of results of associates and joint ventures, and tax expense	**1,088,177**	1,059,335
Tax using Singapore tax rate of 17%	**184,990**	180,087
Effect of changes in tax rates	**–**	(11,708)
Effect of different tax rates in foreign jurisdictions	**2,884**	(5,137)
Tax incentives and income not subject to tax	**(48,232)**	(49,013)
Expenses not deductible for tax purposes	**26,818**	29,978
Utilisation of deferred tax benefits not previously recognised	**(1,306)**	(946)
Over provided in prior years*	**(19,792)**	(48,738)
Deferred tax benefits not recognised	**24,079**	20,541
Others	**(7,285)**	2,090
Tax expense	**162,156**	117,154

* In 2013, a subsidiary of the Company wrote back S$30,583,000 of tax provision for recognition of tax incentives.

33. Profit for the Year

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

	Note	Group 2014 S$'000	Group 2013 S$'000
a. Expenses			
Allowance made / (written back) for impairment losses (net)			
– property, plant and equipment	3	**–**	60,749
– investment property	4	**(3,815)**	–
– joint ventures		**3,349**	715
– interests in other investments		**(16)**	81
– receivables		**(1,516)**	4,693
– inventory obsolescence		**3,183**	1,698
– re-measurement of investment held for sale	16	**–**	4,632
Amortisation of intangible assets	11	**15,575**	14,332
Audit fees paid / payable			
– auditors of the Company		**1,430**	1,398
– overseas affiliates of the auditors of the Company		**1,182**	1,211
– other auditors		**333**	267
Non-audit fees paid / payable			
– auditors of the Company		**731**	597
– overseas affiliates of the auditors of the Company		**352**	127
– other auditors		**392**	735
Depreciation			
– property, plant and equipment	3	**298,389**	287,966
– investment properties	4	**870**	995
Professional fee paid to directors or a firm in which a director is a member		**1**	1
Operating lease expenses		**44,242**	41,545
Property, plant and equipment written off		**7,506**	2,115
Intangible assets written off	11	**–**	17
Bad debts written off		**750**	629
Staff costs			
Staff costs		**901,086**	941,175
Included in staff costs are:			
Equity-settled share-based payments		**29,698**	27,213
Cash-settled share-based payments		**5,352**	5,448
Contributions to:			
– defined benefit plan		**33**	631
– defined contribution plan		**43,813**	46,327

33. Profit for the Year *(cont'd)*

	Group 2014 S$'000	Group 2013 S$'000
b. Other income		
Grants received		
– income related	**4,265**	449
Gross dividend income	**1,194**	2,476
Gain on disposal of		
– property, plant and equipment	**4,150**	13,012
– investment properties	**3,097**	358
– subsidiaries	**–**	37,255
– associates	**–**	2,253
Gain on acquisition	**13,505**	–
Fair value gain on re-measurement of remaining equity interest in associate	**–**	79,882
Fair value gain on re-measurement of pre-existing equity interest in joint venture, which became a subsidiary	**3,792**	–
c. Other expenses (net)		
Net exchange (loss) / gain	**(9,499)**	30,814
Net change in fair value of financial instruments	**(11,225)**	(30,840)

34. Earnings Per Share

	Group 2014 S$'000	Group 2013 S$'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	**801,096**	820,448
Less: Profit attributable to perpetual security holders of the Company	**(9,595)**	(4,219)
Profit attributable to owners of the Company	**791,501**	816,229
	No. of shares '000	**No. of shares '000**
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at January 1	**1,784,782**	1,785,941
Effect of share options exercised, performance shares and restricted shares released	**3,180**	3,616
Effect of own shares held	**(1,858)**	(3,584)
Weighted average number of ordinary shares at December 31	**1,786,104**	1,785,973

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

	Group	
	2014	2013
	S$'000	S$'000
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	**801,096**	820,448
Less: Profit attributable to perpetual security holders of the Company	**(9,595)**	(4,219)
Profit attributable to owners of the Company	**791,501**	816,229

	No. of shares	No. of shares
	'000	'000
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	**1,786,104**	1,785,973
Weighted average number of unissued ordinary shares from:		
– share options	**794**	1,482
– performance shares	**2,773**	3,032
– restricted shares	**10,223**	9,705
Number of shares that would have been issued at fair value	**(370)**	(669)
Weighted average number of ordinary shares	**1,799,524**	1,799,523

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. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

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 11.0 cents per share (2013: one-tier tax exempt dividend of 17.0 cents per share 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$196,265,000 (2013: S$303,773,000) in respect of the year ended December 31, 2014, based on the number of issued shares as at December 31, 2014.

The proposed dividend of 11.0 (2013: 17.0) cents per share has not been included as a liability in the financial statements.

	Group and Company	
	2014	2013
	S$'000	S$'000
Dividend paid		
Interim one-tier tax exempt dividend of 5.0 cents per share in respect of year 2014 (2013: nil)	**89,351**	–
Final one-tier tax exempt dividend of 15.0 cents per share in respect of year 2013 (2013: 15.0 cents per share in respect of year 2012)	**268,056**	268,035
Final bonus one-tier tax exempt dividend of 2.0 cents per share in respect of year 2013 (2013: nil)	**35,717**	–
	393,124	268,035

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
Tan Sri Mohd Hassan Marican (appointed on May 1, 2014)

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.

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

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.

a. Share Option Plan

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

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 2014 and 2013, 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
2014

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2014	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2014	Options exercisable at Jan 1, 2014	Options exercisable at Dec 31, 2014	Exercise period
17/05/2004	S$0.99	26,500	(3,625)	(22,875)	–	26,500	–	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	29,375	(5,875)	(23,500)	–	29,375	–	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	139,875	(15,625)	(3,000)	121,250	139,875	121,250	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	217,625	(36,875)	(4,000)	176,750	217,625	176,750	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	809,049	(431,750)	(4,000)	373,299	809,049	373,299	10/06/2007 to 09/06/2016
		1,222,424	**(493,750)**	**(57,375)**	**671,299**	**1,222,424**	**671,299**	

Sembcorp Industries Ltd
Ordinary shares
2013

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2013	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2013	Options exercisable at Jan 1, 2013	Options exercisable at Dec 31, 2013	Exercise period
02/06/2003	S$0.78	24,000	(3,250)	(20,750)	–	24,000	–	03/06/2004 to 02/06/2013
18/11/2003	S$0.93	32,500	(3,250)	(29,250)	–	32,500	–	19/11/2004 to 18/11/2013
17/05/2004	S$0.99	102,250	(75,750)	–	26,500	102,250	26,500	18/05/2005 to 17/05/2014
22/11/2004	S$1.16	101,125	(71,750)	–	29,375	101,125	29,375	23/11/2005 to 22/11/2014
01/07/2005	S$2.37	263,025	(117,650)	(5,500)	139,875	263,025	139,875	02/07/2006 to 01/07/2015
21/11/2005	S$2.36	512,125	(289,000)	(5,500)	217,625	512,125	217,625	22/11/2006 to 21/11/2015
09/06/2006	S$2.52	988,799	(175,750)	(4,000)	809,049	988,799	809,049	10/06/2007 to 09/06/2016
		2,023,824	**(736,400)**	**(65,000)**	**1,222,424**	**2,023,824**	**1,222,424**	

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
2014

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2014	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2014	Options exercisable at Jan 1, 2014	Options exercisable at Dec 31, 2014	Exercise period
10/08/2004	S$0.74	168,710	(129,760)	(38,950)	–	168,710	–	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	857,140	(173,500)	(16,450)	667,190	857,140	667,190	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	1,134,329	(109,617)	(15,400)	1,009,312	1,134,329	1,009,312	03/10/2007 to 02/10/2016
		2,160,179	**(412,877)**	**(70,800)**	**1,676,502**	**2,160,179**	**1,676,502**	

Sembcorp Marine Ltd
Ordinary shares
2013

Date of grant of options	Exercise price per share	Options outstanding at Jan 1, 2013	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2013	Options exercisable at Jan 1, 2013	Options exercisable at Dec 31, 2013	Exercise period
08/08/2003	S$0.71	70,420	(19,670)	(50,750)	–	70,420	–	09/08/2004 to 08/08/2013
10/08/2004	S$0.74	189,410	(19,300)	(1,400)	168,710	189,410	168,710	11/08/2005 to 10/08/2014
11/08/2005	S$2.11	948,100	(84,810)	(6,150)	857,140	948,100	857,140	12/08/2006 to 11/08/2015
02/10/2006	S$2.38	1,308,327	(157,943)	(16,055)	1,134,329	1,308,327	1,134,329	03/10/2007 to 02/10/2016
		2,516,257	**(281,723)**	**(74,355)**	**2,160,179**	**2,516,257**	**2,160,179**	

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 2014 and 2013 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$5.16 (2013: S$5.19).

Sembcorp Marine Ltd's options exercised in 2014 resulted in 412,877 (2013: 281,723) ordinary shares being issued at a weighted average price of S$4.20 (2013: S$3.38). Sembcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was S$3.77 (2013: S$4.46).

Fair value of share options

The fair value of services received is measured by reference to the fair value of share options granted.

36. 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. For awards granted from 2014 onwards, the performance levels were calibrated based on Wealth Added, Total Shareholder Return and Earnings per share. 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 2014 to 2016 will be vested to the senior management participants only if the restricted shares for the performance period 2015 to 2016 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 year are as follows:

	2014	2013
At January 1	**2,169,723**	2,548,333
Conditional performance shares awarded	**625,000**	625,000
Conditional performance shares lapsed	**–**	(138,611)
Additional performance shares awarded arising from targets met	**–**	285,450
Performance shares lapsed arising from targets not met	**(292,249)**	–
Conditional performance shares released	**(497,613)**	(1,150,449)
At December 31	**2,004,861**	2,169,723

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2011 to 2013 (2013: performance period 2010 to 2012), a total of 497,613 (2013: 1,150,449) performance shares were released via the issuance of treasury shares.

In 2014, there were 292,249 performance shares lapsed for under-achievement of the performance targets for the performance period 2011 to 2013. In 2013, there were additional 285,450 performance shares awarded for over-achievement of performance targets for the performance period 2010 to 2012.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2014, was 2,004,861 (2013: 2,169,723). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,007,292 (2013: 3,254,585) performance shares.

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

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

ii. Performance shares of a listed subsidiary

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

	2014	2013
At January 1	**1,915,000**	1,865,000
Conditional performance shares awarded	**1,480,000**	655,000
Conditional performance shares lapsed	**(62,225)**	(60,556)
Additional performance shares awarded arising from targets met	**–**	157,889
Performance shares lapsed arising from targets not met	**(360,715)**	–
Conditional performance shares released	**(162,060)**	(702,333)
At December 31	**2,810,000**	1,915,000

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 2011 to 2013 (2013: performance period 2010 to 2012), a total of 162,060 (2013: 702,333) performance shares were released via the issuance of treasury shares.

In 2014, there were 360,715 performance shares lapsed for under-achievement of the performance targets for the performance period 2011 to 2013. In 2013, there were additional 157,889 performance shares awarded for over-achievement of the performance targets for the performance period 2010 to 2012.

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, 2014, was 2,810,000 (2013: 1,915,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,215,000 (2013: 2,872,500) performance shares.

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 9, 2014	Fair value of Sembcorp Industries Ltd performance shares granted on May 9, 2013	Fair value of Sembcorp Marine Ltd performance shares granted on Jun 15, 2014	Fair value of Sembcorp Marine Ltd performance shares granted on May 31, 2013
Fair value at measurement date	**S$3.57**	S$1.94	**S$1.35**	S$2.31
Assumptions under the Monte Carlo model				
Share price	**S$5.40**	S$4.95	**S$4.04**	S$4.34
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	**24.0%**	26.3%	**26.1%**	31.5%
Morgan Stanley Capital International (MSCI)				
AC Asia Pacific excluding Japan Industrials Index	**17.2%**	18.3%	**17.0%**	23.2%
Correlation with MSCI	**50.2%**	55.5%	**60.6%**	81.5%
Risk-free interest rate	**0.6%**	0.3%	**0.6%**	0.5%
Expected dividend	**3.0%**	2.9%	**4.2%**	4.2%

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

During the year, the Group charged S$4,217,000 (2013: S$4,465,000) 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 2014.

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 2014 and 2013, 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 will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, 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. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculatd on a pro-rated basis, where applicable) 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:

	2014	2013
At January 1	**6,955,014**	6,708,437
Conditional restricted shares awarded	**2,380,300**	2,262,600
Conditional restricted shares lapsed	**(267,349)**	(181,141)
Additional restricted shares awarded arising from targets met	**1,150,350**	783,000
Conditional restricted shares released	**(2,885,386)**	(2,617,882)
At December 31	**7,332,929**	6,955,014

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2012 to 2013, a total of 1,223,584 restricted shares were released in 2014. For awards in relation to the performance period 2011 to 2012, a total of 907,067 (2013: 1,093,116) were released in 2014. For awards in relation to the performance period 2010 to 2011, a total of 667,435 (2013: 777,859) restricted shares were released in 2014. For awards in relation to the performance period 2009 to 2010, a total of nil (2013: 675,407) restricted shares were released in 2014. In 2014, there were 87,300 (2013: 71,500) shares released to non-executive directors. Of the restricted shares released, 29,887 (2013: 14,555) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2014, additional 1,150,350 (2013: 783,000) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2012 to 2013 (2013: performance period 2011 to 2012).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2014, was 7,332,929 (2013: 6,955,014). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 4,383,100 (2013: 4,492,000). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 6,574,650 (2013: 6,738,000) 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 2012 to 2013 (2013: performance period 2011 to 2012), a total of S$3,346,469, equivalent to 558,210 (2013: S$3,351,315, equivalent to 562,889) notional restricted shares, were paid. A total of 450,000 (2013: 400,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2014 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 2014, was 850,000 (2013: 799,135). 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 1,275,000 (2013: 1,198,703).

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:

	2014	2013
At January 1	**8,545,150**	9,543,530
Conditional restricted shares awarded	**3,049,980**	2,806,710
Conditional restricted shares lapsed	**(283,728)**	(370,858)
Additional restricted shares awarded arising from targets met	**508,977**	464,732
Conditional restricted shares released	**(3,557,578)**	(3,898,964)
At December 31	**8,262,801**	8,545,150

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2012 to 2013, a total of 1,154,566 (2013: nil) restricted shares were released. For awards in relation to the performance period 2011 to 2012, a total of 1,074,512 (2013: 1,242,654) restricted shares were released. For awards in relation to the performance period 2010 to 2011, a total of 1,232,100 (2013: 1,325,800) restricted shares were released. In 2013, 1,236,610 restricted shares were released for awards in relation to the performance period 2009 to 2010. In 2014, there were 96,400 (2013: 93,900) 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 2014, additional 508,977 (2013: 464,732) Sembcorp Marine Ltd's restricted shares were awarded for the over-achievement of the performance targets for the performance period 2012 to 2013 (2013: performance period 2011 to 2012).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2014, was 8,262,801 (2013: 8,545,150). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,450,570 (2013: 5,243,250). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,175,855 (2013: 7,864,875) 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 2012 to 2013 (2013: performance period 2011 to 2012), a total of S$4,122,758 (2013: S$5,027,602), equivalent to 1,010,480 (2013: 1,129,037) notional restricted shares, were paid.

A total of 1,223,280 (2013: 1,091,350) notional restricted shares were awarded on June 15, 2014 (2013: May 31, 2013) 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, 2014, was 2,066,240 (2013: 1,886,000). 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 3,099,360 (2013: 2,829,000).

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 9, 2014	Fair value of Sembcorp Industries Ltd restricted shares granted on May 9, 2013	Fair value of Sembcorp Marine Ltd restricted shares granted on Jun 15, 2014	Fair value of Sembcorp Marine Ltd restricted shares granted on May 31, 2013
Fair value at measurement date	**S$4.91**	S$4.58	**S$3.56**	S$3.39
Assumptions under the Monte Carlo model				
Share price	**S$5.40**	S$4.95	**S$4.04**	S$4.34
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	**24.0%**	26.3%	**26.1%**	31.5%
Risk-free interest rate	**0.4% – 0.9%**	0.2% – 0.4%	**0.4% – 0.9%**	0.3% – 0.7%
Expected dividend	**3.0%**	2.9%	**4.2%**	4.2%

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$25,481,000 (2013: S$22,748,000) 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$5,352,000 (2013: S$5,448,000) 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. Disposal of subsidiary

On August 28, 2013, Sembcorp Salalah Power & Water Company (Sembcorp Salalah), which owns and operates the Salalah Independent Power and Water Plant (Salalah IWPP), launched an Initial Public Offering (IPO) on the Muscat Securities Market. The IPO was successfully closed and Sembcorp Salalah's shares commenced trading on September 26, 2013.

Prior to the IPO, Sembcorp Salalah was 60% owned by Sembcorp Utilities Pte Ltd, a wholly owned subsidiary of the Company, 35% owned by Oman Investment Corporation (OIC) and 5% owned by Bahrain-based BDCC Investment Company (BDCC). Post IPO, the Group now holds a 40% stake in Sembcorp Salalah, while OIC and BDCC hold 21.9% and 3.1% respectively. Following the IPO, the Group recognised a total gain of S$117.1 million in other income, comprising a S$37.2 million gain on its 20% equity interest sold through the IPO and a fair value gain of S$79.9 million on re-measurement of its remaining 40% equity interest in Sembcorp Salalah. The re-measurement amount was based on the IPO price.

	Note	Group 2013 S$'000
Property, plant and equipment	3	1,096,208
Intangible assets	11	49
Deferred tax asset	12	9,952
Inventory		7,850
Trade and other receivables		60,095
Cash and cash equivalents		87,331
Trade and other payables		(62,171)
Interest-bearing borrowings		(855,443)
Other financial liabilities		(82,144)
Provisions	19	(1,417)
Deferred tax liabilities	12	(19,008)
Net assets derecognised		241,302
Currency translation reserve		(2,579)
Hedging reserve		45,097
Non-controlling interests		(108,483)
		175,337
Less: Remaining 40% equity interest in associate		(196,561)
		(21,224)
Gain on disposal of a subsidiary		117,137
Consideration received, satisfied in cash		95,913
Less: Cash and cash equivalents disposed of due to de-consolidation		(87,331)
Net cash inflow		8,582

38. Acquisition of Subsidiary

In July 14, 2014, Sembcorp's interest in Thermal Powertech Corporation India Limited (TPCIL) was increased from 49% to 65% and became a subsidiary of the Group. Consequently, TPCIL's financials were consolidated into the Group's financial statements.

The principal activities of TPCIL are to build, own and operate a 1,320 megawatt (2 x 660 megawatt units) coal-fired power plant in India.

Revenue and profit contribution

The acquired business contributed losses amounting to S$1,660,000 to the Group's results for the period from July 14, 2014 to December 31, 2014. TPCIL has not commenced operations and hence no revenue recognised.

Had TPCIL been consolidated from January 1, 2014, the Group's consolidated revenue and consolidated profit for the year ended December 31, 2014 would have been S$10,894,660,000 and S$1,084,244,000 respectively.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

		S$'000
a. *Effect on cash flows of the Group*		
Cash paid		–
Less: Cash and cash equivalents in subsidiary acquired		61,741
Cash inflow on acquisition		61,741
	Note	**At fair value S$'000**
b. *Identifiable assets acquired and liabilities assumed*		
Property, plant and equipment	3	1,628,635
Intangible assets	11	39,154
Trade and other receivables		106,226
Tax recoverable		1,674
Cash and cash equivalents		61,741
Total assets		1,837,430
Trade and other payables		177,457
Deferred tax liabilities	12	39,338
Retirement benefit obligations	23	32
Borrowings		1,221,621
Total liabilities		1,438,448
Total net identifiable assets		398,982
Less: Non-controlling interests		(186,942)
Add: Goodwill	11	26,131
Less: Amount previously accounted for as joint venture		(197,201)
Less: Foreign currency translation reserve realized when joint venture became a subsidiary		(37,178)
Less: Fair value gain on step up acquisition of a joint venture		(3,792)
Consideration transferred for the business		–

38. Acquisition of Subsidiary *(cont'd)*

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Property, plant and equipment	Market comparison technique and cost technique	Supplier's quotations for major component parts of the power plant (mainly the boiler, turbines and generators).
Intangible assets	Multi-period excess earnings method (MEEM)	• Contract revenue are based on the contracted tariffs stipulated in the long-term power purchase agreement. • Constant gross profit margin assumed on the understanding that any volatility in fuel cost incurred will be passed on to customer. • Discounted rates of 18%.

Acquired receivables

The fair value of trade and other receivables is S$106,266,000. TPCIL has not commenced operations at the date of acquisition. Receivables mainly pertain to the capital contribution receivable from shareholders.

Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) based on their proportionate interest of TPCIL's net identifiable assets as recognized by the Group, which amounted to S$186,942,000.

Goodwill

The goodwill of S$26,131,000 recognised on acquisition is attributable to the control premium to acquire a controlling stake in TPCIL. None of the goodwill recognised is expected to be deductible for tax purposes.

The re-measurement to fair value of the Group's existing 49% interest in TPCIL resulted in a gain of S$3,792,000. This amount has been recognised in "Other income" in the consolidated income statement (see Note 33).

39. Non-controlling Interests

On May 15, 2010, our subsidiary, Sembcorp Marine Ltd (SCM) commenced proceedings in the High Court of Singapore against PPL Holdings Pte Ltd and its wholly owned subsidiary, E-Interface Holdings Limited for various reliefs, including the transfer of the remaining 15% 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. On July 25, 2013, the Court of Appeal ruled, in favour of SCM, that certain provisions in the Joint Venture Agreement between SCM and PPL Holdings Pte Ltd premised on equal shareholding no longer applied when SCM increased its shareholding from 50% to 85% in PPLS. Arising from the decision of the Court of Appeal, SCM has full control of PPLS Board. The Group continues to consolidate its 85% interest in PPLS and separately account for the 15% as a "non-controlling interest".

39. Non-controlling Interests *(cont'd)*

The following subsidiary has material non-controlling interests:

Name of company	Country of incorporation	Operating Segment	Ownership interests held by non-controlling interests 2014 %	2013 %
Sembcorp Marine Group	Singapore	Marine	39.0	39.4

The following summarises the financial information of the Group's subsidiary with material non-controlling interest, based on its (consolidated) financial statements prepared in accordance with FRS.

	Sembcorp Marine Group S$'000
2014	
Revenue	5,832,595
Profit for the year	601,275
Other comprehensive income	4,803
Total comprehensive income	**606,078**
Attributable to non-controlling interests:	
Profit for the year	259,671
Other comprehensive income	5,951
Total comprehensive income	**265,622**
Non-current assets	3,671,302
Current assets	4,567,118
Non-current liabilities	(1,657,796)
Current liabilities	(3,448,597)
Net assets	**3,132,027**
Net assets attributable to non-controlling interests	**1,318,784**
Cash flows used in operating activities	(508,273)
Cash flows used in investing activities	(770,389)
Cash flows from financing activities	667,742
Net decrease in cash and cash equivalents	**(610,920)**
Dividends paid to non-controlling interests	**(13,399)**

39. Non-controlling Interests *(cont'd)*

	Sembcorp Marine Group S$'000
2013	
Revenue	5,525,882
Profit for the year	588,260
Other comprehensive income	(35,736)
Total comprehensive income	**552,524**
Attributable to non-controlling interests:	
Profit for the year	251,457
Other comprehensive income	(12,273)
Total comprehensive income	**239,184**
Non-current assets	3,029,007
Current assets	4,221,093
Non-current liabilities	(910,182)
Current liabilities	(3,530,406)
Net assets	**2,809,512**
Net assets attributable to non-controlling interests	**1,194,910**
Cash flows from operating activities	937,165
Cash flows used in investing activities	(797,681)
Cash flows from financing activities	135,291
Net increase in cash and cash equivalents	**274,775**
Dividends paid to non-controlling interests	**(11,518)**

40. Related Parties

a. Related party transactions

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

	Group 2014 S$'000	Group 2013 S$'000
Related Corporations		
Sales	**711,149**	594,196
Purchases including rental	**191,814**	157,876
Purchase of property, plant and equipment	**–**	13,036
Rental income	**95**	41
Finance income	**2,928**	1,613
Finance expense	**9,227**	8,568
Associates and Joint Ventures		
Sales	**69,200**	68,958
Purchases including rental	**20,177**	22,888
Payment on behalf	**4,555**	39

40. Related Parties *(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 Group Chief Financial Officer, the President & CEO of Sembcorp Marine Ltd, the Executive Vice President & Head of Group Business Development & Commercial, the Executive Vice President & Head, Group Asset Management, Utilities, the CEO of Sembcorp Development Ltd 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 2014 S$'000	Group 2013 S$'000
Directors' fees and remuneration	**7,772**	9,078
Other key management personnel remuneration	**10,110**	10,260
	17,882	19,338
Fair value of share-based compensation	**5,430**	4,999

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

In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added (EVA), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to the profit or loss.

41. Financial Instruments

Financial risk management objectives and policies

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

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

The Group utilises foreign exchange contracts, foreign exchange swaps, interest rate swaps, fuel oil swaps, contracts for differences 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 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, 2014, the Group had interest rate swaps with an aggregate notional amount of S$940,904,000 (2013: S$607,140,000), of which S$910,253,000 (2013: S$561,000,000) was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 1.53% to 4.94% (2013: 2.74% to 5.17%) per annum on the notional amount. Interest rate swaps with notional amounts of S$353,327,000 (2013: S$372,070,000) are taken with a related corporation.

41. 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, 2014				
Variable rate financial instruments	10,464	(10,464)	3,867	(3,867)
December 31, 2013				
Variable rate financial instruments	15,752	(15,752)	4,459	(4,459)
Company				
December 31, 2014				
Variable rate financial instruments	924	(924)	–	–
December 31, 2013				
Variable rate financial instruments	3,055	(3,055)	–	–

ii. Foreign currency risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars (SGD), United States dollars (USD), euros (EURO) and sterling pounds (GBP). 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.

In 2013, the Group's investment in its Indian joint venture was hedged by INR/SGD Non-Delivery Forward contract (notional amount of S$49,788,000), which mitigates the currency risks arising from the joint venture's net assets. On consolidation, the effective portions of such differences were recognised directly in the foreign currency translation reserves.

The Group's investments in its UK subsidiaries are hedged by GBP/SGD Cross Currency Swaps with notional amount of S$374,717,000 (2013: S$374,717,000) and GBP/SGD foreign exchange forward contract with notional amount of S$43,727,000 (2013: S$nil), which mitigates the currency risks arising from the subsidiaries' net assets. On consolidation, the effective portions of the fair value loss of S$7,703,000 (2013: S$34,369,000) and fair value gain of S$1,052,000 (2013: S$nil) arising from the Cross Currency Swaps and foreign exchange forward contract respectively, are recognised directly in the foreign currency translation reserves. These financial instruments are designated as hedge of a net investment in foreign operations and were effective as at December 31, 2014.

Foreign exchange forward contracts and cross currency swaps with notional amounts of S$468,219,000 (2013: S$649,156,000) and S$280,567,000 (2013: S$280,567,000) respectively are taken with a related corporation.

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

The summary of quantitative data about the Group's exposure to foreign currency risk (excluding the GBP/SGD Cross Currency Swaps, GBP/SGD foreign exchange forward contract and INR/SGD Non-Delivery Forward contract that are designated as a hedge of the Group's net investments in its subsidiaries in UK and joint venture in India) as provided to the management of the Group based on its risk management policy was as follows:

	SGD	USD	EURO	GBP	Others
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
2014					
Financial assets					
Cash and cash equivalents	58,976	304,256	47,349	12,860	23,721
Trade and other receivables	15,260	1,218,824	23,367	95,539	106,294
Other financial assets	–	29,059	–	–	14,876
	74,236	1,552,139	70,716	108,399	144,891
Financial liabilities					
Trade and other payables	133,852	948,196	113,736	73,640	196,679
Interest-bearing borrowings	–	945,574	–	–	7,260
	133,852	1,893,770	113,736	73,640	203,939
Net financial (liabilities) / assets	(59,616)	(341,631)	(43,020)	34,759	(59,048)
Less: Foreign exchange contract	38,000	(68,558)	40,220	(15,470)	74,611
Net currency exposure of financial (liabilities) / assets	(21,616)	(410,189)	(2,800)	19,289	15,563
Cash flow hedges for future dated transactions					
Foreign exchange forward contracts	39,425	(1,398,922)	6,523	(1,354)	119,705
Fuel oil swap contracts	–	303,587	–	–	–
	39,425	(1,095,335)	6,523	(1,354)	119,705

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

	SGD	USD	EURO	GBP	Others
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
2013					
Financial assets					
Cash and cash equivalents	30,670	224,907	130,129	6,948	13,983
Trade and other receivables	16,349	1,096,746	49,725	114,993	54,808
Other financial assets	–	60,797	–	–	15,753
	47,019	1,382,450	179,854	121,941	84,544
Financial liabilities					
Trade and other payables	139,231	688,436	117,872	15,455	78,000
Interest-bearing borrowings	–	221,425	–	–	7,882
	139,231	909,861	117,872	15,455	85,882
Net financial (liabilities) / assets	(92,212)	472,589	61,982	106,486	(1,338)
Less: Foreign exchange contract	–	(134,872)	–	(141,951)	–
Net currency exposure of financial (liabilities) / assets	(92,212)	337,717	61,982	(35,465)	(1,338)
Cash flow hedges for future dated transactions					
Foreign exchange forward contracts	214,911	(1,131,471)	39,056	(8,131)	14,825
Fuel oil swap contracts	–	206,681	–	–	–
Cash and cash equivalents	–	25,120	–	–	–
	214,911	(899,670)	39,056	(8,131)	14,825

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

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

	USD S$'000	EURO S$'000	GBP S$'000	Others S$'000
Company				
2014				
Financial assets				
Cash and cash equivalents	11,134	–	–	–
Trade and other receivables	89,088	136	–	–
Long-term trade receivables	7,543	–	–	–
	107,765	136	–	–
Financial liabilities				
Trade and other payables	30,091	226	1	517
Net financial assets / (liabilities)	77,674	(90)	(1)	(517)
Cash flow hedges for future dated transactions				
Foreign exchange forward contracts	(25,329)	–	–	–
2013				
Financial assets				
Cash and cash equivalents	4,086	–	388	–
Trade and other receivables	20,208	5,444	1	–
	24,294	5,444	389	–
Financial liabilities				
Trade and other payables	24,550	3	–	59
Net financial (liabilities) / assets	(256)	5,441	389	(59)
Cash flow hedges for future dated transactions				
Foreign exchange forward contracts	–	–	–	–

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

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

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 2013.

	Group		Company	
	Equity S$'000	Profit before tax S$'000	Equity S$'000	Profit before tax S$'000
2014				
SGD	3,234	(2,192)	–	–
USD	(81,314)	(74,150)	(4,828)	7,768
EURO	522	(355)	–	(9)
GBP	(119)	1,928	–	–
Others	13,665	69	–	(51)
2013				
SGD	2,818	8,854	–	–
USD	(75,110)	33,598	–	(26)
EURO	3,157	6,353	–	544
GBP	(713)	(3,692)	–	39
Others	2,399	(1,710)	–	(6)

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.

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	
	2014 S$'000	2013 S$'000
Equity	**24,715**	28,030
Profit before tax	**5,439**	5,790

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 2013 and assumes that all other variables remain constant.

41. Financial Instruments *(cont'd)*

a. Market risk *(cont'd)*

iii. Price risk *(cont'd)*

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	
	2014	2013
	S$'000	S$'000
Equity	**17,270**	19,009

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 2013 and assumes that all other variables remain constant.

Notional amount

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

	Group	
	2014	2013
	Notional amount	Notional amount
	S$'000	S$'000
Fuel oil swap agreements	**338,233**	224,587

Fuel oil swap agreements with notional amounts of S$2,136,000 (2013: S$11,926,000) are taken with a related corporation.

41. Financial Instruments *(cont'd)*

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. One of the financial institutions has become a related corporation in 2014.

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	
		2014	2013	2014	2013
	Note	S$'000	S$'000	S$'000	S$'000
By business activity					
Utilities		**1,035,103**	940,174	**160,564**	100,553
Marine		**473,860**	443,525	**–**	–
Urban Development		**5,553**	8,801	**–**	–
Others		**16,857**	17,278	**–**	–
		1,531,373	1,409,778	**160,564**	100,553
Loans and receivables					
Non-current*	8	**405,289**	329,208	**7,543**	–
Current	14	**1,126,084**	1,080,570	**153,021**	100,553
		1,531,373	1,409,778	**160,564**	100,553

* Not past due.

41. Financial Instruments *(cont'd)*

b. Credit risk *(cont'd)*

The age analysis of current loans and receivables is as follows:

	Gross 2014 S$'000	Impairment 2014 S$'000	Gross 2013 S$'000	Impairment 2013 S$'000
Group				
Not past due	**908,682**	**913**	1,003,993	280
Past due 0 to 3 months	**179,661**	**2,245**	43,040	1,210
Past due 3 to 6 months	**20,524**	**1,886**	14,173	1,539
Past due 6 to 12 months	**14,833**	**5,852**	15,632	5,504
More than 1 year	**37,670**	**24,390**	40,809	28,544
	1,161,370	**35,286**	1,117,647	37,077
Company				
Not past due	**125,064**	**350**	92,330	–
Past due 0 to 3 months	**26,791**	**723**	7,436	11
Past due 3 to 6 months	**1,339**	**433**	234	17
Past due 6 to 12 months	**1,046**	**15**	488	40
More than 1 year	**384**	**82**	315	182
	154,624	**1,603**	100,803	250

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

	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Balance at January 1	**38,158**	32,795	**250**	175
Currency translation difference	**(26)**	1,040	**–**	–
Allowance made	**4,310**	9,647	**1,353**	75
Allowance utilised	**(193)**	(212)	**–**	–
Allowance written back	**(5,826)**	(4,954)	**–**	–
Disposal of subsidiary	**–**	(158)	**–**	–
Balance at December 31	**36,423**	38,158	**1,603**	250

The allowance account in respect of loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written against the carrying amount of the impaired financial asset.

c. Liquidity risk

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

41. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

The table below analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash inflows / (outflows), including estimated 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					
2014					
Derivatives					
Derivative financial liabilities	272,402				
– inflow		2,743,529	1,428,992	1,314,537	–
– outflow		(3,020,465)	(1,605,442)	(1,414,856)	(167)
Derivative financial assets	(36,570)				
– inflow		1,061,332	1,002,547	58,785	–
– outflow		(1,019,963)	(970,510)	(49,453)	–
Non-derivative financial liabilities					
Trade and other payables (including long-term liabilities)*	2,807,301	(2,807,301)	(2,677,838)	(71,358)	(58,105)
Interest-bearing borrowings	4,734,581	(6,304,181)	(1,287,748)	(2,078,267)	(2,938,166)
	7,777,714	(9,347,049)	(4,109,999)	(2,240,612)	(2,996,438)
2013					
Derivatives					
Derivative financial liabilities	75,481				
– inflow		2,311,244	1,269,178	1,042,066	–
– outflow		(2,394,843)	(1,291,236)	(1,103,005)	(602)
Derivative financial assets	(14,437)				
– inflow		543,909	292,696	251,213	–
– outflow		(540,173)	(285,083)	(255,090)	–
Non-derivative financial liabilities					
Trade and other payables (including long-term liabilities)*	2,732,683	(2,732,683)	(2,631,487)	(55,066)	(46,130)
Interest-bearing borrowings	1,899,004	(2,397,750)	(459,798)	(842,849)	(1,095,103)
	4,692,731	(5,210,296)	(3,105,730)	(962,731)	(1,141,835)

* Excludes advance payments, deferred income, deferred grants and Goods and Services Tax.

41. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

	Carrying amount S$'000	Cash Flows Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Company					
2014					
Derivatives					
Derivative financial liabilities	1,558				
– inflow		25,329	25,329	–	–
– outflow		(26,887)	(26,887)	–	–
Non-derivative financial liabilities					
Trade and other payables (including long-term liabilities)*	744,199	(880,070)	(290,666)	(88,424)	(500,980)
Interest-bearing borrowings	11	(11)	(8)	(3)	–
	745,768	(881,639)	(292,232)	(88,427)	(500,980)
2013					
Derivatives					
Derivative financial liabilities	–				
– inflow		–	–	–	–
– outflow		–	–	–	–
Non-derivative financial liabilities					
Trade and other payables (including long-term liabilities)*	635,017	(679,046)	(201,017)	(236,122)	(241,907)
Interest-bearing borrowings	73	(74)	(74)	–	–
	635,090	(679,120)	(201,091)	(236,122)	(241,907)

* Excludes advance payments, deferred income, deferred grants and Goods and Services Tax.

41. Financial Instruments *(cont'd)*

c. Liquidity risk *(cont'd)*

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact the profit or loss and the fair value of the related hedging instruments.

	Carrying amount S$'000	Cash Flows Contractual cash flow S$'000	Less than 1 year S$'000	Between 1 and 5 years S$'000	Over 5 years S$'000
Group					
2014					
Derivative financial liabilities	222,540				
– inflow		1,796,784	865,426	931,358	–
– outflow		(2,021,860)	(1,028,471)	(993,222)	(167)
Derivative financial assets	(21,148)				
– inflow		490,157	431,372	58,785	–
– outflow		(467,314)	(417,861)	(49,453)	–
	201,392	(202,233)	(149,534)	(52,532)	(167)
2013					
Derivative financial liabilities	34,944				
– inflow		1,472,897	817,757	655,140	–
– outflow		(1,507,085)	(831,258)	(675,225)	(602)
Derivative financial assets	(13,189)				
– inflow		456,930	205,717	251,213	–
– outflow		(454,442)	(199,352)	(255,090)	–
	21,755	(31,700)	(7,136)	(23,962)	(602)
Company					
2014					
Derivative financial liabilities	1,558				
– inflow		25,329	25,329	–	–
– outflow		(26,887)	(26,887)	–	–
	1,558	(1,558)	(1,558)	–	–
2013					
Derivative financial liabilities	–				
– inflow		–	–	–	–
– outflow		–	–	–	–
	–	–	–	–	–

41. Financial Instruments *(cont'd)*

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) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using valuation techniques.

Derivatives

The fair value of foreign exchange contracts and foreign exchange swaps are accounted for based on the difference between the contractual price and the current market price.

The fair values of interest rate swaps and cross currency swaps are the indicative amounts that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

The fair value of fuel oil swaps contracts is accounted for based on the difference between the contractual strike price with the counterparty and the current market price.

Contracts for differences (CFDs) are accounted for based on the difference between the contracted price entered into with the counterparty and the reference price. There is currently no market for electricity CFDs in Singapore. Therefore, utilising valuation techniques to compute the fair values of the CFDs will result in a wide range of estimated fair values. Accordingly, it is determined that the fair value of the CFDs cannot be measured reliably. The gains and losses for CFDs are taken to income statement upon settlement.

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

For finance leases, the market rate of interest is determined by reference to similar lease agreements.

41. Financial Instruments *(cont'd)*

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

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.

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 Group 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.

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, 2014. 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.

41. Financial Instruments *(cont'd)*

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

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Group				
At December 31, 2014				
Available-for-sale financial assets	218,638	449	28,068	247,155
Financial assets at fair value through profit or loss	1	1,957	52,431	54,389
Derivative financial assets	–	36,570	–	36,570
	218,639	38,976	80,499	338,114
Derivative financial liabilities	–	(272,402)	–	(272,402)
	218,639	(233,426)	80,499	65,712
At December 31, 2013				
Available-for-sale financial assets	255,105	416	23,264	278,785
Financial assets at fair value through profit or loss	3	1,510	56,385	57,898
Derivative financial assets	–	14,437	–	14,437
	255,108	16,363	79,649	351,120
Derivative financial liabilities	–	(75,481)	–	(75,481)
	255,108	(59,118)	79,649	275,639
Company				
At December 31, 2014				
Derivative financial liabilities	–	1,558	–	1,558
	–	1,558	–	1,558
At December 31, 2013				
Derivative financial liabilities	–	–	–	–
	–	–	–	–

In 2014 and 2013, there have been no transfers between the different levels of the fair value hierarchy.

41. Financial Instruments *(cont'd)*

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

Level 3 fair values

i. Available-for-sale financial assets

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

	Available-for-sale
	S$'000
Group	
At January 1, 2014	23,264
Additions	1,924
Net change in fair value recognised in other comprehensive income	2,880
At December 31, 2014	28,068
At January 1, 2013	19,581
Additions	1,233
Net change in fair value recognised in other comprehensive income	2,751
Impairment loss recognised in profit or loss	(81)
Disposal	(220)
At December 31, 2013	23,264

Available-for-sale financial assets in Level 3 of the fair value hierarchy include unquoted equity shares, venture capital funds and unquoted funds.

The fair value of the unquoted equity shares and venture capital funds are determined by reference to the investment's net asset values as stated in the unaudited financial statements and audited fund valuation report respectively.

The fair value of the unquoted funds is based on the latest available unaudited net asset values of the underlying funds provided by the administrator of those funds on the basis that their net asset values approximate their fair value at reporting date. The key unobservable inputs include net asset value for fund investment and / or recent transaction price among investors.

The estimated fair value would increase / (decrease) if the net asset values for unquoted equity shares and fund investments were higher / (lower), or if the recent transaction prices were higher / (lower).

41. Financial Instruments *(cont'd)*

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

Level 3 fair values *(cont'd)*

ii. Fair value through profit or loss financial assets

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of financial assets at fair value through profit or loss in Level 3 of the fair value hierarchy:

	Fair value through profit or loss
	S$'000
Group	
At January 1, 2014	56,385
Currency translation adjustments	3,147
Total loss recognised in profit or loss	(7,101)
At December 31, 2014	52,431
At January 1, 2013	45,036
Total gain recognised in profit or loss	11,349
At December 31, 2013	56,385

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 assumptions could lead to different measurement of fair value.

The fair value of the investment in equity shares is calculated by using expected cash flows and risk-adjusted discount rate of the Group. Key input and assumption used in the model at December 31, 2014 included the following:

- Forecast coal prices growth rate ranging from 6.0% to 10.0%; and

- Risk-adjusted discount rate at 22%.

Sensitivity analysis

If the coal price increases or decreases by 10% with all other assumptions held constant, the favourable / unfavourable impact to the profit or loss is as follows:

	Profit or loss	
	Favourable	(Unfavourable)
	S$'000	S$'000
Group		
December 31, 2014		
Fair value through profit or loss	4,392	(4,614)
December 31, 2013		
Fair value through profit or loss	18,036	(16,810)

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.

41. Financial Instruments *(cont'd)*

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

Assets and liabilities not carried at fair value but for which fair values are disclosed*

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Group				
At December 31, 2014				
Investment properties	–	–	62,349	62,349
Interests in an associate	289,839	–	–	289,839
Service concession receivables	–	250,784	–	250,784
Long-term trade receivables	–	7,253	–	7,253
Amounts due from related parties	–	117,097	–	117,097
Long-term interest-bearing borrowings	–	(3,752,761)	–	(3,752,761)
At December 31, 2013				
Investment properties	–	37,737	17,550	55,287
Interests in an associate	236,534	–	–	236,534
Service concession receivables	–	257,857	–	257,857
Long-term trade receivables	–	–	–	–
Amounts due from related parties	–	87,230	–	87,230
Long-term interest-bearing borrowings	–	(1,558,217)	–	(1,558,217)
Company				
At December 31, 2014				
Long-term trade receivables	–	7,253	–	7,253
At December 31, 2013				
Long-term trade receivables	–	–	–	–

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

The fair value of the investment properties (Level 3) is calculated based on a combination of direct comparison method and investment income method. The direct comparison method looks at researching recent sales of similar properties and comparing those properties with the subject property. Key inputs correspond to prices per square meter for comparable buildings. The latter method involves applying an investment yield to the property to work out rental income which is then discounted to determine market value. Key inputs correspond to market rents for comparable buildings.

Key unobservable inputs in relation to the investment income method correspond to:

- Investment property yields derived from specialised publications from the related markets and comparable transactions.

- Discount rate, based on the risk-free rate in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in the asset class.

41. Financial Instruments *(cont'd)*

f. Fair value versus carrying amounts

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

	Note	Designated at fair value S$'000	Fair value – hedging instruments S$'000	Available-for-sale S$'000	Loans and receivables S$'000	Other financial liabilities within the scope of FRS 39 S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
Group									
December 31, 2014									
Cash and cash equivalents	17	–	–	–	1,659,434	–	–	1,659,434	1,659,434
Trade receivables	9	–	–	–	603,747	–	–	603,747	603,747
Long-term trade receivables	8	–	–	–	7,543	–	–	7,543	7,253
Service concession receivables	8,14	–	–	–	246,070	–	–	246,070	250,784
Amounts due from related parties	10	–	–	–	196,776	–	–	196,776	196,628
Amounts due from non-controlling interests	8,14	–	–	–	56,291	–	–	56,291	56,291
Staff loans	8	–	–	–	54	–	–	54	54
Other receivables and deposits*	8,15	–	–	–	382,879	–	–	382,879	382,879
Available-for-sale financial assets:									
– Equity shares	7	–	–	242,199	–	–	–	242,199	242,199
– Unit trusts and funds	7	–	–	12,600	–	–	–	12,600	12,600
Financial assets at fair value through profit or loss, on initial recognition:									
– Equity shares	7	52,432	–	–	–	–	–	52,432	52,432
– Unit trusts and funds	7	1,957	–	–	–	–	–	1,957	1,957
– Forward foreign exchange contracts	7	15,180	–	–	–	–	–	15,180	15,180
– Foreign exchange swap contracts	7	120	–	–	–	–	–	120	120
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	7	–	122	–	–	–	–	122	122
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	17,208	–	–	–	–	17,208	17,208
– Fuel oil swaps	7	–	817	–	–	–	–	817	817
– Interest rate swaps	7	–	3,123	–	–	–	–	3,123	3,123
		69,689	21,270	254,799	3,152,794	–	–	3,498,552	3,502,828

* Excludes Goods and Services Tax.

41. Financial Instruments *(cont'd)*

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

	Note	Designated at fair value S$'000	Fair value – hedging instruments S$'000	Available-for-sale S$'000	Loans and receivables S$'000	Other financial liabilities within the scope of FRS 39 S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
Group									
December 31, 2014									
Trade payables	18	–	–	–	–	1,873,742	–	1,873,742	1,873,742
Amounts due to related parties**	20	–	–	–	–	2,881	–	2,881	2,881
Amounts due to non-controlling interests**	18,25	–	–	–	–	11,246	–	11,246	11,246
Other payables**	21	–	–	–	–	798,331	–	798,331	798,331
Other long-term payables**	25	–	–	–	–	4,301	–	4,301	4,301
Financial liabilities at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	22	3,254	–	–	–	–	–	3,254	3,254
– Foreign exchange swap contracts	22	4,536	–	–	–	–	–	4,536	4,536
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	22	–	–	–	–	–	–	–	–
– Cross currency swaps	22	–	42,072	–	–	–	–	42,072	42,072
Cash flow hedges:									
– Forward foreign exchange contracts	22	–	83,006	–	–	–	–	83,006	83,006
– Interest rate swaps	22	–	8,543	–	–	–	–	8,543	8,543
– Fuel oil swaps	22	–	130,991	–	–	–	–	130,991	130,991
Interest-bearing borrowings:									
– Short-term borrowings	24	–	–	–	–	1,082,359	–	1,082,359	1,082,359
– Long-term borrowings	24	–	–	–	–	3,636,380	–	3,636,380	3,752,761
– Finance lease liabilities	24	–	–	–	–	–	15,842	15,842	15,842
		7,790	264,612	–	–	7,409,240	15,842	7,697,484	7,813,865

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax and long-term employee benefits.

41. Financial Instruments *(cont'd)*

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

	Note	Designated at fair value S$'000	Fair value – hedging instruments S$'000	Available-for-sale S$'000	Loans and receivables S$'000	Other financial liabilities within the scope of FRS 39 S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
Group									
December 31, 2013									
Cash and cash equivalents	17	–	–	–	2,255,865	–	–	2,255,865	2,255,865
Long-term trade receivables	8	–	–	–	–	–	–	–	–
Trade receivables	9	–	–	–	482,006	–	–	482,006	482,006
Service concession receivables	8,14	–	–	–	252,797	–	–	252,797	257,857
Amounts due from related parties	10	–	–	–	207,321	–	–	207,321	207,321
Amounts due from non-controlling interests	14	–	–	–	94	–	–	94	94
Staff loans	8	–	–	–	22	–	–	22	22
Other receivables and deposits*	15	–	–	–	421,536	–	–	421,536	421,536
Available-for-sale financial assets:									
– Equity shares	7	–	–	275,877	–	–	–	275,877	275,877
– Unit trusts and funds	7	–	–	5,550	–	–	–	5,550	5,550
Financial assets at fair value through profit or loss, on initial recognition:									
– Equity shares	7	56,388	–	–	–	–	–	56,388	56,388
– Unit trusts and funds	7	1,510	–	–	–	–	–	1,510	1,510
– Forward foreign exchange contracts	7	–	–	–	–	–	–	–	–
– Foreign exchange swap contracts	7	1,248	–	–	–	–	–	1,248	1,248
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	7	–	–	–	–	–	–	–	–
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	5,050	–	–	–	–	5,050	5,050
– Fuel oil swaps	7	–	5,166	–	–	–	–	5,166	5,166
– Interest rate swaps	7	–	2,973	–	–	–	–	2,973	2,973
		59,146	13,189	281,427	3,619,641	–	–	3,973,403	3,978,463

* Excludes Goods and Services Tax.

41. Financial Instruments *(cont'd)*

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

	Note	Designated at fair value S$'000	Fair value – hedging instruments S$'000	Available-for-sale S$'000	Loans and receivables S$'000	Other financial liabilities within the scope of FRS 39 S$'000	Other financial liabilities outside the scope of FRS 39 S$'000	Total carrying amount S$'000	Fair value S$'000
Group									
December 31, 2013									
Trade payables	18	–	–	–	–	1,854,858	–	1,854,858	1,854,858
Amounts due to related parties**	20	–	–	–	–	4,425	–	4,425	4,425
Amounts due to non-controlling interests**	18,25	–	–	–	–	8,236	–	8,236	8,236
Other payables**	21	–	–	–	–	772,114	–	772,114	772,114
Other long-term payables**	25	–	–	–	–	3,928	–	3,928	3,928
Financial liabilities at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	22	1,329	–	–	–	–	–	1,329	1,329
– Foreign exchange swap contracts	22	4,005	–	–	–	–	–	4,005	4,005
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	22	–	834	–	–	–	–	834	834
– Cross currency swaps	22	–	34,369	–	–	–	–	34,369	34,369
Cash flow hedges:									
– Forward foreign exchange contracts	22	–	19,471	–	–	–	–	19,471	19,471
– Interest rate swaps	22	–	14,748	–	–	–	–	14,748	14,748
– Fuel oil swaps	22	–	725	–	–	–	–	725	725
Interest-bearing borrowings:									
– Short-term borrowings	24	–	–	–	–	409,854	–	409,854	409,854
– Long-term borrowings	24	–	–	–	–	1,469,768	–	1,469,768	1,558,217
– Finance lease liabilities	24	–	–	–	–	–	19,382	19,382	19,382
		5,334	70,147	–	–	4,523,183	19,382	4,618,046	4,706,495

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax and long-term employee benefits.

41. 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, 2014							
Cash and cash equivalents	17	–	198,395	–	–	198,395	198,395
Trade receivables	9	–	91,914	–	–	91,914	91,624
Amounts due from related parties	10	–	11,422	–	–	11,422	11,422
Dividend receivables	14	–	–	–	–	–	–
Other receivables and deposits*	15	–	57,228	–	–	57,228	57,228
		–	358,959	–	–	358,959	358,669
Trade payables	18	–	–	10,329	–	10,329	10,329
Amounts due to related parties	20	–	–	567,828	–	567,828	575,022
Other payables**	21	–	–	124,996	–	124,996	124,996
Cash flow hedges:							
– Forward foreign exchange contracts	22	1,558	–	–	–	1,558	1,558
Interest-bearing borrowings:							
– Finance lease liabilities	24	–	–	–	11	11	11
		1,558	–	703,153	11	704,722	711,916
December 31, 2013							
Cash and cash equivalents	17	–	450,220	–	–	450,220	450,220
Trade receivables	9	–	25,760	–	–	25,760	25,760
Amounts due from related parties	10	–	12,040	–	–	12,040	12,040
Dividend receivables	14	–	5,000	–	–	5,000	5,000
Other receivables and deposits*	15	–	57,753	–	–	57,753	57,753
		–	550,773	–	–	550,773	550,773
Trade payables	18	–	–	8,705	–	8,705	8,705
Amounts due to related parties	20	–	–	452,847	–	452,847	452,847
Other payables**	21	–	–	156,609	–	156,609	156,609
Cash flow hedges:							
– Forward foreign exchange contracts	22	–	–	–	–	–	–
Interest-bearing borrowings:							
– Finance lease liabilities	24	–	–	–	73	73	73
		–	–	618,161	73	618,234	618,234

* Excludes Goods and Services Tax.

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax and long-term employee benefits.

41. 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 total debt-to-capitalisation ratio of 0.40 as at December 31, 2014 (2013: 0.23).

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

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

42. Contingent Liabilities (Unsecured)

The principal risk to which the Group and 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 Group's and Company's future cash flows.

Estimates of the Group's and 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.

Group

The Group has provided guarantees to banks to secure banking facilities provided to associates and joint ventures. These financial guarantee contracts are accounted for as insurance contracts. As the balance sheet date, the Group's had the following contingent liabilities:

	Group	
	2014	**2013**
	S$'000	**S$'000**
Guarantees given to banks to secure banking facilities provided to:		
– Associates	**–**	8,792
– Joint ventures	**903,388**	756,919
– Others	**5,114**	12,552
Performance guarantees to external party	**246,010**	–
Performance guarantees granted for contracts awarded to the Group	**–**	37,680

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

Group *(cont'd)*

The periods in which the financial guarantees expire are as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
Less than 1 year	**32,942**	40,048
Between 1 to 5 years	**738,815**	575,464
More than 5 years	**136,745**	162,751
	908,502	778,263

a. A Wayleave Agreement was entered into between Sembcorp Gas Pte Ltd (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. Sembcorp Aguas Santiago S.A. y AFILIADAS is defending a tax dispute claim from the Chilean tax authorities in relation to an early termination of contract and its related constructed plant and equipment sold. If defence to the claim is unsuccessful, the entity is required to pay an additional tax, interest and fines of S$3.4 million. Based on the legal advice and all evidence provided to Chilean tax authorities, management is of the view that no provision is required for the claim.

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.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S$3,460 million (2013: S$3,816 million), which include S$1,292 million (2013: S$1,061 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2014	**2013**
	S$'000	**S$'000**
Less than 1 year	**101,660**	255,566
Between 1 to 5 years	**321,326**	464,278
More than 5 years	**868,748**	621,156
	1,291,734	1,341,000

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

Company *(cont'd)*

b. The Company has provided corporate guarantees of S$104.9 million (2013: S$100.9 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.

43. Commitments

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

	Group	
	2014	2013
	S$'000	S$'000
– Commitments in respect of contracts placed	**849,232**	705,999
– Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments	**378,761**	182,218
	1,227,993	888,217

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	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Lease payments due:				
Within 1 year	**37,740**	35,801	**9,638**	9,401
Between 1 and 5 years	**123,667**	108,176	**26,842**	29,812
After 5 years	**511,598**	523,261	**60,517**	64,143
	673,005	667,238	**96,997**	103,356

43. Commitments *(cont'd)*

On January 15, 1999, Sembcorp Gas Pte Ltd (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, Sembcorp Cogen Pte Ltd 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.

In 2012, Thermal Powertech Corporation India Limited (TPCIL) had entered into a 10-year agreement with PT. Bayan Resources TBK, to purchase a total of 10 million metric tonnes of coal. The coal price shall be based on Global Coal Index at the time of delivery.

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

	Group	
	2014	2013
	S$'000	S$'000
Lease receivable:		
Within 1 year	**64,726**	56,442
Between 1 and 5 years	**168,092**	223,607
	232,818	280,049

44. Segment Reporting

a. Operating Segments

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

i. The Utilities segment's principal activities are in the provision of energy, water, 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 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 others.

44. Segment Reporting *(cont'd)*

a. Operating Segments *(cont'd)*

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Information regarding the results of each reportable segment is included below:

	Utilities S$'000	Marine S$'000	Urban Development S$'000	Others / Corporate S$'000	Elimination S$'000	Total S$'000
2014						
Turnover						
External sales	4,849,816	5,830,739	6,539	207,566	–	10,894,660
Inter-segment sales	41,078	1,856	4,198	10,871	(58,003)	–
Total	4,890,894	5,832,595	10,737	218,437	(58,003)	10,894,660
Results						
Segment results	432,846	707,966	(295)	(1,639)	–	1,138,878
Finance income	13,492	9,711	69	46,612	(50,453)	19,431
Finance costs	(52,634)	(20,960)	(1,746)	(45,245)	50,453	(70,132)
	393,704	696,717	(1,972)	(272)	–	1,088,177
Share of results of associates and joint ventures, net of tax	89,026	9,859	47,800	11,576	–	158,261
	482,730	706,576	45,828	11,304	–	1,246,438
Tax (expense) / credit	(53,326)	(105,506)	319	(3,643)	–	(162,156)
Non-controlling interests	(21,450)	(261,052)	(1,805)	1,121	–	(283,186)
Profit for the year	407,954	340,018	44,342	8,782	–	801,096
Assets						
Segment assets	7,153,442	7,760,835	347,755	1,754,605	(1,972,859)	15,043,778
Interests in associates and joint ventures	933,693	486,251	565,438	89,012	–	2,074,394
Tax assets	49,669	8,247	214	90	–	58,220
Total assets	8,136,804	8,255,333	913,407	1,843,707	(1,972,859)	17,176,392
Liabilities						
Segment liabilities	4,356,366	4,850,190	169,530	1,869,385	(1,972,859)	9,272,612
Tax liabilities	401,793	254,062	1,375	14,276	–	671,506
Total liabilities	4,758,159	5,104,252	170,905	1,883,661	(1,972,859)	9,944,118
Capital expenditure	503,595	798,499	3,336	2,411	–	1,307,841
Significant non-cash items						
Depreciation and amortisation	189,608	115,561	1,441	8,224	–	314,834
Allowance made for impairment in value of assets and assets written off (net)	10,541	232	(3,749)	–	–	7,024

44. 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
2013						
Turnover						
External sales	5,095,297	5,522,705	8,493	171,127	–	10,797,622
Inter-segment sales	42,316	3,177	4,017	28,834	(78,344)	–
Total	5,137,613	5,525,882	12,510	199,961	(78,344)	10,797,622
Results						
Segment results	532,192	648,816	(4,696)	(16,125)	–	1,160,187
Finance income	12,621	8,200	173	50,850	(54,793)	17,051
Finance costs	(103,713)	(8,072)	(1,372)	(59,539)	54,793	(117,903)
	441,100	648,944	(5,895)	(24,814)	–	1,059,335
Share of results of associates and joint ventures, net of tax	80,675	11,166	49,833	13,350	–	155,024
	521,775	660,110	43,938	(11,464)	–	1,214,359
Tax (expense) / credit	(47,437)	(72,054)	7,520	(5,183)	–	(117,154)
Non-controlling interests	(24,436)	(251,125)	(1,243)	47	–	(276,757)
Profit for the year	449,902	336,931	50,215	(16,600)	–	820,448
Assets						
Segment assets	4,914,473	6,798,420	298,631	1,765,401	(1,933,156)	11,843,769
Interests in associates and joint ventures	813,949	461,717	491,591	84,992	–	1,852,249
Tax assets	48,873	7,304	1,560	131	–	57,868
Total assets	5,777,295	7,267,441	791,782	1,850,524	(1,933,156)	13,753,886
Liabilities						
Segment liabilities	2,671,510	4,202,354	167,577	1,507,757	(1,933,156)	6,616,042
Tax liabilities	356,919	236,316	317	14,298	–	607,850
Total liabilities	3,028,429	4,438,670	167,894	1,522,055	(1,933,156)	7,223,892
Capital expenditure	334,846	814,978	214	6,233	–	1,156,271
Significant non-cash items						
Depreciation and amortisation	193,562	101,034	1,474	7,223	–	303,293
Allowance made for impairment in value of assets and assets written off (net)	67,957	268	81	3	–	68,309

44. Segment Reporting *(cont'd)*

b. Geographical Segments

The Group operates in ten principal geographical areas: Singapore, Rest of ASEAN & Australia, China, India, Middle East & Africa, UK, Rest of Europe, Brazil, U.S.A 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.

	Singapore S$'000	Rest of ASEAN & Australia S$'000	China S$'000	India S$'000	Middle East & Africa S$'000	UK S$'000	Rest of Europe S$'000	Brazil S$'000	U.S.A S$'000	Others S$'000	Total S$'000
2014											
Revenue from external customers	5,074,017	698,344	162,123	22,510	123,201	550,908	2,084,138	127,511	1,327,512	724,396	10,894,660
Total assets	9,628,618	875,032	1,746,961	2,389,553	446,370	792,988	248,466	883,696	6,924	157,784	17,176,392
Non-current assets	4,197,697	844,871	1,503,947	2,267,496	348,903	665,287	233,144	841,018	4,675	138,903	11,045,941
Capital expenditure	402,810	20,303	70,617	256,060	4,733	29,165	–	514,785	29	9,339	1,307,841
2013											
Revenue from external customers	4,860,720	1,188,744	150,319	43,068	299,696	534,982	1,663,895	15,482	1,420,550	620,166	10,797,622
Total assets	9,402,471	689,358	1,460,577	144,549	411,913	782,333	258,176	432,835	5,649	166,025	13,753,886
Non-current assets	4,195,254	660,930	1,323,843	93,172	317,692	704,383	232,801	387,948	4,475	143,899	8,064,397
Capital expenditure	706,447	15,711	23,223	311	3,999	29,913	–	369,985	2	6,680	1,156,271

45. Significant Accounting Estimates and Judgements

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

Key sources of estimation uncertainty

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

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

a. Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to goodwill impairment are disclosed in Note 11.

b. Taxes

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

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. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. 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 23, in estimating its pension liability as at the balance sheet date. If there were adverse changes to these actuarial assumptions, then the Group's re-measurements from defined benefit plans would increase.

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.

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

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 19 and Note 42 respectively.

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. Assessment of risk of foreseeable losses and cost allocation method on long-term land development and construction contracts

The Group conducts critical review of all its long-term land development and construction contracts regularly. Allowance is made where necessary to account for foreseeable losses where total costs to complete the contracts exceed the contract revenue. To determine the total costs, the Group monitors and reviews constantly the progress of all long-term land development and construction contracts taking into consideration all inputs from both internal project managers and external customers. The review includes evaluation of any potential risks and factors which may affect their timely completion. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

Land development costs incurred are capitalised as work-in-progress and allocated to the respective parcels of land based on the relative sales method.

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

c. 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 investments and financial assets are disclosed in the following notes:

- Note 7 – Other Financial Assets
- Note 8 – Long-term Receivables and Prepayments
- Note 14 – Trade and Other Receivables

d. Impairment assessment of property, plant and equipment

The carrying value of property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that the property, plant and equipment may be impaired. This determination requires significant judgement. This impairment takes into account the market value of the asset, changes to the technological, market, economic or legal environment in which the Group operates, market interest rates, evidence of obsolescence or physical damage to the property, plant and equipment and changes to the expected usage to the property, plant and equipment.

46. Subsequent Events

On February 13, 2015, a wholly-owned subsidiary has completed acquisition of 60% stake in Green Infra Limited (Green Infra). The total consideration for the stake amounted to INR10,620 million (S$232.5 million). Green Infra owns 665 megawatts of wind and 35 megawatts of solar assets in operation and under development which are located in southern, western and central regions of India. The acquisition is not expected to have a material impact to the Group in 2015.

47. New or Revised Accounting Standards and Interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting period beginning on or after January 1, 2015 or later periods and which the Group has not early adopted:

<u>Applicable for the Group's 2015 financial statements</u>

Amendments to FRS 19 *Employee Benefit Plans: Employee Contributions*. These amendments apply to contributions from employees or third parties to defined benefit plans. It simplifies the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Improvements to FRSs (January 2014):

FRS 16	*Property, Plant and Equipment* and		
FRS 38	*Intangible Assets*	–	Restatement of accumulated depreciation on revaluation
FRS 24	*Related Party Disclosures*	–	Definition of related party
FRS 102	*Share-based Payment*	–	Definition of vesting condition
FRS 103	*Business Combinations*	–	Classification and measurement of contingent consideration in a business combination
FRS 108	*Operating Segments*	–	Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets

Improvements to FRSs (February 2014):

FRS 103	*Business Combinations*	–	Scope exceptions for joint ventures
FRS 113	*Fair Value Measurements*	–	Scope of portfolio exception
FRS 40	*Investment Property*	–	Clarifying the interrelationship between FRS 103 and FRS 40 when classifying property as investment property or owner-occupied property

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.

47. New or Revised Accounting Standards and Interpretations *(cont'd)*

Applicable for the Group's 2017 financial statements

FRS 115 *Revenue from Contracts with Customers*. The core principle is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Company expects to be entitled in exchange for those goods or services. This will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

Applicable for the Group's 2018 financial statements

FRS 109 *Financial Instruments*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This Standard replaces FRS 39 *Financial Instruments: Recognition and Measurement*.

FRS 115 and FRS 109 were issued by the Accounting Standards Council on November 19, 2014 and December 11, 2014 respectively. Management is currently evaluating the impact of the implementation of these standards, in view of the complexities of these standards and the potential wide-ranging implications.

48. Subsidiaries

Details of key subsidiaries are as follows:

Name of key subsidiaries	Country of incorporation	Effective equity held by the Group 2014 %	2013 %
Utilities			
Sembcorp Utilities Pte Ltd [1]	Singapore	**100**	100
Sembcorp Cogen Pte Ltd [1]	Singapore	**100**	100
Sembcorp Gas Pte Ltd [1]	Singapore	**70.00**	70.00
Sembcorp Utilities (UK) Limited [2]	United Kingdom	**100**	100
Sembcorp Utilities (Netherlands) N.V. [2]	The Netherlands	**100**	100
Sembcorp Bournemouth Water Limited [2]	United Kingdom	**100**	100
Sembcorp Environment Pte. Ltd. [1]	Singapore	**100**	100
SembWaste Pte Ltd [1]	Singapore	**100**	100
Sembcorp Yangcheng Power Co Pte Ltd [1]	Cayman Islands	**100**	100
Thermal Powertech Corporation India Limited [2 #]	India	**65.00**	49.00
Marine			
Sembcorp Marine Ltd [1]	Singapore	**60.99**	60.60
Jurong Shipyard Pte Ltd [1]	Singapore	**60.99**	60.60
PPL Shipyard Pte Ltd [1]	Singapore	**51.84**	51.51
Sembawang Shipyard Pte Ltd [1]	Singapore	**60.99**	60.60
SMOE Pte Ltd [1]	Singapore	**60.99**	60.60
Urban Development			
Sembcorp Development Ltd [1]	Singapore	**100**	100
Vietnam Singapore Industrial Park Pte Ltd [1]	Singapore	**92.88**	92.88
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 BDO China Shu Lun Pan Certified Public Accountants Co., Ltd.

\# In July 2014, the Group's interest in Thermal Powertech Corporation India Limited has increased from 49.00% to 65.00%.

49. Associates and Joint Ventures

Details of key associates and joint ventures are as follows:

Name of key associates	Country of incorporation	Effective equity held by the Group 2014 %	Effective equity held by the Group 2013 %
Utilities			
* SembSita Pacific Pte Ltd	Singapore	**40.00**	40.00
^^ Sembcorp Salalah Power and Water Company SAOG	Oman	**40.00**	40.00
Marine			
## COSCO Shipyard Group Co Ltd [1]	People's Republic of China	**18.30**	18.18
Urban Development			
^^ Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	**45.36**	45.36

Name of key joint ventures	Country of incorporation	Effective equity held by the Group 2014 %	Effective equity held by the Group 2013 %
Utilities			
^ Phu My 3 BOT Power Company Ltd. [2]	Vietnam	**66.67**	33.33
# Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	**30.00**	30.00
*** Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	**40.00**	40.00
^^^ NCC Power Projects Limited [3]	India	**49.00**	–
Urban Development			
^^ Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	**47.37**	47.37
** 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**	25.00

49. Associates and Joint Ventures *(cont'd)*

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

- * Audited by Ernst & Young LLP.
- ^^ Audited by overseas affiliates of KPMG LLP.
- ## Audited by Zhongrui Yuehua Certified Public Accountants Co., Ltd.
- ^ Audited by Ernst & Young Vietnam Limited.
- # Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company.
- *** Audited by Ernst & Young, Abu Dhabi.
- ** Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China.
- ^^^ Jointly audited by M Bhaskara Rao & Co., Chartered Accountants, India, and Deloitte Haskins & Sells, Chartered Accountants, India.

1. The Group has significant influence in COSCO Shipyard Group through its holdings in Sembcorp Marine Ltd.
2. In September 2014, the Group has completed its acquisition of additional interest in Phu My 3 BOT Power Company (Phu My 3) on the basis that the remaining condition precedent outstanding, has been determined by management to be of an administrative procedure. As such, for accounting purposes, the Group's stake in Phu My 3 is deemed to have increased from 33.33% to 66.67%. As the venture with the other partner under the contractual agreement requires unanimous consent for all major decisions over the relevant activities, Phu My 3 remains a joint venture.
3. In February 2014, the Group acquired 45.00% in NCC Power Projects Limited (NCCPP). Subsequently in May 2014, the Group's interest in NCCPP was increased from 45.00% to 49.00%.

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

SUPPLEMENTARY INFORMATION

Year ended December 31, 2014

(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, 2014

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	–	–	–	525	225	–
Tang Kin Fei	1,176	3,039	1,955	–	–	2,132
Goh Geok Ling	–	–	–	128	55	–
Evert Henkes	–	–	–	163	70	–
Bobby Chin Yoke Choong	–	–	–	133	57	–
Margaret Lui [4]	–	–	–	127	55	–
Tan Sri Mohd Hassan Marican	–	–	–	117	50	–
Tham Kui Seng	–	–	–	97	42	–
Dr Teh Kok Peng	–	–	–	110	47	–
Ajaib Haridass	–	–	–	60	26	–
Neil McGregor [4]	–	–	–	55	24	–
Payable by Subsidiaries						
Goh Geok Ling	–	–	–	216	–	–
Tan Sri Mohd Hassan Marican	–	–	–	348	149	–
Tang Kin Fei [4]	–	–	–	276	68	–
Ajaib Haridass	–	–	–	180	77	–

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
Tan Cheng Guan [4]	650	816	587	38	–	1,621
Koh Chiap Khiong [4]	549	952	587	118	50	1,435
Ng Meng Poh [4]	599	842	587	14	–	1,884
Wong Weng Sun	915	2,425	978	–	–	7,929
Kelvin Teo	392	221	237	–	–	340

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, 2013 (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 for Margaret Liu are payable to Pavilion Capital International Pte Ltd. Directors' fees for Neil McGregor are payable to Temasek International Pte Ltd from June 1, 2014 onwards. Directors' fees in cash from subsidiaries for Mr Tang Kin Fei, Mr Tan Cheng Guan, Mr Koh Chiap Khiong and Mr Ng Meng Poh are payable to SCI.
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$75,000); 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 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 from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, 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. A non-executive director who steps down before the payment of the share component will receive all of his director's fees for the year (calculated on a pro-rated basis, where applicable) 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$100,000) 2014 S$'000
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Mapletree Investments Pte Ltd and its Associates	1,605
– PSA International Pte Ltd and its Associates	5,696
– Singapore Power Limited and its Associates	2,225
– Singapore Technologies Telemedia Pte Ltd and its Associates	459
– Temasek Capital (Private) Limited and its Associates	3,808
	13,793
Starhub Ltd and its Associates	9,801
SATS Ltd and its Associates	187
Singapore Airlines Limited and its Associates	5,914
Singapore Technologies Engineering Ltd and its Associates	545
STATS ChipPAC Ltd and its Associates	462
	30,702
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Singapore Power Limited and its Associates	4,520
– Temasek Capital (Private) Limited and its Associates [1]	976,494
	981,014
Singapore Technologies Engineering Ltd and its Associates	451
	981,465
Management and support services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates	1,595
Total interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)	**1,013,762**

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
Purchase of Goods and Services	
Temasek Holdings (Private) Limited and its Associates	
– MediaCorp Pte Ltd and its Associates	202
Total interested person transactions (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to rule 920)	202

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. Sembcorp Gas Pte Ltd is 30% owned by Seletar Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

EVA STATEMENT

Year ended December 31, 2014

	Note	2014 S$'000	2013 S$'000
Net operating profit before tax expense		**1,088,177**	1,059,335
Adjusted for:			
Share of associates' and joint ventures' profits		**194,538**	190,045
Interest expense	1	**77,829**	118,858
Others	2	**(6,796)**	(11,262)
Adjusted profit before interest and tax		**1,353,748**	1,356,976
Cash operating taxes	3	**(186,171)**	(184,284)
Net operating profit after tax (NOPAT)		**1,167,577**	1,172,692
Average capital employed	4	**11,083,735**	9,705,620
Weighted average cost of capital	5	**5.8%**	5.7%
Capital charge		**642,857**	553,220
Economic Value Added (EVA)		**524,720**	619,472
Non-controlling share of EVA		**(184,792)**	(186,690)
EVA attributable to shareholders		**339,928**	432,782
Less: Unusual items (UI) gains	6	**(5,960)**	(39,700)
EVA attributable to shareholders (exclude UI)		**333,968**	393,082

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.

	2014 S$'000	2013 S$'000
Major Capital Components:		
Property, plant and equipment	**6,660,189**	5,781,039
Investments	**2,386,455**	1,984,473
Other long-term assets	**692,849**	715,400
Net working capital and long-term liabilities	**1,344,242**	1,224,708
Average capital employed	**11,083,735**	9,705,620

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% (2013: 5.0%);
   ii. Risk-free rate of 2.12% (2013: 2.30%) based on yield-to-maturity of Singapore Government 10-year Bonds;
   iii. Ungeared beta ranging from 0.5 to 1.0 (2013: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
   iv. Cost of Debt rate at 2.47% (2013: 1.78%).
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 3, 2015

Issued and fully paid-up capital:	S$565,571,683.28
Number of issued shares:	1,787,547,732
Number / percentage of treasury shares:	3,511,241 (0.20%)
Number of shareholders:	30,874
Class of shares:	Ordinary shares with equal voting rights @

Shareholdings Held by the Public

Based on information available to the company as of March 3, 2015, 50.10%* of the issued ordinary shares of the company is held by the public and therefore, the company has complied with Rule 723 of the SGX-ST Listing Manual.

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

Top 20 Shareholders as of March 3, 2015

No.	Name	No. of Ordinary Shares Held	%*
1	Temasek Holdings (Private) Limited	871,200,328	48.83
2	DBS Nominees Pte Ltd	238,857,090	13.39
3	Citibank Nominees Singapore Pte Ltd	193,136,347	10.83
4	HSBC (Singapore) Nominees Pte Ltd	95,506,942	5.35
5	DBSN Services Pte Ltd	74,297,830	4.16
6	United Overseas Bank Nominees Pte Ltd	41,133,982	2.31
7	Raffles Nominees (Pte) Ltd	21,306,152	1.19
8	BNP Paribas Securities Services	9,746,824	0.55
9	Startree Investments Pte Ltd	9,400,000	0.53
10	DB Nominees (S) Pte Ltd	6,645,459	0.37
11	OCBC Nominees Singapore Private Limited	6,331,115	0.36
12	Bank of Singapore Nominees Pte Ltd	3,997,810	0.22
13	Tang Kin Fei	3,499,486 #	0.20
14	CIMB Securities (Singapore) Pte Ltd	2,618,713	0.15
15	Merrill Lynch (Singapore) Pte Ltd	1,974,372	0.11
16	Phillip Securities Pte Ltd	1,904,427	0.11
17	Low Sin Leng	1,804,437	0.10
18	UOB Kay Hian Pte Ltd	1,649,405	0.09
19	OCBC Securities Private Ltd	1,503,062	0.08
20	DBS Vickers Securities (S) Pte Ltd	1,100,859	0.06
		1,587,614,640	88.99

@ 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 3, 2015 excluding 3,511,241 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.

In addition, Tang Kin Fei has 2,000,000 shares, of which 1,000,000 shares are held in the name of DBS Nominees Pte Ltd and another 1,000,000 shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Analysis of Shareholdings as of March 3, 2015

Range of Shareholdings	No. of Ordinary Shareholders	%	No. of Ordinary Shares Held (excluding treasury shares)	%*
1 – 99	475	1.54	15,789	0.00
100 – 1,000	6,164	19.96	5,240,091	0.29
1,001 – 10,000	21,006	68.04	78,035,352	4.38
10,001 – 1,000,000	3,207	10.39	111,009,858	6.22
1,000,001 and above	22	0.07	1,589,735,401	89.11
	30,874	100.00	1,784,036,491	100.00

GOVERNANCE DISCLOSURE GUIDE

Guideline	Questions	How has Sembcorp complied?
General	a. Has the company complied with all the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the Code)? If not, please state the specific deviations and the alternative corporate governance practices adopted by the company in lieu of the recommendations in the Code. b. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	Sembcorp has complied in all material aspects with the principles and guidelines set out in the Code.
BOARD RESPONSIBILITY		
Guideline 1.5	What are the types of material transactions which require approval from the board?	Significant investments and transactions exceeding threshold limits are approved by the board while transactions below the threshold limit are approved by the board's Executive Committee and management to facilitate operational efficiency, in accordance with applicable financial authority limits.

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 2.6	a. What is the board's policy with regard to diversity in identifying director nominees? b. Please state whether the current composition of the board provides diversity on each of the following – skills, experience, gender and knowledge of the company, and elaborate with numerical data where appropriate. c. What steps has the board taken to achieve the balance and diversity necessary to maximise its effectiveness?	a. The board seeks to ensure that it has the required diversity including gender, as well as competencies needed, to support the company's growth. Best efforts are taken to ensure that in addition to contributing their valuable expertise and insight to board deliberations, each director also brings to the board an independent and objective perspective to enable balanced and well-considered decisions to be made. b. In 2014, the Nominating Committee (NC) reviewed the composition of our board to ensure that it had the diversity and competencies to support the company's growth. Our current board includes business leaders and professionals with strong experience in areas relevant to the Group's businesses, from the engineering, petrochemicals, oil & gas and real estate industries to the accounting, finance and legal sectors. c. With reference to the Group's strategies and business plans, the NC reviews the skills mix of board members to ensure that the board has the required diversity, including gender, as well as the competencies to support the company's growth. When the need for a new director is identified, the NC consults with management and identifies a list of candidates sourced through an extensive network of contacts, based on the skill sets, experience, knowledge and attributes required to position the board to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. All appointments to the board are made on merit and measured against objective criteria. Candidates must be able to discharge their responsibilities as directors while upholding the highest standards of governance practised by the Group.

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 4.6	Please describe the board nomination process for the company in the last financial year for: a. Selecting and appointing new directors and b. Re-electing incumbent directors	a. When the need for a new director is identified, the NC consults with management and identifies a list of candidates sourced through an extensive network of contacts, based on the skill sets, experience, knowledge and attributes required to position the board to lead the growth of the company. Thereafter, the NC will interview the candidates and make its recommendation to the board for approval. b. While reviewing the re-appointment and re-election of directors, the NC considers the directors' contributions, other board representations and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. The board also recognises the contribution of directors who have, over time, developed deep insight into the Group's businesses and exercises its discretion to retain the services of such directors where appropriate to avoid an abrupt loss of experienced directors with a valuable understanding of the Group.

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 1.6	a. Are new directors given formal training? If not, please explain why. b. What are the types of information and training provided to i. new directors and ii. existing directors to keep them up to date?	a. Yes, the company conducts orientation programmes for new directors. b. i. All new directors receive formal letters of appointment explaining the Group's governance policies and practices, as well as their duties and obligations as directors. New directors also receive an information pack which contains the Group's organisation structure, the contact details of members of senior management, the company's Memorandum and Articles of Association, respective committees' terms of reference, the Group's policy relating to disclosure of interests in securities and prohibition on dealings in Sembcorp securities, as well as guidelines on directors' fees. Orientation programmes for new directors are also conducted with comprehensive briefings on board policies and processes, as well as presentations by senior management on Sembcorp's overall strategic plans and direction, financial performance and activities in its various geographical markets. ii. The company provides its directors complete, adequate and timely information on an ongoing basis to enable them to make informed decisions, discharge their duties and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. This includes management and operation reports, financial statements and quarterly highlights of the Group's performance and key developments. The board also has ready access to the Group President & CEO, senior management, the Company Secretary and internal and external auditors at all times, should it need additional information. Details may be found on page 106 of the Corporate Governance Statement in this annual report. As part of training and professional development for the board, the company also ensures that directors are briefed from time to time on changes to regulations, guidelines and accounting standards, as well as other relevant trends or issues. These are done either during board meetings or at specially convened sessions, including training sessions and seminars conducted by external professionals. Details may be found on page 100 of the Corporate Governance Statement of this annual report.

Guideline	Questions	How has Sembcorp complied?
MEMBERS OF THE BOARD		
Guideline 4.4	a. What is the maximum number of listed company board representations that the company has prescribed for its directors? What are the reasons for this number?	a. The board has determined that the maximum number of listed company board representations held by any Sembcorp director should not exceed six. This is based on the total time commitment required of our directors for involvement in Sembcorp's board and board committees, and aims to ensure that all directors have sufficient time and attention to devote to the affairs of the company and discharge their duties adequately.
	b. If a maximum number has not been determined, what are the reasons?	b. Not applicable.
	c. What are the specific considerations in deciding on the capacity of directors?	c. In deciding such matters, the board considers the total time commitment required of the directors for involvement in Sembcorp's board and board committees, as well as for their other appointments outside our company.
BOARD EVALUATION		
Guideline 5.1	a. What was the process upon which the board reached the conclusion on its performance for the financial year?	a. Each director is required to complete a questionnaire on the effectiveness of the board, board committees and directors' contribution and performance. The evaluation and feedback are then consolidated and presented to the board for discussion.
	b. Has the board met its performance objectives?	b. Yes. The board believes that board performance is ultimately reflected in the long-term performance of the Group.
INDEPENDENCE OF DIRECTORS		
Guideline 2.1	Does the company comply with the guideline on the proportion of independent directors on the board? If not, please state the reasons for the deviation and the remedial action taken by the company.	Yes. The current board comprises eleven directors, eight of whom are independent directors.

Guideline	Questions	How has Sembcorp complied?
INDEPENDENCE OF DIRECTORS		
Guideline 2.3	a. Is there any director who is deemed to be independent by the board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	a. Yes. Tan Sri Mohd Hassan Marican sits on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries from which the company has received payment in excess of S$200,000 in aggregate for consultancy services and provision of utilities services. In addition, Bobby Chin is a director on the board of Temasek Holdings (Temasek), the largest shareholder of Sembcorp, and Tan Sri Mohd Hassan Marican and Tham Kui Seng respectively hold the positions of Senior International Advisor and Corporate Advisor at Temasek International Advisors, a subsidiary of Temasek.
	b. What are the board's reasons for considering him independent? Please provide a detailed explanation.	b. The board has assessed this matter and is of the view that the payment received from Sembcorp Marine for consultancy services and provision of utilities services is insignificant in the context of the Group's earnings. Furthermore, the board believes that Tan Sri Mohd Hassan Marican, Mr Chin and Mr Tham have consistently exercised strong independent judgement in their deliberations and have acted and continue to act in the best interest of the company as they are not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek.
Guideline 2.4	Has any independent director served on the board for more than nine years from the date of his first appointment? If so, please identify the director and set out the board's reasons for considering him independent.	Yes. Goh Geok Ling and Evert Henkes have served on our board since their appointments in 2000 and 2004 respectively. The board has established that, despite serving as directors for more than nine years, Mr Goh and Mr Henkes continue to demonstrate the essential characteristics of independence expected by the board and furthermore, their length of service and in-depth knowledge of the Group's businesses are viewed by the board as especially valuable. Notwithstanding this, both directors have decided not to seek re-appointment at the forthcoming annual general meeting (AGM).

Guideline	Questions	How has Sembcorp complied?
DISCLOSURE ON REMUNERATION		
Guideline 9.2	Has the company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes. Information on each director's and the Group President & CEO's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements in this annual report.
Guideline 9.3	a. Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base / fixed salary, variable or performance-related income / bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? b. Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	a. Information on key management personnel's remuneration can be found under the related item in the Supplementary Information section of the Financial Statements in this annual report. b. The aggregate remuneration paid in FY2014 to the top five key management personnel, excluding our Group President & CEO, amounted to approximately S$11 million, comprising salary, bonuses and fair value of share based compensation granted for the year.

Guideline	Questions	How has Sembcorp complied?
DISCLOSURE ON REMUNERATION		
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No, in 2014 the company had no employees who were immediate family members of a director or the Group President & CEO.
Guideline 9.6	a. Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. b. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? c. Were all of these performance conditions met? If not, what were the reasons?	a. With exception of our Group President & CEO, who does not receive director's fees, all our board members are non-executive directors. Remuneration for our key management personnel and executive director comprises three primary components: fixed remuneration, as well as annual variable bonuses and share-based incentives that are conditional upon meeting certain performance targets. Annual variable bonuses are linked to the achievement of pre-agreed financial and non-financial performance targets, as well as the creation of economic value added. Share-based incentives are long-term incentive schemes which use methods fairly common among major local and multinational companies to incentivise and motivate employees to achieve pre-determined targets which create and enhance economic value for shareholders. b. Information on the remuneration received by key management and executive director and details on share-based incentives and performance targets are available in the Directors' Report and Note 36 in the Notes to the Financial Statements in this annual report. c. All the performance conditions under the Restricted Share Plan were met. As for the Performance Share Plan, one target amongst the performance conditions was not met due to adverse market conditions. Arising from this unmet target, 292,249 performance shares were lapsed in 2014 and were not paid out.

Guideline	Questions	How has Sembcorp complied?
RISK MANAGEMENT AND INTERNAL CONTROLS		
Guideline 6.1	What types of information does the company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the company? How frequently is the information provided?	On an ongoing basis, directors are provided with complete, adequate and timely information to enable them to make informed decisions and keep abreast of the Group's operational and financial performance, key issues, challenges and opportunities. Management and operation reports as well as financial statements are presented to the board on a regular basis. On a quarterly basis, financial highlights of the Group's performance and key developments are presented at board meetings. On a regular basis, risk-related reports are submitted to the Risk Committee (RC). The RC, comprising of selected board members, assists the board in overseeing risk management for the Group. These reports include updates on the Group's risk portfolio, reports on major risk exposure and any other risk-related issues as well as actions taken to monitor and manage such exposure / issue. For more details on briefings, updates and information provided to our directors, please refer to pages 100 and 106 of the Corporate Governance Statement in this annual report.
Guideline 13.1	Does the company have an internal audit function? If not, please explain why.	Yes. The Group Internal Audit department reports directly to the Audit Committee on audit matters and to the Group President & CEO on administrative matters.

Guideline	Questions	How has Sembcorp complied?
RISK MANAGEMENT AND INTERNAL CONTROLS		
Guideline 11.3	a. In relation to the major risks faced by the company, including financial, operational, compliance, information technology and sustainability, please state the bases for the board's view on the adequacy and effectiveness of the company's internal controls and risk management systems. b. In respect of the past 12 months, has the board received assurance from the CEO and the CFO as well as the internal auditor that: i. the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and ii. the company's risk management and internal control systems are effective If not, how does the board assure itself of points i. and ii. above?	a. The Group has implemented a comprehensive enterprise risk management (ERM) framework. Supporting the ERM framework is a system of internal controls, comprising a code of business conduct, group-wide governance and internal control policies, procedures, guidelines dictating the segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. The ERM framework is complemented by a governance assurance framework and a risk-based control self-assessment programme. During the year, the Group's risk profile was reviewed and updated and the effectiveness of our internal controls was assessed and enhanced through a combination of management control self-assessments, certifications and internal audits, as well as actions taken in follow up to these exercises. Furthermore the Group Internal Audit department audited the entities that are listed in its annual internal audit plan, which has been approved by the Audit Committee. Internal audit reports were issued and reviewed by the Audit Committee, expressing its view on the adequacy and effectiveness of the company's internal controls relating to financial, operational, compliance and information technology. 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 were adequate and effective as at December 31, 2014 to address the financial, operational, compliance and information technology risks of the Group. b. Yes. For FY2014, the board has been assured by the Group President & CEO and Group Chief Financial Officer that financial records have been properly maintained, that 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.

Guideline	Questions	How has Sembcorp complied?
RISK MANAGEMENT AND INTERNAL CONTROLS		
Guideline 12.6	a. Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. b. If the external auditors have supplied a substantial volume of non-audit services to the company, please state the bases for the Audit Committee's view on the independence of the external auditors.	a. As disclosed in Note 33(a) in the Notes to the Financial Statements, the fees paid / payable to external auditors for audit and non-audit services for the financial year are: (see table below) b. Non-audit fees amount to only 41% of the total annual audit fees, and are not deemed substantial.

	S$'000
Audit fees paid / payable	
– To auditors of the company	1,430
– To overseas affiliates of the auditors of the company	1,182
	2,612
Non-audit fees paid / payable	
– To auditors of the company	731
– To overseas affiliates of the auditors of the company	352
	1,083

Guideline	Questions	How has Sembcorp complied?
COMMUNICATION WITH SHAREHOLDERS		
Guideline 15.4	a. Does the company regularly communicate with shareholders and attend to their questions? How often does the company meet with institutional and retail investors? b. Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? c. How does the company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	a. Yes, Sembcorp regularly communicates with shareholders and addresses their questions. 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. Details of shareholder meetings, including the frequency and examples of types of meetings, are available in the Investor Relations chapter and Corporate Governance Statement of this annual report. b. Yes, Sembcorp has a dedicated investor relations team which communicates with investors. c. Sembcorp uses multiple communication channels and platforms to keep its shareholders and the investing public informed and updated in accordance with the SGX-ST's rules of fair disclosure. Aside from the annual report and SGX announcements, channels utilised include results briefings, annual general meetings, investor roadshows, conferences and forums, investor and media meetings, media interviews, site visits, news releases and circulars, the corporate website, group briefings and other appropriate channels.
Guideline 15.5	If the company is not paying any dividends for the financial year, please explain why.	Not applicable. For 2014, a final tax exempt one-tier dividend of 11 cents per ordinary share has been proposed subject to shareholders' approval. Together with the interim dividend of 5 cents per ordinary share already paid out, this would bring our total dividend per ordinary share to 16 cents.

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
Ajaib Haridass
Neil McGregor

Executive Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Tang Kin Fei
Margaret Lui

Audit Committee
Bobby Chin Yoke Choong
Chairman

Evert Henkes
Tham Kui Seng
Dr Teh Kok Peng

Risk Committee
Evert Henkes
Chairman

Bobby Chin Yoke Choong
Ajaib Haridass
Neil McGregor

Executive Resource & Compensation Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Margaret Lui
Tan Sri Mohd Hassan Marican

Nominating Committee
Ang Kong Hua
Chairman

Goh Geok Ling
Margaret Lui
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

Mizuho Bank Ltd

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: Ling Su Min
(Appointed during the financial year ended December 31, 2014)

NOTICE OF ANNUAL GENERAL MEETING

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

Notice is hereby given that the Seventeenth Annual General Meeting of Sembcorp Industries Ltd (the "**Company**") will be held at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 on Tuesday, April 21, 2015 at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended December 31, 2014 and the Auditors' Report thereon. **Resolution 1**

2. To declare a final ordinary one-tier tax exempt dividend of 11 cents per share for the year ended December 31, 2014. **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. Bobby Chin Yoke Choong *(Independent Chairman of Audit Committee)* **Resolution 3**
   b. Dr Teh Kok Peng *(Independent Member of Audit Committee)* **Resolution 4**

4. To re-elect the following directors, each of whom will retire pursuant to Article 99 of the Company's Articles of Association and who, being eligible, will offer themselves for re-election:

   a. Ajaib Haridass **Resolution 5**
   b. Neil McGregor **Resolution 6**

5. To re-appoint Ang Kong Hua, a director who will retire 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 note the retirement of Messrs Goh Geok Ling and Evert Henkes under Section 153 of the Companies Act, Cap. 50. Messrs Goh and Henkes will not be offering themselves for re-appointment.

7. To approve directors' fees of up to S$2,500,000 for the year ending December 31, 2015 (2014: up to S$2,600,000). **Resolution 8**

8. 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:

9. 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)*

10. 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.

11. To transact any other business.

By Order of the Board

Kwong Sook May
Company Secretary
Singapore
March 30, 2015

Explanatory Notes:

Resolutions 3 to 7 – Detailed information on these directors can be found under the Board of Directors and Corporate Governance Statement sections in the Annual Report 2014. These directors (save for Mr McGregor, who is a Senior Managing Director of Temasek's Enterprise Development Group) have no relationships (including immediate family relationships) with each other or with the other directors, the Company or its 10% shareholders.

If re-elected, Mr Chin will remain as the Chairman of the Audit Committee. Mr Chin is an independent director.

If re-elected, Dr Teh will remain as a member of the Audit Committee. Dr Teh is an independent director.

Resolution 8 – if passed, will facilitate the payment of directors' fees during the financial year in which the fees are incurred, that is, during the financial year ending December 31, 2015. The exact amount of directors' fees received by each director for the financial year ended December 31, 2014 is disclosed in full in the Supplementary Information section of the Annual Report 2014. Directors and their associates will abstain from voting on Resolution 8.

The amount of the directors' fees is computed based on the anticipated number of board and committee meetings for year 2015, assuming full attendance by all of the non-executive directors. The amount also caters for the appointment of additional non-executive directors (if any) and additional ad-hoc board and committee meetings, and includes travel allowances for overseas non-executive directors. In the event that the amount proposed is insufficient, approval will be sought at the next Annual General Meeting in year 2016 ("**2016 AGM**") before any payments are made to directors for the shortfall.

The current intention is that, as with the directors' fees for year 2014, the directors' fees for the non-executive directors for year 2015 will comprise a cash component and a share component, with up to 30% being paid out in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010. Any such award would typically consist of the grant of fully paid shares outright with no performance or vesting conditions attached, but with a selling moratorium. Under the Directors' Fee Framework, non-executive directors are required to hold shares (including shares obtained by other means) worth S$75,000; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board. See the Corporate Governance Statement in the Annual Report 2014 for more details.

The cash component of the directors' fees for year 2015 is intended to be paid half-yearly in arrears. The share component of the directors' fees for year 2015 is intended to be paid after the 2016 AGM has been held. The actual number of shares to be awarded to each non-executive director holding office at the time of the payment is intended to be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the 2016 AGM (or, if no final dividend is proposed at the 2016 AGM, or the resolution to approve any such final dividend is not approved at the 2016 AGM), over the 14 trading days immediately following the date of the 2016 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. A non-executive director who steps down before the payment of the share component will receive all of his directors' fees for year 2015 (calculated on a pro-rated basis, where applicable) 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 Share 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.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and / or representative(s) to attend, speak and vote at the Annual General Meeting and / or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and / or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and / or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and / or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and / or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 April 28, 2015 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 April 27, 2015 (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 18, 2015.

This page is intentionally left blank.

Glue and seal along the edge

Proxy Form

NOTES TO CPF INVESTORS

1. For investors who have used their CPF moneys to buy shares in the capital of Sembcorp Industries Ltd, this report is forwarded to them at the request of their CPF Approved Nominees and is sent **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.**

Personal Data Privacy

4. By submitting an instrument appointing a proxy(ies) and / or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated March 30, 2015.

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

17th Annual General Meeting

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

or failing him / her, the Chairman of the 17th Annual General Meeting ("17th AGM"), 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 17th AGM of the Company to be held on Tuesday, April 21, 2015 at 11.00 a.m. at The Auditorium, NTUC Centre, Level 7, One Marina Boulevard, Singapore 018989 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 17th AGM. 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 17th AGM.)

	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To adopt the Directors' Report and Accounts		
2.	To declare a final dividend		
3.	To re-elect Bobby Chin Yoke Choong		
4.	To re-elect Dr Teh Kok Peng		
5.	To re-elect Ajaib Haridass		
6.	To re-elect Neil McGregor		
7.	To re-appoint Ang Kong Hua		
8.	To approve directors' fees for financial year ending December 31, 2015		
9.	To re-appoint KPMG LLP as Auditors and to fix their remuneration		
	SPECIAL BUSINESS		
10.	To approve the renewal of the 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

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

BUSINESS REPLY SERVICE
PERMIT NO. 06735

The Company Secretary
Sembcorp Industries Ltd
c/o M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

3rd FOLD

Sembcorp Industries Financial Calendar 2015

February 17, 2015	Announcement of full year results for the year ended December 31, 2014
April 21, 2015	17th Annual General Meeting
April 23, 2015	Ex-dividend date for 2014 final dividend
May 7, 2015*	Announcement of first quarter results for the period ending March 31, 2015
May 18, 2015	Payment of 2014 final dividend
August 4, 2015*	Announcement of half year results for the period ending June 30, 2015
October 29, 2015*	Announcement of third quarter results for the period ending September 30, 2015

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

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