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# BUILDING A GLOBAL COMPANY

*Our vision is to be a global company, a leader in our industry sectors by responsibly operating and excelling in sustainable businesses that support development, improve the quality of life and deliver long-term value and growth.*

With an established presence in 15 countries across six continents, Sembcorp is now in our next phase of growth: that of building a global company.

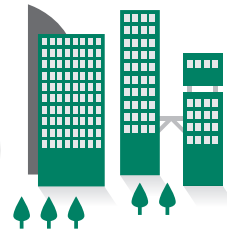
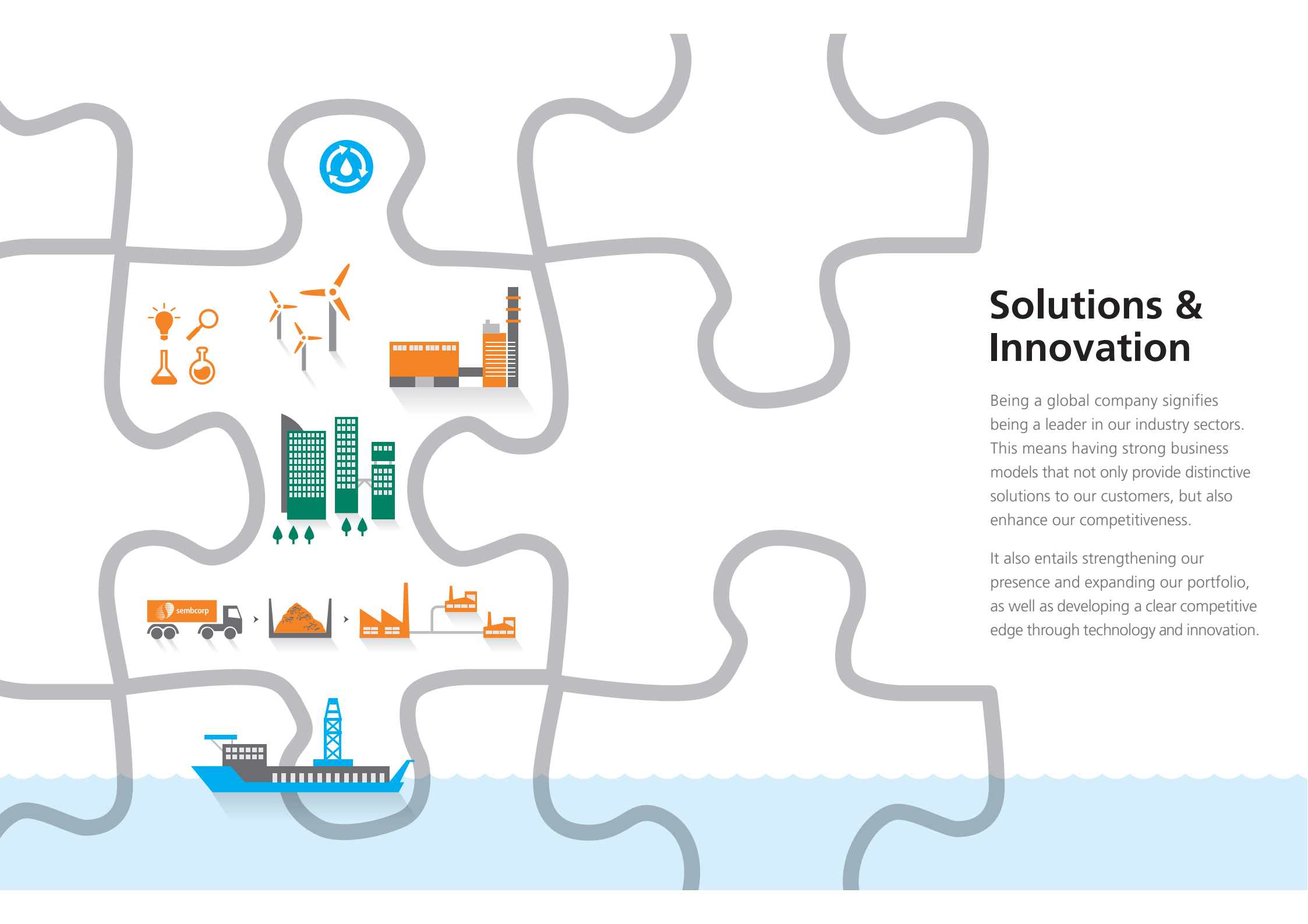
Beyond extending our physical footprint across the globe, this means having talented people and strong capabilities, the right solutions and innovation, and robust governance and discipline across all our businesses. These, to us, are the essential building blocks of Sembcorp as a global company.



## People & Capabilities

Nurturing a deep pool of talent with a global mindset and common culture, built on our company's ethics and core values, is key to growing as a global company.

We are driven by the passion, commitment and strong capabilities of our employees around the world. At the same time, our people are supported by world-class systems and processes that enable us to achieve operational and business excellence, wherever we are.



## Solutions & Innovation

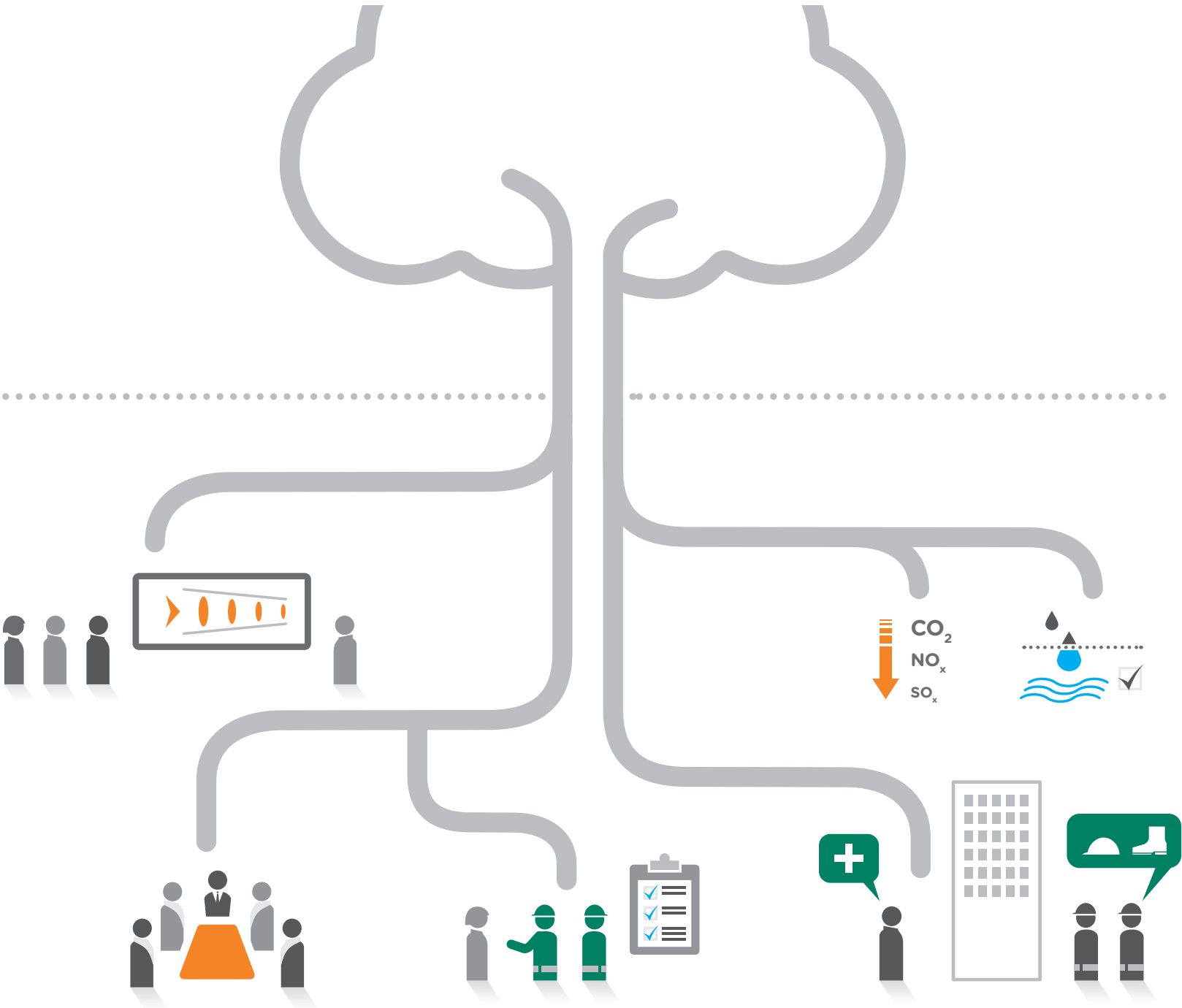
Being a global company signifies being a leader in our industry sectors. This means having strong business models that not only provide distinctive solutions to our customers, but also enhance our competitiveness.

It also entails strengthening our presence and expanding our portfolio, as well as developing a clear competitive edge through technology and innovation.

# Governance & Discipline

We firmly believe in acting with integrity in everything we do and wherever we operate. We are committed to best practice governance, risk management and compliance policies and systems. This forms the foundation of our company. At the same time, we believe in conducting our business responsibly and making a positive contribution to our communities.

Through a disciplined and accountable approach, we build sustainable businesses that are strong and lasting, and that will deliver long-term value and growth.



# LETTER TO SHAREHOLDERS

Dear Shareholders,

Sembcorp delivered a healthy performance in 2014 amid challenging market conditions. Net profit for the year was S\$801.1 million, while turnover stood at S\$10.9 billion. The Group's net profit in 2014 was up 3% from 2013 excluding significant items recorded in 2013. These significant items comprised gains from the initial public offering of Sembcorp Salalah Power and Water Company, offset by an impairment made for utilities operations in the UK and a fair value loss recorded following the reclassification of Gallant Venture as an available-for-sale financial asset. In 2014, our Utilities business recorded S\$408.0 million in net profit, while our Marine and Urban Development businesses contributed S\$340.0 million and S\$44.3 million to the Group's net profit respectively.

The Group's return on equity was 15.2% and our earnings per share amounted to 44.3 cents. Economic value added was a positive S\$524.7 million, while cash and cash equivalents stood at S\$1.7 billion.

For 2014, we are pleased to inform you that the Board of Directors is proposing a final tax exempt one-tier dividend of 11 cents per ordinary share. Together with the interim dividend of 5 cents per ordinary share paid in September, this brings our total dividend for the year to 16 cents per ordinary share.

## Growing Sustainable Businesses

In 2014, our businesses continued to focus on operational excellence, achieved significant milestones in the execution and development of our project pipeline and orderbook, and invested for growth.

**Sembcorp delivered a healthy performance in 2014 amid challenging market conditions. In 2014, our businesses continued to focus on operational excellence, achieved significant milestones in the execution and development of our project pipeline and orderbook, and invested for growth.**

Underpinned by contributions from overseas operations, our **Utilities** business delivered profit growth from underlying operations despite intense competition in Singapore's power market. Strategically positioned in key emerging markets, the business continued to be focused on the successful execution of our projects under development as well as on long-term growth. In 2014, we added 400 megawatts of power and 200 tonnes per hour of steam to our total operating capacity with the completion of our second cogeneration plant in Singapore's Jurong Island petrochemical hub. In addition, in 2015 and 2016, we will add over 3,400 megawatts of power and 1.6 million cubic metres per day of water and wastewater treatment capacity to our operating portfolio. This will bring our global power and water capacity to almost 7,900 megawatts and



Ang Kong Hua, Chairman (right)  
Tang Kin Fei, Group President & CEO (left)

over 9.5 million cubic metres per day in total. This strong pipeline of projects will give us scale and strengthen our capabilities in both thermal and renewable energy, as well as industrial water and wastewater treatment. It will also expand our recurring income base and provide visibility on our prospects for growth.

In China, we continued to focus on growing our energy and water businesses, particularly in our key growth areas of niche power and industrial wastewater treatment. We signed a conditional joint venture agreement for a 49% stake in a RMB6 billion (approximately S\$1.2 billion) mine-mouth coal-fired power project in Chongqing. The project involves the acquisition of an existing 300-megawatt facility and the development of an adjacent greenfield 1,320-megawatt power plant, which will be one of the most efficient power plants in Chongqing upon its completion in 2017. We also achieved a milestone in our industrial water management business with the acquisition of an industrial wastewater treatment plant in Jiangsu province. The industrial wastewater treatment facility in the Lianyungang Lingang Chemical Industrial Park will also be reconfigured and upgraded to ensure compliance with stringent discharge regulations. Supported by the Jiangsu Environment Protection Department, this project is an endorsement of our leading expertise in industrial wastewater treatment and offers a model that can be replicated in other industrial parks across Jiangsu and other provinces.

In India, we made significant progress in strengthening our presence in the country's growing power market. Our first power investment in the country, a 1,320-megawatt supercritical coal-fired project in Andhra Pradesh, synchronised its first 660-megawatt unit to the grid. This unit is expected to begin commercial operation in the first quarter of 2015, while the plant's second 660-megawatt unit

is targeted for completion in the third quarter of 2015. We also invested in a second coal-fired power project in the country, acquiring 49% of another 1,320-megawatt supercritical coal-fired plant on an adjacent site, which is targeted for completion in 2016. With a combined capacity of 2,640 megawatts, these facilities will provide us with a strong operating base in India's thermal power market, while their close proximity offers synergies. Furthermore, we marked our entry into India's fast-growing renewable energy market with the acquisition of a 60% stake in Green Infra, a leading renewable energy group with wind and solar power assets in six states across the southern, western and central regions of the country. The addition of Green Infra will add approximately 700 megawatts of operating assets to Sembcorp's renewable energy portfolio in 2015, with additional assets under development. The acquisition almost triples Sembcorp's renewable energy capacity to over 1,000 megawatts globally. With gas-fired and coal-fired thermal power plants, as well as a renewable portfolio that encompasses wind, solar, biomass and energy-from-waste capabilities, Sembcorp is now well-positioned for growth in both the thermal and renewable energy sectors.

Our **Marine** business delivered creditable results in 2014, despite keen competition. The business' orderbook stood at S\$11.4 billion as at December 31, 2014, with completions and deliveries extending till 2019. This includes S\$4.2 billion in contract orders secured in 2014, excluding repair and upgrade contracts.

Our strategy to offer a broad product offering and enhance competitiveness with the development and ownership of proprietary designs continues to bear fruit. In 2014, we signed contracts to build two drillships worth US\$1.1 billion, with options for three additional units from a subsidiary of US-based Transocean. These contracts for the construction

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of our proprietary Jurong Espadon III drillships are a strong endorsement of our drillship design and execution capabilities.

During the year, we also continued to make progress on our integrated yards in Singapore and Brazil. In Singapore, following the successful completion of the first phase of the Sembmarine Integrated Yard @ Tuas in August 2013, we embarked on the next stage of our masterplan for the yard. On the back of robust demand for the yard's four very large crude carrier drydocks, we began construction for a more than S\$700 million second phase extension to the yard, which includes the addition of three new drydocks that are expected to be completed in 2017. One of these will be a dedicated offshore drydock for the building, upgrade and repair of offshore facilities such as rigs and floating production units. As part of the 34.5-hectare second phase, we are also developing a new state-of-the-art, multi-functional steel fabrication facility that will significantly enhance automation and productivity for our offshore rig building, conversion and production and ship repair businesses. Targeted for completion in 2015, it will serve as the central kitchen for all steel fabrication activities across the

eventual 206-hectare yard. When its second phase extension is completed, the yard, with its total of seven drydocks and advanced steel fabrication facility, will be well-placed to benefit from anticipated growth in demand for modern docking capacity and deliver value-added and cost-competitive solutions to better meet the needs of our growing list of global customers and alliance partners.

In Brazil, we commenced initial operation of our wholly-owned shipyard, Estaleiro Jurong Aracruz. Located close to the rich oil and gas basin of Espirito Santo, one of Brazil's giant pre-salt reservoirs, Estaleiro Jurong Aracruz is situated on an 82.5-hectare site with 1.6 kilometres of coastline. The yard is equipped with advanced facilities, including a new heavy lift floating crane which is the only one of its kind in Brazil. Estaleiro Jurong Aracruz enhances our Marine business' ability to capture opportunities in Brazil's oil and gas exploration and production sector. Expected to be fully completed in 2015, the integrated yard will be equipped to undertake the construction of drillships, semi-submersible and jack-up rigs, platforms and supply vessels, as well as integration and topside modules fabrication for floating production, storage and offloading vessels, in addition to rig repairs, ship repairs and modification and upgrade works.

During the year, the business continued to invest in innovative solutions to support its expansion into new market segments. It acquired SSP Offshore's business assets for US\$21 million, as well as a 12% stake in Norway-based GraviFloat which develops re-deployable, modularised liquefied natural gas and liquefied petroleum gas terminals. SSP Offshore is a Houston-based company that specialises in the design, engineering and delivery of innovative floating production and drilling solutions for the oil and gas industry. With the full range of SSP Offshore's intellectual property and its proprietary designs for satellite services platform floaters,

our Marine business is now able to offer a suite of innovative solutions to cater to customers' diverse operating requirements. In particular, the strategic expansion into circular-based floaters will enable the business to tap on new opportunities and expand its market share in the offshore industry's exploration and production, accommodation and logistics support segments.

Against the backdrop of difficult market conditions, our **Urban Development** business recorded a weaker performance in 2014 compared to 2013. During the year, a total of 140 hectares of land was sold in Vietnam and China. Commitments were also secured from customers for a further 56 hectares of land, bringing the business' net orderbook to date to 198 hectares.

In China, our Sino-Singapore Nanjing Eco Hi-tech Island project saw keen customer interest and positive response to a public land auction held during the year, while our Singapore-Sichuan Hi-tech Innovation Park, located in the central business district of Chengdu's Tianfu New City and within a newly established national-level economic zone, contributed maiden profits in 2014. In Vietnam, a turnaround in investor confidence in the fourth quarter saw encouraging take-up of land, following dampened sentiment in the aftermath of unprecedented riots in the country earlier in the year. In Indonesia, pre-launch interest in our Kendal Industrial Park project in Central Java drew commitments for industrial land, and construction of ready-built factories on the site is slated to commence in 2015.

At present, our Urban Development business has a portfolio of 11 projects spanning more than 10,000 hectares in key emerging markets. The business has over two decades' track record in developing large-scale urban developments. It has attracted over US\$14 billion in direct investments,

as well as more than 700 multinational and leading local corporations as tenants. Going forward, we intend to build on our strong brand name to grow the business. Aside from expanding our orderbook and land bank, we will focus on successfully executing new projects and positioning the business to extract further value through commercial and residential projects at choice sites within our developments.

#### **Building a Global Company**

Sembcorp has always been a company with a long stride. Our continued development for long-term growth and value creation remains an area of strategic focus. Our vision is to be a global company and a leader in our industry sectors by responsibly operating and excelling in sustainable businesses—businesses that support development, improve the quality of life and deliver long-term value and growth. We continue to pursue this vision with vigour. Today, Sembcorp operates in 15 countries across six continents. Focused on the right businesses and strategically positioned in the

**We are now in our next phase of growth: that of building Sembcorp into a global company. This means being a world-class company with the right solutions and innovation to meet the world's growing needs, talented people with a global mindset and strong capabilities, as well as robust governance and discipline across all our businesses.**

right markets, we are now in our next phase of growth: that of building Sembcorp into a global company. To us, this entails more than merely extending our physical footprint across the globe. It means being a world-class company with the right solutions and innovation to meet the world's growing needs, talented people with a global mindset and strong capabilities, as well as robust governance and discipline across all our businesses. We believe that our focus on *People & Capabilities, Solutions & Innovation, and Governance & Discipline*, which form the essential building blocks of a global company, will enable us to achieve this vision.

#### **People & Capabilities**

We recognise that without excellent people and capabilities, no company can sustain exceptional performance over time. At Sembcorp, a key priority is building a deep pool of talent and strong multinational teams to support our growth. To this end, we have drawn up a talent development roadmap. We also employ strategic workforce planning to ensure a capable and motivated workforce that can meet the needs of our businesses, both at present as well as in the future. A global company also has a culture and perspective that transcends the locale where it is headquartered. We have therefore maintained a focus on building a strong company culture founded on our ethics and values and developing perceptive employees with a global mindset. In 2014, we continued to roll out the Sembcorp Competency Framework, comprising functional and core competencies based on our corporate values of *Insight, Integrity and Integral*. This framework is embedded in our performance appraisal systems and learning and development roadmap and will help to equip our employees to be part of a global company.

Deep and strong capabilities, coupled with world-class procedures and systems, are required for us to manage our businesses efficiently and effectively and sustain long-term growth. Some of the capabilities that we have developed over the years received industry recognition in 2014. We were named Asia's Leading Private Sector Developer by Project Finance International (PFI) in its inaugural PFI Asia Best Practice citations, a strong endorsement of our capabilities in the development of large-scale energy and water projects. In addition, we were named the Leader in Wastewater Treatment for Chemical Industrial Parks by ChinaWaterNet at the China Water Industry Annual Award 2013 ceremony. Nevertheless, we recognise that more needs to be done. During the year, we drew up a comprehensive roadmap to develop capabilities that will enable us to drive our growth as a global utilities business. For all aspects of the business, ranging from business development and commercial activities, to project development and asset management, as well as business support and resourcing, we systematically and strategically analysed and planned for the development of capabilities needed to transform the business into a global one. From international databases to standardised practices and development of specialised capabilities, we believe that such capability development is the cornerstone of our long-term competitiveness. For example, in 2014, we embarked on the development of the Sembcorp Global Asset Management System, which will put Sembcorp at the forefront of using predictive analytics and predictive maintenance in the operation of utilities plants. This advanced system will allow us to leverage global knowledge and experience to drive operational excellence, and optimise our assets around the world to achieve better reliability, availability and cost competitiveness.



### Solutions & Innovation

In each of our businesses, we have developed and will continue to build on strong business models that meet the evolving needs of our customers. In today's volatile economic environment, be it in the utilities industry, marine & offshore sector or urban development market, we know that our strong business models are key to our ability to create value and sustain growth in the long term.

We also recognise that at the heart of the best companies are industry-leading solutions. We are therefore strengthening our emphasis on technology and innovation, to enable us to offer the best solutions to our customers, sharpen our competitive edge and drive greater efficiency. Our new Sembcorp Technology & Innovation Centre on Jurong Island is testament to these efforts. Comprising laboratories and applied research and development (R&D) facilities, it is a centre for the development and integration of innovative processes and the commercialisation of emerging technologies.

In addition, we continue to engage with industry partners, research bodies and stakeholders to work together for innovative solutions. In 2014, we jointly launched the S\$10 million Sembcorp-EMA Energy Technology Partnership with Singapore's Energy Market Authority (EMA) to support the development and commercialisation of new technologies for the energy sector. We are also working with the National University of Singapore on R&D relevant to our businesses, and have earmarked seven projects for joint research over the next few years in areas including energy, water and modular construction. Likewise, our Marine business' GraviFloat and SSP Offshore acquisitions exemplify our commitment to access, develop, integrate and apply technological advances to enhance our competitive advantage for the future.

### Governance & Discipline

Last but not least, for a company to generate lasting value for all our stakeholders, high standards of governance and integrity are essential. At Sembcorp, we believe that good governance is a source of competitive advantage and the foundation of value protection and creation when it is a living process, integrated into the business and part and parcel of the company's DNA. Sembcorp has a group-wide code of business conduct, and we commit to uphold the highest ethical practices and governance standards in all our dealings, across all countries we operate in. We aim to be a best-in-class organisation in governance, risk management and compliance practices. We believe this helps us preserve and maximise shareholder value.

Our commitment to be a responsible, ethical business also encompasses a high priority on health and safety management and good environmental practices. We are determined to strive for continuous improvement in this regard. In 2014, we stepped up efforts to build a stronger, more pervasive safety culture and to ensure responsible and safe operations, including during the construction phase of our projects. We developed a comprehensive plan to strengthen our management and governance of health and safety, which will be implemented across our global operations. This includes the introduction of Safe Operation Committees as well as a validation and verification process to enhance the monitoring of compliance.

### A Note of Welcome and of Thanks

On behalf of the board, we would like to take this opportunity to record our thanks and deep appreciation to Goh Geok Ling and Evert Henkes, who have indicated that they will be retiring from the board at our forthcoming annual general meeting and will not be seeking re-appointment.

**We are confident that Sembcorp has what it takes to stay the course and achieve its vision of being a global company, one that will deliver long-term value and growth to our shareholders, customers, employees, partners and communities for years to come.**

An independent director of Sembcorp Industries for almost 15 years, Mr Goh's immense contributions to the Sembcorp Group include serving as a member of our board's Executive Committee, Executive Resource & Compensation Committee and Nominating Committee. He also served as Chairman of Sembcorp Marine between 2006 and 2014. In his close to 11 years as an independent director, Mr Henkes has also contributed invaluablely to Sembcorp, not least as the chairman of our board's Risk Committee and as a member of the Audit Committee. As two of our longest serving directors, Mr Goh and Mr Henkes have had a substantial impact on the board and the company. We shall miss their insight and wisdom.

In addition, we would like to welcome Ajaib Haridass and Neil McGregor, who joined our board as directors and members of the Risk Committee on May 1, 2014. Mr Haridass is a respected maritime law specialist, with over three decades of experience in shipping, commercial and banking law. Mr McGregor brings to Sembcorp 40 years of expertise in capital markets and the energy and infrastructure sectors, as well as experience in markets across Europe, Asia and Oceania. They are valuable additions to our board and we warmly welcome them.

During the year, Sembcorp's efforts towards excellence in governance did not go unnoticed. At the 2014 Singapore Corporate Awards, we received gold awards for Best Managed Board and Best Annual Report in the category of companies with S\$1 billion and above in market capitalisation. Group President & CEO, Tang Kin Fei, was also named Singapore's Best Chief Executive Officer in the same category. We are humbled to receive these awards, which spur us on to work harder.

Sembcorp's continued strength owes much to the commitment and expertise of our worldwide staff and management team. On behalf of the board, we would like to thank them. We would also like to thank our customers, partners and shareholders for their support and continued trust in us.

Despite the challenges of a low oil price environment and a mixed global economic outlook, we remain confident of Sembcorp's future. Our will is strong, our strategy is sound and our company is on the right track. With the guidance of our board, the dedication and talent of our staff and the support of our stakeholders, we are confident that Sembcorp has what it takes to stay the course and achieve its vision of being a global company, one that will deliver long-term value and growth to our shareholders, customers, employees, partners and communities for years to come.



**Ang Kong Hua**  
Chairman  
February 17, 2015



**Tang Kin Fei**  
Group President & CEO  
February 17, 2015

# KEY FIGURES & HIGHLIGHTS

## SHAREHOLDERS

### NET PROFIT

Underpinned by strong businesses

**S\$801 million**

↑ 3% excluding significant items

### TURNOVER

Delivering healthy performance

**S\$10.9 billion**

↑ 1%

### RETURN ON EQUITY

Delivering double-digit returns

**15.2%**

### DIVIDENDS

Paying consistent and sustainable dividends

**16 cents**

Total dividend per ordinary share

## GOVERNMENT & REGULATORS

Ranked



on the Governance & Transparency Index 2014  
out of 644 Singapore-listed companies

Winner of **Gold** Award for



**Best Managed Board**  
**Best CEO**  
**Best Annual Report**

at the Singapore Corporate Awards 2014  
for companies with S\$1 billion and above in market capitalisation

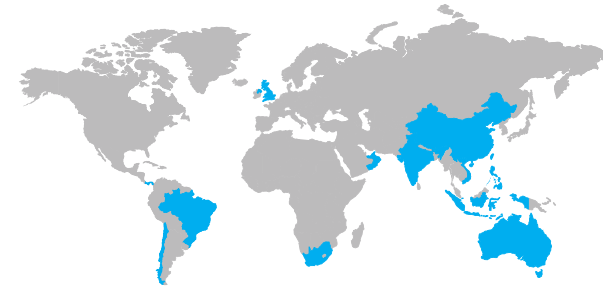
## EMPLOYEES

**8,000**

across our Group worldwide



## CUSTOMERS & INDUSTRY PARTNERS



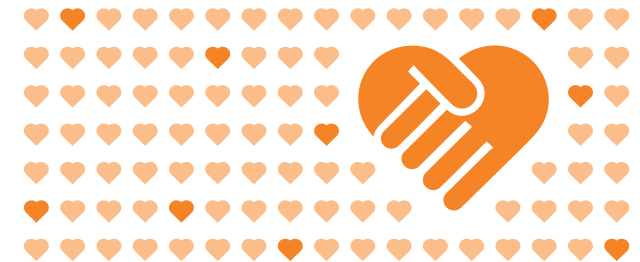
Vital partners to customers across

**15** countries in  
**6** continents

## COMMUNITY

**S\$5.7 million**

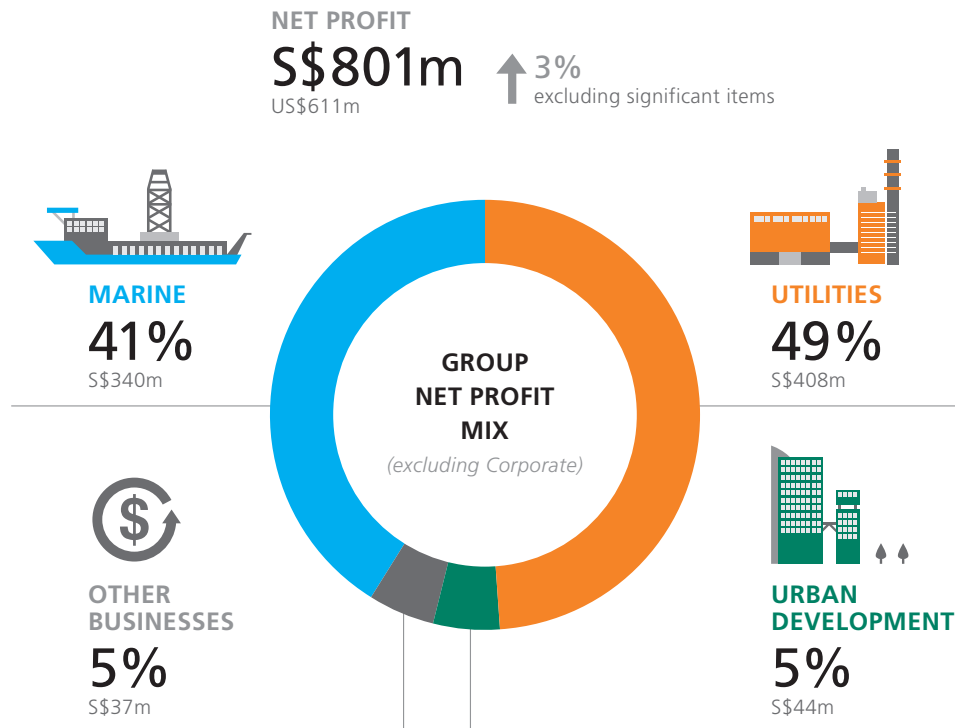
in charitable contributions and community investments by the Group across our global operations



# SEBNCORP AT A GLANCE

## WHO WE ARE

Sembcorp Industries is a leading energy, water and marine group operating across six continents worldwide. With facilities of almost 7,900 megawatts of gross power capacity and over nine million cubic metres of water per day in operation and under development, Sembcorp is a trusted provider of essential energy and water solutions to both industrial and municipal customers. It is also a world leader in marine and offshore engineering, as well as an established brand name in urban development.



Including Corporate, contribution from Utilities, Marine, Urban Development and Other Businesses would be 51%, 42%, 6% and 5% respectively.

## SEBNCORP UTILITIES

100%

### Overview

- A leading developer, owner and operator of energy and water assets with strong operational, management and technical capabilities
- Operations in 14 countries with an established presence in Asia and a strong growing presence in emerging markets
- Strong track record in generating and supplying power, steam and natural gas, and providing total water and wastewater treatment solutions for industries and water-stressed regions
- Global leader in the provision of energy, water and on-site logistics to multiple industrial site customers

### Utilities FY2014 Key Figures

TURNOVER  
**S\$4.9bn** US\$3.7bn

PFO  
**S\$522m** US\$398m

NET PROFIT  
**S\$408m** US\$311m

## SEBNCORP MARINE

61%\*

### Overview

- A leading global marine & offshore engineering group, offering a full spectrum of integrated solutions from ship repair, specialised shipbuilding, ship conversion, rig building and repair to offshore engineering and construction
- Proven capabilities in managing complex turnkey projects, and delivering timely and innovative solutions
- Global network of yards strategically located in Singapore, Brazil, Indonesia, India, the UK and China
- Development and ownership of proprietary designs and technology for rigs, drillships, as well as floating production and drilling solutions

### Marine FY2014 Key Figures\*\*

TURNOVER  
**S\$5.8bn** US\$4.4bn

PFO  
**S\$718m** US\$548m

NET PROFIT  
**S\$560m** US\$427m

## SEBNCORP DEVELOPMENT

100%

### Overview

- Over 20 years' track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments
- Significant land bank of integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

### Urban Development FY2014 Key Figures

TURNOVER  
**S\$7.0m** US\$5.3m

PFO  
**S\$47m** US\$36m

NET PROFIT  
**S\$44m** US\$34m

\* As at December 31, 2014. Shareholding figures are calculated based on the number of issued ordinary shares excluding treasury shares.

\*\* Figures taken at Sembcorp Marine level

**HOW WE CREATE VALUE**  
Our Value Creation Process

INPUTS

 Financial Capital

e.g. cash flow from operations, internal funds and external short-term and long-term financing

 Human Capital

e.g. people with deep knowledge and strong capabilities, and employees who embody the Sembcorp culture

 Social and Relationship Capital

e.g. relationships with stakeholders and Sembcorp's brand and values

 Manufactured Capital

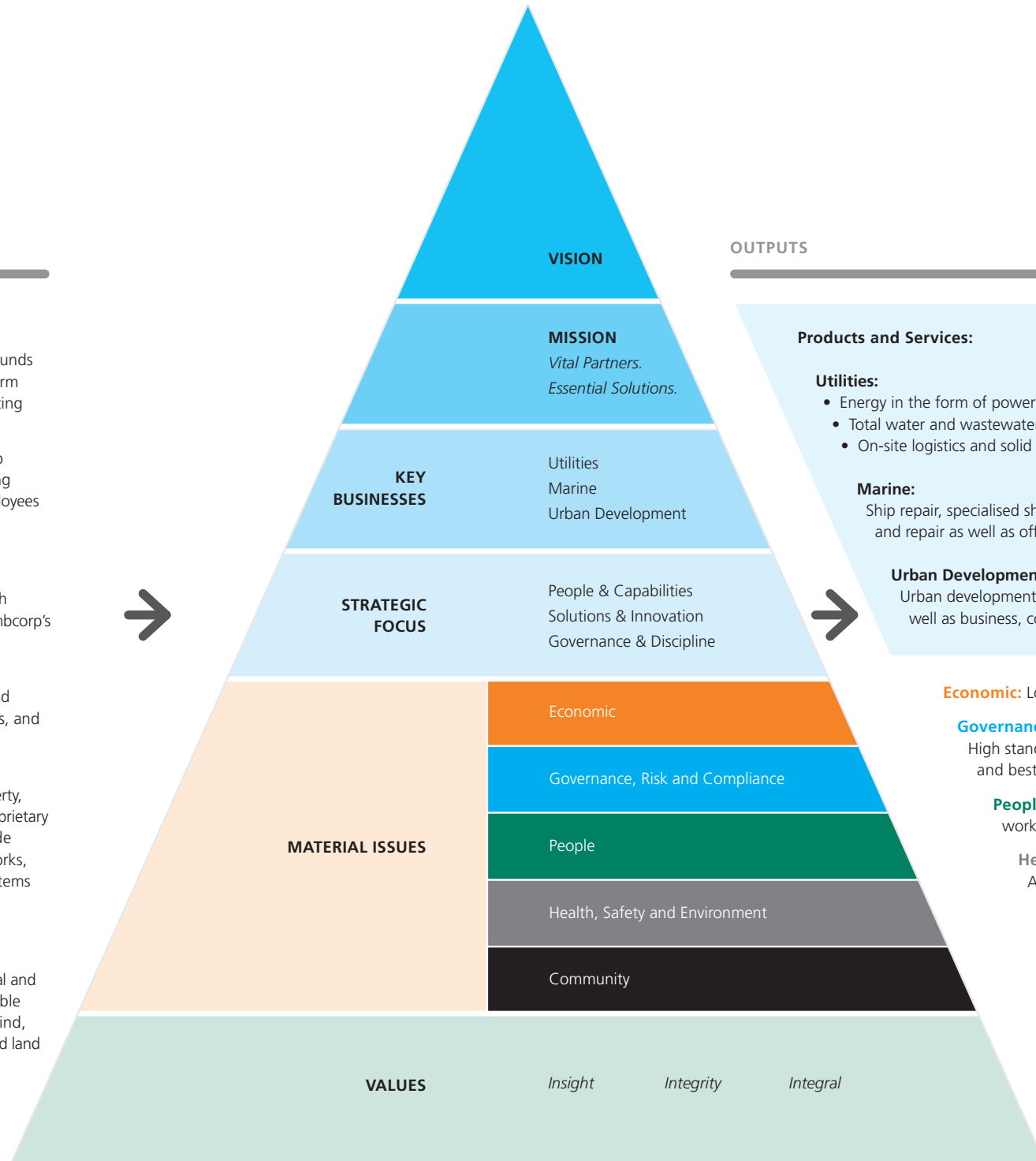
e.g. energy, water and other utilities facilities, and shipyards

 Intellectual Capital

e.g. intellectual property, technologies and proprietary solutions, group-wide policies and frameworks, and standardised systems and processes

 Natural Capital

e.g. thermal energy resources (such as coal and natural gas), renewable resources (such as wind, solar and biomass) and land



OUTPUTS

**Products and Services:**

**Utilities:**

- Energy in the form of power and steam, and natural gas
- Total water and wastewater treatment solutions
- On-site logistics and solid waste management

**Marine:**

Ship repair, specialised shipbuilding, ship conversion, rig building and repair as well as offshore engineering and construction

**Urban Development:**

Urban developments comprising industrial parks as well as business, commercial and residential space

**Economic:** Long-term value and growth

**Governance, Risk and Compliance:** High standards of behaviour and integrity and best-in-class governance practices

**People:** A fair, diverse and inclusive workplace, and a deep pool of talent

**Health, Safety and Environment:** A workplace culture that encompasses sound and practical health and safety management, as well as good environmental practices

**Community:** A positive contribution to our communities through supporting development and improving the quality of life

**Vision**

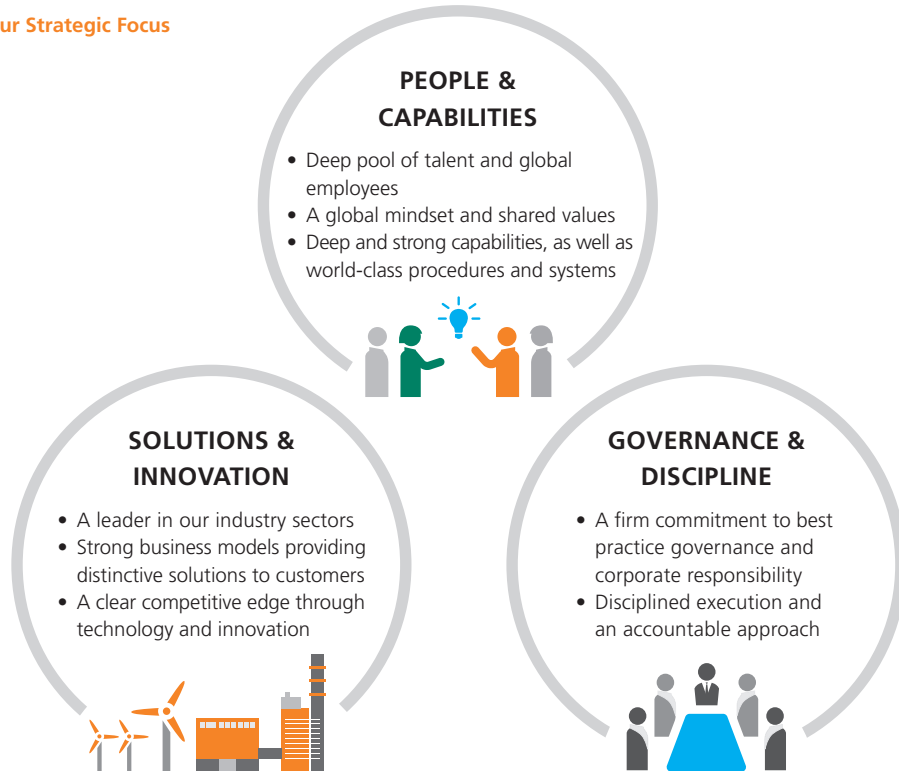
To be a global company, a leader in our industry sectors by responsibly operating and excelling in sustainable businesses that support development, improve the quality of life and deliver long-term value and growth.

**Mission**

***Vital Partners. Essential Solutions.***

As a vital partner to our customers, we leverage our group strength and sector expertise to deliver essential solutions that enable them to do their business better or improve the quality of life. In partnership with our stakeholders, we build sustainable businesses that deliver long-term growth and create value for all—our customers, employees, shareholders, partners and communities in which we operate.

**Our Strategic Focus**



**Our Strategy At A Glance**



**UTILITIES**

- Expand our global presence in key markets and rapidly developing economies
- Grow our energy business with a balanced portfolio of thermal and renewable energy assets, expand our water portfolio by building on our expertise in total water management, and leverage leadership in multi-utilities for industrial sites
- Build new capabilities to enhance competitiveness

**MARINE**

- Expand into new businesses to capture existing and growth markets
- Enhance competitiveness through technology and innovation, including the development and ownership of proprietary designs
- Leverage strong track record for quality and on-time delivery to strengthen our position as one of the leading players in the global market

**URBAN DEVELOPMENT**

- Leverage our core competency in transforming raw land into self-sufficient urban developments
- Build on our strong branding to attract high quality local and international investments to our urban developments
- Enhance value of our land bank, such as through the development of commercial and residential real estate at choice sites

## WHAT GUIDES US

### Our Values

At the core of how Sembcorp operates are our three values: **Insight**, **Integrity**, and **Integral**. Our values are translated into day-to-day action and practical behaviour through our group-wide policies and frameworks, creating within Sembcorp a common culture founded on these values.



#### INSIGHT

We excel as solution providers, pioneering and innovating in all our businesses.

We solve problems with real understanding, applying our expertise for best results.



#### INTEGRITY

We maintain the highest levels of integrity at personal and corporate levels. This underpins everything we do.

We can be trusted to deliver quality and reliability.



#### INTEGRAL

We are an integrated business, a unified brand that always delivers on what we promise.

We seamlessly provide essential solutions that enhance the quality of life and help our customers to carry out their businesses better. This makes us integral to the success of our customers.

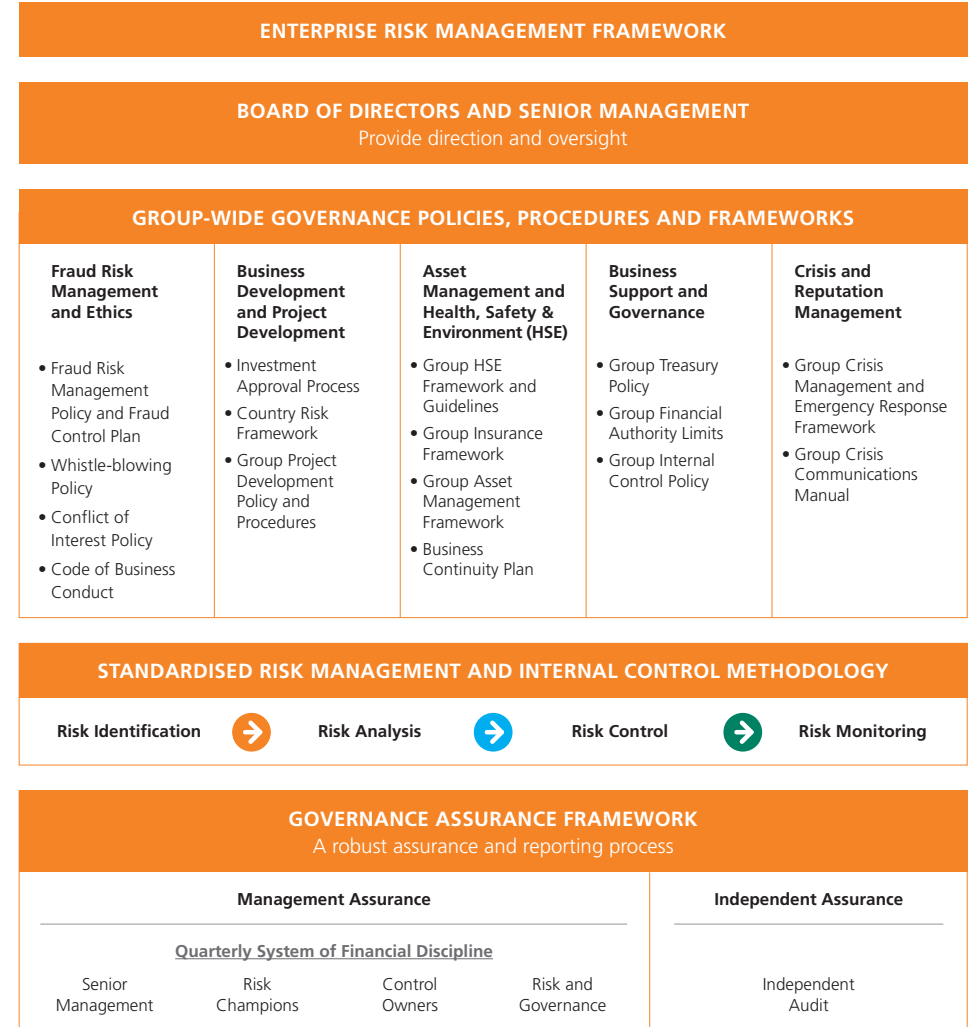
### Code of Business Conduct and Policies

We are guided by well-defined policies, frameworks and a code of business conduct, which express the high standards of behaviour and integrity that the company requires from our employees worldwide. These cover all facets of business and personal conduct across the Group, from governance, risk and compliance matters to ethics and employee conduct.

### Sembcorp Core Competency Framework

Sembcorp's core competency framework is based on our values of **Insight**, **Integrity** and **Integral** and spells out the competencies and behaviours expected of a Sembcorp employee. The framework is deployed through recruitment, assessment, development and career progression, promoting transparency in what is expected of every Sembcorp employee.

### Our Governance Structure



# INTERVIEW WITH THE GROUP PRESIDENT & CEO

2014 was a year marked by an increasing focus on Sembcorp's overseas businesses, as well as low power prices in our home market, Singapore. Sembcorp Group President & CEO, Tang Kin Fei, shares his views on the business environment in 2014, and the opportunities and plans ahead for Sembcorp.



Tang Kin Fei  
Group President & CEO

**There has been much concern this year about the power market in Singapore. What are your views on this?**

There is no doubt that the Singapore power market is challenging at this moment. The increase in more efficient generation capacity and overcommitment in gas supply have intensified competition and placed downward pressure on margins for all power generation companies in Singapore. Nevertheless, margins are expected to improve as demand for power in the country increases, although this will take some time.

The power business accounts for about 20% of our Singapore Utilities net profit. We also have income from our natural gas importation business as well as our industrial water and wastewater treatment, on-site logistics and solid waste management businesses. In addition, we have contributions from our overseas operations which currently comprise about half of Utilities' profit. As a whole, our Utilities business delivered profit growth from its underlying operations in 2014.

Looking ahead, we believe that there are good prospects for long-term growth. We have a strong pipeline of energy and water projects coming

onstream in 2015 and 2016, and will continue to actively pursue new growth opportunities in our target markets overseas.

**What are Sembcorp's plans in the coming years?**

Overseas growth is a key focus for our Utilities business, especially in emerging growth markets. We have a strong track record in developing, owning and operating energy and water projects in these markets, and we aim to extend our global presence to grow our overseas income contribution.

We also plan to continue leveraging our strong project development capabilities and successful "developer model"<sup>1</sup> to create value. This could be through the sell-down of our stakes in large-scale projects upon their successful completion, such as when we sold down our stake in Sembcorp Salalah Power and Water Company through an IPO in Muscat in 2013.

Through our efforts, we have a significant pipeline of Utilities projects that will add over 3,400 megawatts and 1.6 million cubic metres per day to our operating capacity in 2015 and 2016, bringing our total power and water capacity to almost 7,900 megawatts and over 9.5 million cubic metres per day respectively. Our focus is to ensure the smooth execution of this pipeline of projects, while at the same time, deepen our foothold in existing geographies and prudently expand into emerging growth markets by securing new opportunities.

In terms of the marine and offshore sector, it's obviously a challenging time for all players with the current low oil price environment. However, we believe that our Marine business, with its modern and efficient facilities and talent pool, has what it takes to remain competitive.

The Sembmarine Integrated Yard @ Tuas, where our existing Singapore yards will be progressively consolidated into, has positioned us well. It allows for higher productivity, faster turnaround and better use of resources with its intelligent design that maximises work efficiency. In addition, it has opened up new customer segments for the business as we are able to better provide value-added and cost-competitive solutions. With the second phase development that we are embarking on, there will be more state-of-the-art facilities which will allow us to cater to an even broader range of vessels and customers.

In the meantime, we will continue with our efforts to expand our Marine business into new market segments and invest in technology and solutions to aid our expansion. We believe that the broad product offering that we have built up over the years and our investments in proprietary designs and technology will help us stay ahead of the curve and remain competitive in the long term.

For our Urban Development business, we believe there are opportunities to extract more value from our existing land bank and expand our land bank in the emerging markets where our customers are going to. In addition, we will continue to enhance our business model so that we have the agility to seize new opportunities and achieve quicker growth.

The overarching goal of all these plans is of course to develop sustainable businesses that will deliver long-term value and growth. To this end, we have also focused our efforts on building Sembcorp into a global company, and have embarked on initiatives to develop a wide range of capabilities to achieve this vision.

<sup>1</sup> Sembcorp's "developer model" encompasses the identification, acquisition, financing and execution of large-scale greenfield projects, particularly in emerging growth markets.

**You mentioned overseas growth for the Utilities business. Where do you see the best growth opportunities?**

We certainly see growth opportunities in rapidly developing economies where there is increasing demand for our energy and water solutions due to industrialisation and urbanisation.

In particular, we focus on emerging growth markets within a 10-hour flight radius of Singapore in which we have existing beachheads. Our presence in these markets gives us a greater knowledge of the market environment, enabling us to expand our presence and offerings there.

For instance, in China, we have a strong presence in the industrial water and wastewater treatment sector. Our focus will continue to be on this sector, where we see greater interest in improving industrial wastewater discharge standards and increasing water reuse given the emphasis on environmental protection and conservation in China's 12<sup>th</sup> Five-year Plan. With Sembcorp's market leadership in this niche segment<sup>2</sup>, this renewed focus brings opportunities for us. For instance, we have partnered with the Jiangsu Environment Protection Department to upgrade and transform an existing facility within the Lianyungang Lingang Chemical Industrial Park to ensure compliance with stringent discharge regulations. We hope to replicate this model in other chemical industrial sites in Jiangsu and other provinces.

At the same time, renewable energy and other new energy resources have been earmarked as key areas for development under the 12<sup>th</sup> Five-year Plan. In view of this, we are also looking to further expand our renewable energy footprint in China with our partner, Guohua. On the thermal energy

front, we will focus on niche sectors in the country, such as competitive mine-mouth coal-fired power plants. We are excited about our partnership with Chongqing Energy Investment Group for a mine-mouth coal-fired power project in Chongqing.

In India, there are immense opportunities in the power market given the growing power shortage in the country. In addition, environmental awareness in India is increasing, with strong support from the new government for renewable energy. Our recent acquisition of Green Infra, a renewable energy company in India with a 700-megawatt asset portfolio, has given us a platform to grow our renewable power business in India. We now have the capabilities to develop, own and operate assets in both the thermal and renewable energy sectors in the country. This will place Sembcorp in a good position to grow our energy business in India.

**Tell us more about your plan to grow the renewable energy business and your rationale behind it.**

Our strategy to grow our renewable energy business is driven by the aim of having a balanced portfolio of thermal and renewable energy assets. In light of the growing environmental concerns, we believe that the exposure to potential carbon taxation will rise as we expand our energy portfolio. Growing our renewable energy portfolio, and thereby having a balanced portfolio of energy assets, will boost our carbon readiness and better position us for further growth in the energy sector.

For instance, our recent acquisition of Green Infra, a reputable renewable energy company in India with strong capabilities and an experienced team, will help accelerate our growth in the

**While the journey to be a global company will not be an overnight one, I am confident that we are on the right track to propel Sembcorp in its next phase of growth.**

renewable energy sector not only in India, but also globally. Our renewable energy capabilities will also broaden to include solar energy, in addition to our existing portfolio of wind power, biomass energy and energy-from-waste assets. Together with our renewable energy assets in China, Singapore and the UK, our renewable energy capacity will almost triple to over 1,000 megawatts, amounting to about 14% of our total power portfolio.

**Why is building a global company the way forward for Sembcorp?**

A global company is not just one with an operational presence across the globe, but also one with talented people and strong capabilities, the right solutions and innovation, and robust governance and discipline across all its businesses. To us, these factors are the essential building blocks of a global company, and are fundamental to long-term success on an international scale.

Now that we have an established presence in 15 countries across six continents, our next step is to build Sembcorp into a truly global company.

To sustain long-term growth and manage global assets, we recognise that deep and strong

capabilities as well as world-class procedures and systems are critical. To this end, in 2014, we drew up a comprehensive roadmap to deepen our capabilities across all facets of our business and organisation, from business development and project development to asset management and business support functions.

In addition, we need to have strong business models with industry-leading solutions to compete on a global scale. We have been looking at initiatives to sharpen our competitiveness across the Group, such as the increased application of technology and innovation. Our new Sembcorp Technology & Innovation Centre on Jurong Island and our development of the advanced Sembcorp Global Asset Management System are prime examples of our efforts on this front.

As we continue to expand our presence internationally, there is also a need to have a strong team of people who not only have the capabilities to succeed and grow our business overseas, but also embody the Sembcorp culture and exemplify our core values. Last but not least, we continue to focus our efforts on ensuring that we have a robust system of governance, wherever our operations may be.

In the recent years, we have already been taking steps to build these areas within Sembcorp. While the journey to be a global company will not be an overnight one, I am confident that we are on the right track to propel Sembcorp in its next phase of growth. With these building blocks in place, Sembcorp will be well-positioned to grow globally and deliver sustainable value in the long term.

<sup>2</sup> Sembcorp was named "Leader in Wastewater Treatment for Chemical Industrial Parks" at ChinaWaterNet's prestigious China Water Industry Annual Award 2013.



# BOARD OF DIRECTORS



**ANG KONG HUA**  
Chairman  
Non-executive & Independent Director



**TANG KIN FEI**  
Group President & CEO



**TAN SRI MOHD HASSAN MARICAN**  
Non-executive & Independent Director



**THAM KUI SENG**  
Non-executive & Independent Director



**GOH GEOK LING**  
Non-executive & Independent Director



**EVERT HENKES**  
Non-executive & Independent Director



**DR TEH KOK PENG**  
Non-executive & Independent Director



**AJAIB HARIDASS**  
Non-executive & Independent Director



**BOBBY CHIN YOKE CHOONG**  
Non-executive & Independent Director



**MARGARET LUI**  
Non-executive & Non-independent Director



**NEIL MCGREGOR**  
Non-executive & Non-independent Director

**ANG KONG HUA****Chairman****Non-executive & Independent Director***Appointed February 26, 2010*

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

A well-known corporate figure in Singapore, Mr Ang brings to Sembcorp many years of rich experience in the manufacturing and services sectors, including the chemicals, electronics, engineering and construction sectors. Currently, he serves on the board of the Government of Singapore Investment Corporation (GIC), which manages Singapore's external reserves, as well as the board of Southern Steel.

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

Past directorship in listed companies and major appointments 2012–2014:

- Global Logistic Properties

**TANG KIN FEI****Group President & CEO***Appointed May 1, 2005*

Mr Tang is Group President & CEO of Sembcorp Industries. He also sits on the board of Sembcorp Marine, a listed subsidiary of Sembcorp Industries, as a non-executive director.

With more than 25 years at Sembcorp, Mr Tang is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents.

Mr Tang is an executive committee member and Vice Chairman of the Singapore Business Federation's council, as well as a council member of the Singapore Chinese Chamber of Commerce & Industry. He serves on several China-Singapore and Middle East-Singapore business councils and is a director and member of the governing board of the Cambridge Centre for Advanced Research in Energy Efficiency in Singapore, a research centre set up by the University of Cambridge in collaboration with Singapore universities and the National Research Foundation to study carbon assessment and abatement for the petrochemical industry. Mr Tang sits on the board of the Defence Science and Technology Agency of Singapore, chairs the college advisory board of Nanyang Technological University's College of Engineering and is also Council Chairman of Ngee Ann Polytechnic. In addition, he is Vice Chairman and a trustee of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

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

**GOH GEOK LING****Non-executive & Independent Director***Appointed May 3, 2000*

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

He brings to Sembcorp many years' rich experience spanning the electronics, energy, marine as well as finance sectors and formerly chaired the boards of Sembcorp Marine and Tuas Power.

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

Past directorships in listed companies and major appointments 2012–2014:

- Nanyang Technological University
- Sembcorp Marine

**EVERT HENKES****Non-executive & Independent Director***Appointed April 30, 2004*

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

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

Mr Henkes holds a BSc from Cornell University, USA.

Past directorships in listed companies and major appointments 2012–2014:

- Outokumpu
- Tate & Lyle
- TNK-BP

**BOBBY CHIN YOKE CHOONG****Non-executive & Independent Director***Appointed December 1, 2008*

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

Mr Chin was the managing partner of KPMG Singapore for 13 years until his retirement in 2005. He is a member of the Singapore Council of Presidential Advisers and sits on the boards of AV Jennings, Singapore Telecommunications, Ho Bee

Land, Yeo Hiap Seng and Temasek Holdings. He is also Chairman of NTUC Fairprice Co-operative and NTUC Fairprice Foundation, Deputy Chairman of NTUC Enterprise Co-operative and a board member of the Singapore Labour Foundation.

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

Past directorships in listed companies and major appointments 2012–2014:

- Neptune Orient Lines
- Singapore Totalisator Board
- Competition Commission of Singapore
- Oversea-Chinese Banking Corporation

**MARGARET LUI****Non-executive & Non-independent Director***Appointed June 1, 2010*

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

She is Chief Executive Officer of Azalea Asset Management and serves on the board of Singbridge Holdings. In addition, she also chairs the PSA Marine Supervisory Committee and is a member of Singapore Institute of Technology's Investment Committee.

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

Past directorships in listed companies and major appointments 2012–2014:

- Singbridge International Singapore
- Singapore Cruise Centre

### TAN SRI MOHD HASSAN MARICAN

**Non-executive & Independent Director**

*Appointed June 16, 2010*

Tan Sri Mohd Hassan Marican is an independent director and serves on the board's Executive Resource & Compensation Committee and Nominating Committee. He is Chairman of Sembcorp Marine, a listed subsidiary of Sembcorp Industries.

Formerly President & CEO of Malaysia's Petrolia Nasional (PETRONAS) from 1995 until his retirement in February 2010, Tan Sri Mohd Hassan Marican brings to the board over 30 years' experience in the energy sector, as well as in finance and management. He is Chairman of Singapore Power, Pavilion Energy, Pavilion Gas and Lan Ting Holdings and a director of the Regional Economic Development Authority of Sarawak, Sarawak Energy, Lambert Energy Advisory and MH Marican Advisory. He is also a senior international advisor at Temasek International Advisors.

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

Past directorship in listed companies and major appointments 2012–2014:

- ConocoPhillips

### THAM KUI SENG

**Non-executive & Independent Director**

*Appointed June 1, 2011*

Mr Tham is an independent director and a member of the board's Audit Committee.

Formerly Chief Corporate Officer at CapitaLand, Mr Tham brings to the board a strong background

in management in various industries, including a decade's experience in the real estate sector.

Currently, Mr Tham is a director on the boards of Banyan Tree Holdings, Global Logistic Properties, The Straits Trading Company, Maxwell Chambers, Straits Real Estate and Sembcorp Properties. He is also a board member of the Housing & Development Board and Singapore Land Authority, as well as a corporate advisor at Temasek International Advisors.

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

Past directorships in listed companies and major appointments 2012–2014:

- Raffles Medical Group
- CapitaLand China Holdings
- SPI (Australia) Assets

### DR TEH KOK PENG

**Non-executive & Independent Director**

*Appointed October 15, 2012*

Dr Teh is an independent director and a member of the board's Audit Committee and the Technology Advisory Panel.

He is Chairman of Ascendas and a board member of Oversea-Chinese Banking Corporation and China International Capital Corporation. In addition, he is a director of the National University of Singapore and the S Rajaratnam Endowment. Previously, Dr Teh served as Advisor to GIC's Group Executive Committee and as Chairman of GIC's China Business Group. He was also formerly President of GIC Special Investments, Deputy Managing Director at GIC, Deputy Managing Director at the Monetary Authority of Singapore and an economist at the World Bank.

Dr Teh holds a First Class Honours degree in Economics from La Trobe University, Australia and

a PhD in Economics from the University of Oxford. He also completed the Advanced Management Programme at Harvard Business School.

Past directorships in listed companies and major appointments 2012–2014:

- GIC Special Investments
- Urban Redevelopment Authority
- Lee Kuan Yew School of Public Policy

### AJAIB HARIDASS

**Non-executive & Independent Director**

*Appointed May 1, 2014*

Mr Haridass is an independent director and a member of the board's Risk Committee. He is also an independent director at Sembcorp Marine and chairs its board's risk and nominating committees.

With more than 38 years of legal experience, Mr Haridass specialises in maritime law and deals with commercial and banking litigation. Currently a consultant with Haridass Ho & Partners, a legal firm he founded in 1985, Mr Haridass is a panel member of the Singapore International Arbitration Centre and the Singapore Chamber of Maritime Arbitration, an accredited mediator of the Singapore Mediation Centre, as well as a referee of the Small Claims Tribunal of the State Courts of Singapore (formerly known as the Subordinate Courts). He is a Commissioner for Oaths, a Notary Public and a Justice of the Peace. He is also the lead independent director of Nam Cheong.

Mr Haridass holds a Bachelor of Laws (Honours) degree from the University of London and qualified as a Barrister-at-Law at the Honourable Society of the Middle Temple in London.

### NEIL MCGREGOR

**Non-executive & Non-independent Director**

*Appointed May 1, 2014*

Mr McGregor is a non-independent director and a member of the board's Risk Committee.

He brings to the board 40 years of expertise in capital markets and the energy and infrastructure sectors, as well as experience in markets across Europe, Asia and Oceania.

Mr McGregor is a director of Singapore LNG Corporation, Clifford Capital, Certis CISCO Security and the National University of Singapore's Energy Studies Institute. He is Senior Managing Director of Temasek Holdings' Enterprise Development Group and also a Fellow of the Singapore Institute of Directors.

Mr McGregor holds a BEng (Honours) from the University of Auckland, an MBA in International Finance from the University of Otago, New Zealand, and has completed the Advanced Management Programme at INSEAD.

# TECHNOLOGY ADVISORY PANEL

Sembcorp's Technology Advisory Panel advises the company on technological developments in line with its growth strategies.

The panel oversees the application of significant emerging and potentially disruptive technologies to enhance Sembcorp's position as a leading energy and water company, and ensures the appropriate management of specialised research and development projects and systems for intellectual property creation and protection. In addition, the panel reviews and approves the vision and strategy for technology developments at Sembcorp, including projects or technologies identified for research and development, and advises Sembcorp's leadership on technological trends and opportunities. Members of the panel also introduce new and emerging technologies and companies to the Group and regularly advise on topical issues and technologies in their respective fields of interest and expertise.



**ANG KONG HUA**  
Chairman



**TANG KIN FEI**



**DR TEH KOK PENG**



**DR JOSEPHINE KWA LAY KENG**



**DR NG HOW YONG**



**PROF LUI PAO CHUEN**

**ANG KONG HUA****Chairman**

*BSc (Honours) in Economics, University of Hull, UK*

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

**TANG KIN FEI**

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

*Advanced Management Programme, INSEAD*

Mr Tang is Group President & CEO of Sembcorp Industries. With more than 25 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents, and brings to the panel in-depth knowledge of the Group's businesses. Mr Tang is a member of the governing board of the Cambridge Centre for Advanced Research in Energy Efficiency in Singapore, a research centre set up by the University of Cambridge in collaboration with Singapore universities and the National Research Foundation to study carbon assessment and abatement for the petrochemical industry. He is also Chairman of the College Advisory Board of Nanyang Technological University's College of Engineering, Council Chairman of Ngee Ann Polytechnic and previously served as President of the Singapore Water Association.

**DR TEH KOK PENG**

*PhD in Economics, University of Oxford*

*BA (First Class Honours) in Economics, La Trobe University, Australia*  
*Advanced Management Programme, Harvard Business School*

Dr Teh sits on our board as a non-executive and independent director. He is also Chairman of Ascendas, and a board director of Oversea-Chinese Banking Corporation, China International Capital Corporation, the National University of Singapore and the S Rajaratnam Endowment. Previously, Dr Teh served as Advisor to the GIC Group Executive Committee, as well as Chairman of GIC's China Business Group. He is also the former President of GIC Special Investments, where he oversaw investments in infrastructure and international venture funds, among other areas.

**DR JOSEPHINE KWA LAY KENG**

*PhD in Mechanical Engineering, University of Leeds, UK*

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

Dr Kwa is Chairman of Raffles Marina Holdings, a director of Southern Steel and a member of the Management Board of the National University of Singapore's Energy Studies Institute. She was formerly Chief Executive Officer of NSL, and had served in various functions during her 23 years as Chief Operating Officer and Head of Technology within the NSL Group. As Head of Technology, Dr Kwa was responsible for the information technology, environment and research and development functions in the company.

**DR NG HOW YONG**

*PhD in Environmental Engineering, University of California Berkeley, USA*

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

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

**PROF LUI PAO CHUEN**

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

*BSc in Physics, University of Singapore*

Formerly Singapore's Chief Defence Scientist, Prof Lui has several decades' experience in engineering, science and research. He is an advisor to Singapore's National Research Foundation and various government organisations, chairs the Environment & Water Industry Development Council's project evaluation panel and sits on the boards of research institutes, corporations and technical organisations including the Executive Committee for Environmental and Water Technologies.

Prof Lui is an Adjunct Professor at the National University of Singapore and Nanyang Technological University, a Fellow of the Singapore Academy of Engineering and the Singapore National Academy of Sciences and an Honorary Fellow of the ASEAN Federation of Engineering Organisations. His major science and technology awards include the National Science & Technology Medal, the Institute of Physics Singapore's President's Medal, as well as the International Council on Systems Engineering's Pioneer Award. He is a recipient of the Institution of Engineers Singapore's Lifetime Engineering Achievement Award.

# SENIOR EXECUTIVES



**TANG KIN FEI**  
Group President & CEO



**KOH CHIAP KHIONG**  
Group Chief Financial Officer



**WONG WENG SUN**  
President & CEO  
Sembcorp Marine



**TAN CHENG GUAN**  
Executive Vice President & Head  
Group Business Development & Commercial



**NG MENG POH**  
Executive Vice President & Head  
Group Asset Management, Utilities



**KELVIN TEO**  
CEO  
Sembcorp Development



**RICHARD QUEK**  
Executive Vice President & Deputy Head  
Group Business Development & Commercial



**ONG POH KWEE**  
Deputy President  
Sembcorp Marine



**CHONG CHOON LIN**  
Senior Vice President  
Group Technical Services and Group Health, Safety and Environment



**DENNIS CHIN**  
Vice President & Head  
Sembcorp Utilities, Singapore



**ALAN YAU**  
CEO  
Sembcorp Utilities, China



**ATUL NARGUND**  
Director  
Sembcorp Utilities, India



**LOW KIAN MIN**  
Senior Vice President  
Group Business Development & Commercial



**NOMI AHMAD**  
Senior Vice President  
Group Business Development & Commercial



**JAI CHONG**  
Senior Vice President  
Group Project Development



**LIEW YIEN PHIN**  
Senior Vice President  
Group Project Development



**JULES ZHONG**  
Senior Vice President  
Group Project Development



**SUNIL GUPTA**  
Senior Vice President  
Group Business Development & Commercial (Renewable Energy)



**DR HONG DECHENG**  
CEO  
Sembcorp Properties, China



**YAM AH MEE**  
Managing Director  
Sembcorp Design & Construction

**GROWTH AND PERFORMANCE**

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

**Richard Quek**  
Executive Vice President & Deputy Head

**Low Kian Min**  
Senior Vice President

**Nomi Ahmad**  
Senior Vice President

**Group Project Development**  
**Jai Chong**  
Senior Vice President

**Jules Zhong**  
Senior Vice President

**Liew Yien Phin**  
Senior Vice President

**Group Asset Management**  
**Ng Meng Poh**  
Executive Vice President & Head

**Group Technical Services and Group Health, Safety and Environment (HSE)**  
**Chong Choon Lin**  
Senior Vice President

**Group Technology**  
**Eric Mun**  
Chief Technology Officer

**KEY BUSINESS MANAGEMENT**

**Utilities**  
**Dennis Chin**  
Vice President & Head  
*Sembcorp Utilities, Singapore*

**Alan Yau**  
CEO  
*Sembcorp Utilities, China*

**Atul Nargund**  
Director  
*Sembcorp Utilities, India*

**Jason Chan**  
Director  
*Phu My 3 BOT Power Co, Vietnam*

**Lim Yeow Keong**  
General Manager  
*Sembcorp Salalah O&M Services, Oman*

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

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

**Marius Van Aardt**  
Managing Director  
*Sembcorp Silulumanzi, South Africa*

**Shyam P Misra**  
Managing Director  
*Sembcorp Siza Water, South Africa*

**Frederic Gautheron**  
General Manager  
*Chile, Panama and the Caribbean*

**Renewable Energy**  
**Sunil Gupta**  
Senior Vice President  
Group Business Development & Commercial

**Shivanand Nimbargi**  
Managing Director & CEO  
*Green Infra*

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

**Ong Poh Kwee**  
Deputy President  
*Sembcorp Marine*  
Managing Director  
*Sembawang Shipyard*

**Wong Teck Cheong**  
Managing Director  
*PPL Shipyard*

**Ho Nee Sin**  
Managing Director  
*SMOE*

**Freddie Woo**  
Executive Director  
*Jurong SML*

**Urban Development**  
**Kelvin Teo**  
CEO  
*Sembcorp Development*

**Dr Hong Decheng**  
CEO  
*Sembcorp Properties, China*

**Design & Construction**  
**Yam Ah Mee**  
Managing Director

**Mint**  
**Yip Pak Ling**  
Senior Vice President & Mint Director

**CORPORATE**

**Corporate Headquarters**  
**Koh Chiap Khiong**  
Group Chief Financial Officer

**Frank Koh**  
Senior Vice President  
*Group Corporate Finance*

**Goh Han Leng**  
Senior Vice President  
*Group Tax*

**Lim Suet Boey**  
Executive Vice President & General Counsel  
*Group Legal*

**Kwong Sook May**  
Company Secretary

**Lee Swee Chee**  
Chief Risk Officer

**Ng Lay San**  
Senior Vice President  
*Group Corporate Relations*

**Lillian Lee**  
Senior Vice President  
*Group Human Resources*

**Jasmine Teo**  
Senior Vice President  
*Group Information Technology*

**Loh Wee Lee**  
Assistant Vice President  
*Group Strategy*

**Group Internal Audit**  
**David Wong**  
Vice President

# SIGNIFICANT EVENTS

## FEBRUARY

Sembcorp strengthens its presence in India's power market by acquiring 45% of NCC Power Projects for Rs 848 crores (approximately S\$175 million). NCC Power Projects is developing a 1,320-megawatt coal-fired supercritical power plant in Andhra Pradesh.

Sembcorp announces a RMB454.9 million (approximately S\$94.4 million) expansion to increase the capacity of its Huanghua wind power assets in Hebei, China, to 147 megawatts.

Sembcorp announces a RMB65.2 million (approximately S\$13.5 million) expansion to double its industrial water capacity in Nanjing Chemical Industrial Park, Jiangsu, China, to 240,000 cubic metres per day.

Sembcorp Marine's PPL Shipyard secures a US\$214.3 million contract to build a Pacific Class 400 jack-up rig for Marco Polo Marine.

Sembcorp Marine's Jurong Shipyard secures contracts worth close to US\$1.1 billion to build two Jurong Espadon III drillships for Transocean.

## MARCH

Sembcorp Marine's Sembawang Shipyard secures a S\$25 million contract to revitalise the 137,276-gross tonnage cruise ship *Voyager of the Seas*, as part of Royal Caribbean International's ongoing fleet revitalisation programme.

Sembcorp commences construction of its largest energy-from-waste facility in Singapore. Worth over S\$250 million, it will be the first to produce steam for companies on Jurong Island using industrial and commercial waste.

Sembcorp is named Leader in Wastewater Treatment for Chemical Industrial Parks at the China Water Industry Annual Award 2013 ceremony. The award recognises Sembcorp's achievements in providing industrial wastewater treatment to chemical industrial parks in China over the past decade.

The governments of China and Singapore designate Sembcorp's Changzhi total water management plant in Shanxi province as a joint showcase for integrated water management.

## APRIL

Tan Sri Mohd Hassan Marican succeeds Goh Geok Ling as Chairman of Sembcorp Marine, with Mr Goh's retirement from the Sembcorp Marine board.

## MAY

Ajaib Haridass and Neil McGregor join the board of Sembcorp Industries.

Sembcorp increases its stake in NCC Power Projects to 49%.

Sembcorp Marine's Jurong Shipyard secures a US\$236 million contract to build a Friede & Goldman JU 2000E jack-up rig for Hercules North Sea.

Sembcorp Marine's Sembawang Shipyard secures an exclusive, long-term favoured customer contract from GasLog LNG Services to provide ship repair, refurbishment, upgrading and related marine services for its LNG carriers docking in Singapore.

## JUNE

Sembcorp hosts China's Minister for Water Resources, Chen Lei, at its operations on Jurong Island, Singapore.

Sembcorp Marine signs a US\$4 million agreement to acquire 12% of GraviFloat, which designs and operates re-deployable, gravity-based, modularised liquefied natural gas (LNG) and liquefied petroleum gas terminals.

Sembcorp acquires an existing wastewater treatment plant at the Lianyungang Lingang Chemical Industrial Park in Jiangsu, China, for RMB130 million (approximately S\$26.1 million). The plant will be reconfigured and upgraded to ensure compliance with stringent discharge regulations.

Sembcorp is named Asia's leading private sector developer by Project Finance International (PFI) at its inaugural PFI Asia Best Practice citations.

Sembcorp Salalah Power and Water Co is named one of Oman's Best Performing Companies in the category of companies with large market capitalisation at the Alam al-Iktisaad Wal A'mal Awards.

## JULY

Sembcorp sponsors Singapore's Festival of Biodiversity to inspire greater awareness of nature and conservation.

Sembcorp increases its stake in Thermal Powertech Corporation India to 65%.

Sembcorp wins Best Managed Board and Best Annual Report at the Singapore Corporate Awards 2014, for companies with market capitalisation of S\$1 billion and above. Sembcorp Group President & CEO Tang Kin Fei also wins Best CEO in the same category.

Sembcorp Marine's Sembawang Shipyard secures a S\$600 million contract from Saipem to convert two very large crude carriers (VLCCs) into floating production, storage and offloading (FPSO) vessels.

## SEPTEMBER

Sembcorp Marine announces a S\$222 million investment to set up a state-of-the-art, automated steel fabrication facility at the Sembmarine Integrated Yard @ Tuas, Singapore. The 34.5-hectare second phase of the yard, which has commenced construction in early 2014, will also include three new drydocks.

Sembcorp Marine's Jurong Shipyard signs a US\$21 million agreement to acquire the key business assets of Houston-based SSP Offshore. These include proprietary technology and designs for innovative floating production and drilling solutions.

Sembcorp Development's Vietnam Singapore Industrial Park (VSIP) is named Best Industrial / Warehouse Developer in Vietnam at the Euromoney Liquid Real Estate Awards. VSIP is the first Asian company to win the award for three consecutive years since 2012.



Sembcorp signs a conditional joint venture agreement with a subsidiary of Chongqing Energy Investment Group to collaborate on a RMB6 billion (approximately S\$1.2 billion) mine-mouth coal-fired power project. The agreement includes the acquisition of a 49% stake in an existing 300-megawatt coal-fired power plant and the joint development of an adjacent 1,320-megawatt coal-fired power plant in Chongqing, China.

Sembcorp Marine's Sembawang Shipyard forms three subsidiaries in collaboration with Ecospec Global Technology to develop, manufacture and market green products to the marine, offshore and onshore industries.

Sembcorp Marine's SMOE secures a US\$190 million contract from Bechtel to fabricate LNG processing modules for a resource project in Western Australia.

## OCTOBER

Sembcorp Marine's Jurong Shipyard secures a US\$696 million contract to convert a shuttle tanker into an FPSO vessel for a joint venture between Brazil's Odebrecht Oil & Gas and Teekay Offshore.

Sembmarine SLP and Jurong Shipyard secure two offshore energy related contracts worth S\$222 million. These consist of a contract from Siemens Transmission & Distribution to design and build an offshore substation platform for a wind farm, as well as a contract from MODEC Offshore Production Systems (Singapore) to complete the repair and life extension of a VLCC and convert it into an FPSO vessel.

Sembcorp Marine wins Shipyard of the Year at the 2014 Lloyd's List Asia Awards.

Sembcorp opens its second gas-fired cogeneration plant on Jurong Island, increasing its power capacity in Singapore by 400 megawatts.

Sembcorp opens the Sembcorp Technology & Innovation Centre on Singapore's Jurong Island for the development and testing of innovative processes and emerging energy and water technologies. The company also announces two collaborations with the Energy Market Authority: the formation of a S\$10 million fund to support the commercialisation of new technologies for the energy industry and a nationwide competition on energy for students.

## NOVEMBER

Sembcorp Marine's PPL Shipyard secures a US\$240 million contract to build a second Pacific Class 400 jack-up drilling rig for BOT Lease Co.

Sembcorp receives recognition for its support of environmental conservation, with Singapore's National Parks Board naming a 100-year-old heritage tree after the company.

Sembcorp incorporates Sembcorp Renewables, a wholly-owned subsidiary of Sembcorp Utilities, to hold renewable energy assets.

## DECEMBER

Sembcorp Marine's SMOE Indonesia sets up a new subsidiary, SMOE Singgar Mulia Engineering, in Indonesia to provide engineering services.



Sembcorp Cogen @ Banyan on Jurong Island, Singapore



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# GROUP STRUCTURE

## UTILITIES

**Sembcorp Utilities 100%**

### SINGAPORE

Sembcorp Cogen	100%
Sembcorp Power	100%
Sembcorp Gas	70%
Sakra Island Carbon Dioxide	30%
Sembcorp NEWater	100%
Sembcorp Renewables	100%

### CHINA

Sembcorp (China) Holding Co	100%
Shanghai Cao Jing Co-generation Co	30%
Sembcorp Nanjing SUIWU Co	95%
Sembcorp NCIP Water Co	95%
Zhangjiagang Free Trade Zone Sembcorp Water Co	80%
Zhangjiagang Free Trade Zone Sembcorp Reclaimed Water Co	80%
Sembcorp Lianyungang Water Co	80%
Yancheng China Water Co	49%
Guohua Sembcorp (Chenba'erhu) Wind Power Co	49%
Guohua AES (Hulunbeier) Wind Power Co	49%
Guohua Sembcorp (Xinba'erhu) Wind Power Co	49%
Sembcorp Fushun Water Co	100%
Sembcorp Fushun On-site Logistics Co	100%
Sembcorp Shenyang Water Co	80%
Sembcorp Xinmin Water Co	90.9%
Qitaihe Sembcorp Water Co	90.9%
Yangcheng International Power Generating Co	25%
Sembcorp Changzhi Water Co	100%
Sembcorp Tianjin Lingang Industrial Area Wastewater Treatment Co	90%
Guohua AES (Huanghua) Wind Power Co	49%
Sembcorp Sanhe Yanjiao Water Co	94.3%
Sembcorp Qinzhou Water Co	80%
Fuzhou Sembcorp Water Co	72%
Sembcorp Jingmen Water Co	95%

### INDIA

Sembcorp Utilities India	100%
Thermal Powertech Corporation India	65%
Sembcorp Gayatri O&M Co	70%
NCC Power Projects	49%
Green Infra	60%

### INDONESIA

Adhya Tirta Batam	50%
Adhya Tirta Sriwijaya	40%

### PHILIPPINES

Subic Water and Sewerage Co	30%
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### VIETNAM

Phu My 3 BOT Power Co	66.7% *
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### OMAN

Sembcorp Salalah Power and Water Co	40%
Sembcorp Salalah O&M Services Co	70%
Centralised Utilities Company	35%

### UAE

Emirates Sembcorp Water & Power Co	40%
Sembcorp Gulf O&M Co	100%

### SOUTH AFRICA

Sembcorp Utilities (South Africa)	100%
Sembcorp Silulumanzi	100%
Sembcorp Siza Water	73.5%

### NORWAY

Biowater Technology	29.6%
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### UK

Sembcorp Utilities (UK)	100%
Sembcorp Bournemouth Water	100%
Sita Sembcorp UK	40%

### ANTIGUA

Sembcorp (Antigua) Water	100%
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### CHILE

Sembcorp Utilities (Chile)	100%
Sembcorp Aguas Chacabuco	100%
Sembcorp Aguas Del Norte	100%
Sembcorp Aguas Lampa	100%
Sembcorp Aguas Santiago	100%

### PANAMA

Aguas de Panama	100%
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**Sembcorp Environment 100%**

### SINGAPORE

SembWaste	100%
Sembcorp Tay Paper Recycling	60%

### AUSTRALIA

SembSita Australia	40%
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\* Figure reflects the effective equity held by the Group

## MARINE

**Sembcorp Marine 61.1%**

### SINGAPORE

Jurong Shipyard	100%
Sembawang Shipyard	100%
SMOE	100%
PPL Shipyard	85%
Jurong SML	100%
Sembcorp Marine Technology	100%

### BRAZIL

Estaleiro Jurong Aracruz	100%
Jurong do Brasil Prestação de Serviços	100%

### INDONESIA

SMOE Indonesia	90%
Karimun Sembawang Shipyard	100%

### INDIA

Sembmarine Kakinada	40%
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### NORWAY

GraviFloat	12%
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### UK

Sembmarine SLP	70%
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### USA

Sembmarine SSP	100%
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### CHINA

COSCO Shipyard Group	30%
Shenzhen Chiwan Offshore Petroleum Engineering Co	35%

## URBAN DEVELOPMENT

**Sembcorp Development 100%**

### VIETNAM

Vietnam Singapore Industrial Park JV Co	47.4%
Vietnam Singapore Industrial Park & Township Development Joint Stock Co	45.2%
VSIP Bac Ninh Co	45.2%
VSIP Hai Phong Co	45.2%
VSIP Quang Ngai Co	47.4%
VSIP-Sembcorp Gateway Development Co	68.4%

### CHINA

Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore (Chengdu) Innovation Park Development Co	25%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%

### INDONESIA

Kawasan Industri Kendal	49%
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### SINGAPORE

Sembcorp Properties	100%
Sembcorp Properties (China)	100%
Sembcorp Infra Services	100%
Sembcorp Development Indonesia	100%
Sembcorp Development Vietnam	100%
Gallant Venture	12%

**Sembcorp Parks Management 75%**

## OTHER BUSINESSES

**Sembcorp Design and Construction 100%**

**Shenzhen Chiwan Sembawang Engineering Co 32%**

**Singapore Precision Industries / Singapore Mint 100%**

This list of companies is not exhaustive.

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

Figures reflect shareholdings as at March 2, 2015. Shareholdings of entities listed under Sembcorp Utilities, Sembcorp Environment, Sembcorp Marine and Sembcorp Development reflect stakes held by the above companies in these entities.

# GROUP FINANCIAL REVIEW

## GROUP FINANCIAL HIGHLIGHTS

	2014	2013	Change (%)
<b>For the Year (\$ million)</b>			
Turnover	10,895	10,798	1
Earnings before interest, tax, depreciation and amortisation	1,457	1,477	(1)
Profit from operations	1,297	1,315	(1)
– Earnings before interest and tax	1,139	1,160	(2)
– Share of results: Associates & JVs, net of tax	158	155	2
Profit before tax	1,246	1,214	3
Net profit	801	820	(2)
Economic value added	525	619	(15)
Return on total assets (%)	7.5	9.1	(18)
Return on equity (%)	15.2	17.1	(11)

### Capital Position (\$ million)

Owners' funds	5,414	5,027	8
Total assets	17,176	13,754	25
Net debt / (cash)	3,082	(349)	NM
Operating cash flow	(57)	1,509	NM
Free cash flow	(29)	1,475	NM
Capital expenditure and equity investment	1,625	1,455	12
Total debt-to-capitalisation ratio	0.40	0.23	74
Total debt-to-capitalisation ratio (less cash and cash equivalents)	0.26	Net cash	NM
Interest cover (times)	20.8	12.5	66

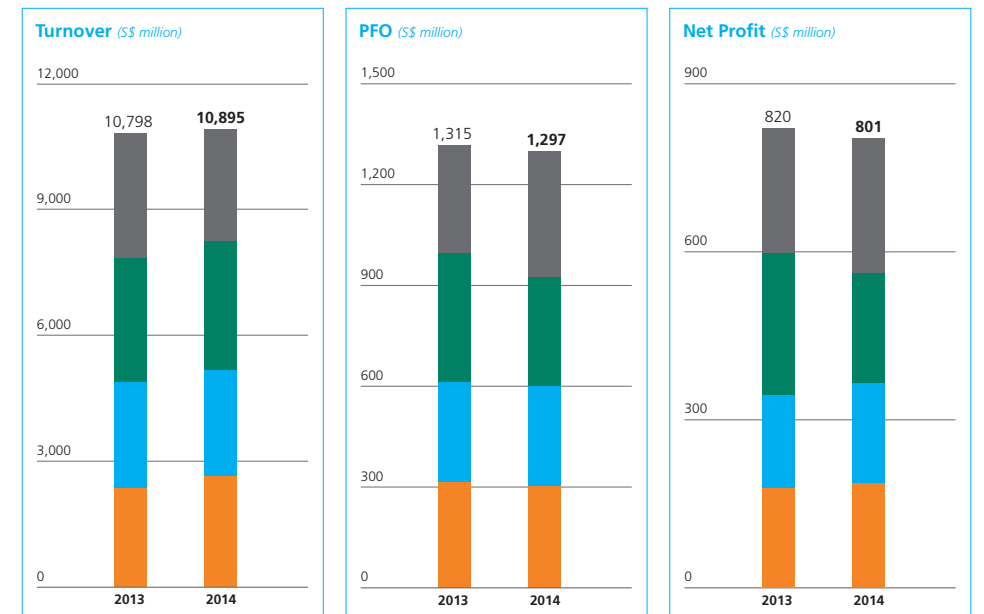
### Shareholder Returns

Net assets per share (\$)	3.15	2.93	7
Earnings per share (cents)	44.31	45.70	(3)
Dividends per share (cents)			
– Ordinary	16	15	7
– Bonus	–	2	(100)
Payout ratio (%)	36.1	37.2	(3)
Last traded share price (\$)	4.45	5.49	(19)
Total shareholder returns (%)	(15.6)	7.8	NM

## GROUP QUARTERLY PERFORMANCE (\$ MILLION)

	1Q	2Q	2014		Total	1Q	2Q	2013		Total
			3Q	4Q			3Q	4Q		
Turnover	2,627	2,534	3,070	2,664	10,895	2,350	2,500	2,974	2,974	10,798
Earnings before interest, tax, depreciation and amortisation <sup>1</sup>	324	331	375	427	1,457	351	374	416	336	1,477
Profit from operations	301	298	322	376	1,297	313	298	382	322	1,315
– Earnings before interest and tax	247	254	297	341	1,139	276	273	353	258	1,160
– Share of results: Associates & JVs, net of tax	54	44	25	35	158	37	25	29	64	155
Profit before tax	287	286	315	358	1,246	279	270	353	312	1,214
Net profit	185	179	196	241	801	177	165	254	224	820
Earnings per share (cents)	10.25	9.87	10.86	13.33	44.31	9.90	9.26	14.15	12.39	45.70

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs.



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

## FIVE-YEAR FINANCIAL PERFORMANCE PROFILE

## 2014

Sembcorp delivered a healthy performance in 2014 amid challenging market conditions.

Net profit for the year was S\$801.1 million, while turnover stood at S\$10.9 billion. The Utilities and Marine businesses continued to be our main profit contributors, accounting for 51% and 42% of Group net profit respectively.

In 2014, the Utilities business reported a net profit of S\$408.0 million, compared to S\$449.9 million in 2013. The business achieved a 7% net profit growth in 2014 from 2013 excluding significant items recorded in 2013. These significant items comprised gains from the initial public offering of Sembcorp Salalah Power and Water Company (Sembcorp Salalah), offset by an impairment made for operations in the UK.

The Marine business contributed S\$340.0 million to the Group's net profit in 2014, compared to S\$336.9 million in 2013. Meanwhile, the Urban Development business reported a net profit of S\$44.3 million, compared to S\$50.2 million in the previous year.

Return on equity for the Group was 15.2% and earnings per share amounted to 44.3 cents.

## 2013

Sembcorp delivered a robust performance for 2013. Net profit grew 9% to S\$820.4 million from S\$753.3 million in 2012, while

turnover increased 6% to S\$10.8 billion from S\$10.2 billion the previous year.

In 2013, the Utilities business delivered strong profit growth of 20%, with net profit increasing to S\$449.9 million from S\$374.6 million in 2012, underpinned by solid growth from operations in China and gains from the initial public offering of Sembcorp Salalah, offset by an impairment made for operations in the UK.

The Marine business reported a net profit of S\$336.9 million in 2013, up 3% from S\$326.7 million in 2012. Meanwhile, the Urban Development business reported a 22% increase in net profit to S\$50.2 million from S\$41.1 million the previous year.

## 2012

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

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

Our Marine business contributed S\$326.7 million in net profit for the year.

## 2011

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

Our Utilities business delivered robust profit growth in 2011, with net profit growing 32% to S\$304.4 million. The Marine business' contribution to net profit was 13% lower at S\$456.2 million, mainly due to fewer jack-up and semi-submersible rig projects. This was offset by the higher interest income received in 2011 for deferred payment granted to customers and write-back of prior years' tax over-provisions.

## 2010

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

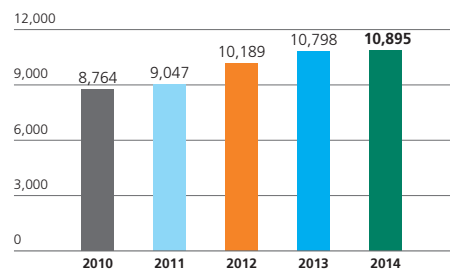
The Utilities business' net profit improved by 2% to S\$231.3 million with all regions registering growth except for operations on Teesside, UK, while the Marine business' contribution to net profit grew 22% to S\$524.9 million.

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

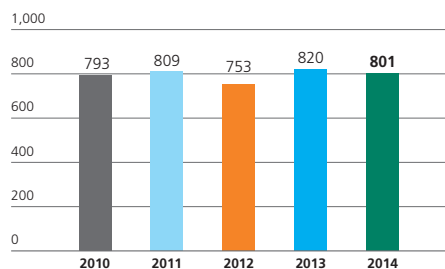
	2014	2013	2012	2011	2010
<b>For the Year (\$ million)</b>					
Turnover	<b>10,895</b>	10,798	10,189	9,047	8,764
Earnings before interest, tax, depreciation and amortisation <sup>1</sup>	<b>1,457</b>	1,477	1,403	1,370	1,489
Profit from operations	<b>1,297</b>	1,315	1,266	1,272	1,396
– Earnings before interest and tax	<b>1,139</b>	1,160	1,103	1,101	1,236
– Share of results: Associates & JVs, net of tax	<b>158</b>	155	163	171	160
Profit before tax	<b>1,246</b>	1,214	1,155	1,271	1,367
Net profit	<b>801</b>	820	753	809	793
<b>At Year End (\$ million)</b>					
Property, plant and equipment and investment properties	<b>7,749</b>	5,148	5,180	4,273	3,463
Other non-current assets	<b>3,297</b>	2,916	2,510	2,263	2,064
Net current assets	<b>773</b>	788	1,028	1,520	1,900
Non-current liabilities	<b>(4,587)</b>	(2,322)	(3,074)	(2,815)	(2,407)
Net assets	<b>7,232</b>	6,530	5,644	5,241	5,020
Share capital and reserves (including perpetual securities)	<b>5,616</b>	5,230	4,503	4,115	3,815
Non-controlling interests	<b>1,616</b>	1,300	1,141	1,126	1,205
Total equity	<b>7,232</b>	6,530	5,644	5,241	5,020
<b>Per Share</b>					
Earnings (cents)	<b>44.31</b>	45.70	42.17	45.32	44.44
Net assets (\$)	<b>3.15</b>	2.93	2.52	2.31	2.13
Net ordinary dividends (including bonus dividends) (cents)	<b>16</b>	17	15	17	17
<b>Financial Ratios</b>					
Return on equity (%)	<b>15.2</b>	17.1	17.5	20.4	22.2
Return on total assets (%)	<b>7.5</b>	9.1	9.5	10.7	12.2
Interest cover (times)	<b>20.8</b>	12.5	10.0	20.9	24.4
Total debt-to-capitalisation ratio	<b>0.40</b>	0.23	0.30	0.29	0.26
Total debt-to-capitalisation ratio (less cash and cash equivalents)	<b>0.26</b>	Net cash	0.05	Net cash	Net cash

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs.

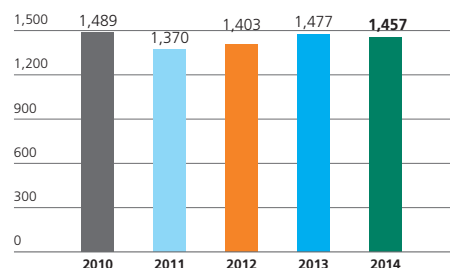
Turnover (\$\$ million)



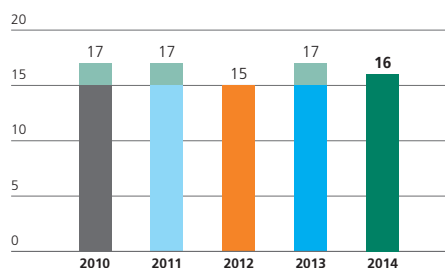
Net Profit (\$\$ million)



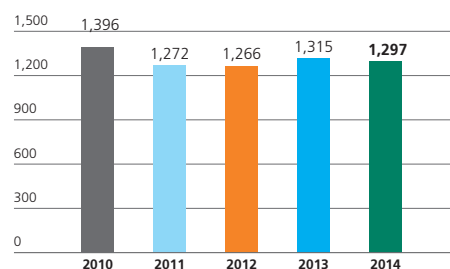
EBITDA (\$\$ million)



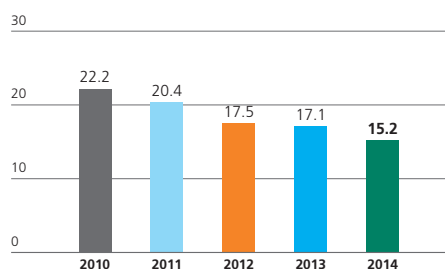
Net Ordinary Dividend Per Share (cents)



PFO (\$\$ million)



ROE (%)



Review by Business (\$\$ million)

	2014	%	2013	%	2012	%	2011	%	2010	%
<b>Turnover</b>										
Utilities	4,850	44	5,095	47	5,615	55	4,893	54	3,993	46
Marine	5,831	54	5,523	51	4,428	44	3,957	44	4,554	52
Urban Development	7	-	9	-	12	-	9	-	16	-
Others / Corporate	207	2	171	2	134	1	188	2	201	2
	<b>10,895</b>	<b>100</b>	<b>10,798</b>	<b>100</b>	<b>10,189</b>	<b>100</b>	<b>9,047</b>	<b>100</b>	<b>8,764</b>	<b>100</b>

Profit from Operations

Utilities	522	40	613	47	607	48	421	33	314	22
Marine	718	55	660	50	599	47	793	62	1,045	75
Urban Development	47	4	45	3	44	4	46	4	40	3
Others / Corporate	10	1	(3)	-	16	1	12	1	(3)	-
	<b>1,297</b>	<b>100</b>	<b>1,315</b>	<b>100</b>	<b>1,266</b>	<b>100</b>	<b>1,272</b>	<b>100</b>	<b>1,396</b>	<b>100</b>

Net Profit

Utilities	408	51	450	55	375	50	304	38	231	29
Marine	340	42	337	41	327	43	456	56	525	66
Urban Development	44	6	50	6	41	6	39	5	37	5
Others / Corporate	9	1	(17)	(2)	10	1	10	1	-	-
	<b>801</b>	<b>100</b>	<b>820</b>	<b>100</b>	<b>753</b>	<b>100</b>	<b>809</b>	<b>100</b>	<b>793</b>	<b>100</b>

## Performance Scorecard (\$ million)

	2014	2013	Change (%)
Turnover	<b>10,894.7</b>	10,797.6	1
EBITDA <sup>1</sup>	<b>1,456.7</b>	1,476.6	(1)
PFO	<b>1,297.1</b>	1,315.2	(1)
– EBIT	<b>1,138.9</b>	1,160.2	(2)
– Share of results: Associates & JVs, net of tax	<b>158.2</b>	155.0	2
PBT	<b>1,246.4</b>	1,214.4	3
Net profit	<b>801.1</b>	820.4	(2)
EPS (cents)	<b>44.3</b>	45.7	(3)
ROE (%)	<b>15.2</b>	17.1	(11)

<sup>1</sup> EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs.

## OVERVIEW

Amid challenging market conditions, Sembcorp delivered a net profit of S\$801.1 million and a turnover of S\$10.9 billion in 2014. The Group's net profit in 2014 was up 3% from 2013 excluding significant items recorded in 2013. These significant items comprised gains from the initial public offering of Sembcorp Salalah Power and Water Company (Sembcorp Salalah), offset by an impairment made for utilities operations in the UK and a fair value loss recorded following the reclassification of Gallant Venture as an available-for-sale financial asset.

The Utilities and Marine businesses continued to be our main profit contributors, accounting for 51% and 42% of Group net profit respectively.

## TURNOVER

The Group achieved a turnover of S\$10.9 billion, with the Utilities and Marine businesses contributing 98% of total turnover.

The Utilities business' turnover was lower mainly due to the deconsolidation of Sembcorp Salalah, lower gas offtake and lower high sulphur fuel oil prices recorded during the year.

The Marine business' turnover increased by 6% in 2014 to S\$5.8 billion, mainly due to higher revenue recognition for its rig building projects and offshore and conversion projects.

## NET PROFIT

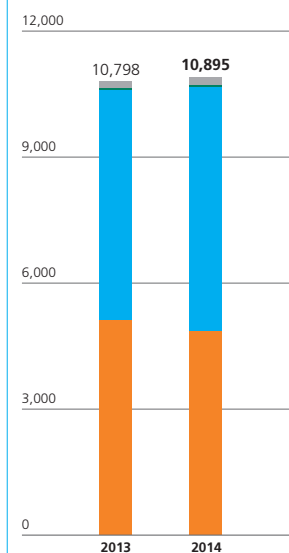
The Group recorded a net profit of S\$801.1 million in 2014 compared to S\$820.4 million in 2013, while profit from operations was S\$1.3 billion, comparable to previous year.

In 2014, the Utilities business' net profit was S\$408.0 million compared to S\$449.9 million in 2013. Excluding significant items in 2013, which amounted to S\$68.6 million (comprising gains from the initial public offering of Sembcorp Salalah and offset by an impairment made for utilities operations in the UK), our Utilities business achieved a 7% net profit growth in 2014.

Meanwhile, our Marine business contributed S\$340.0 million in net profit, compared to S\$336.9 million in 2013. This was mainly due to higher operating profit. In 2013, our Marine business also reported lower tax expense due to a write-back of tax on recognition of tax incentives.

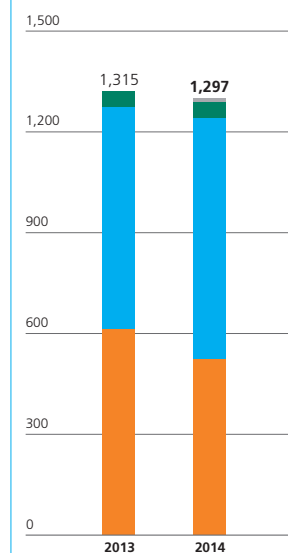
## Turnover (\$ million)

	2013	2014
■ Utilities	5,095	<b>4,850</b>
■ Marine	5,523	<b>5,831</b>
■ Urban Development	9	<b>7</b>
■ Others / Corporate	171	<b>207</b>
	10,798	<b>10,895</b>



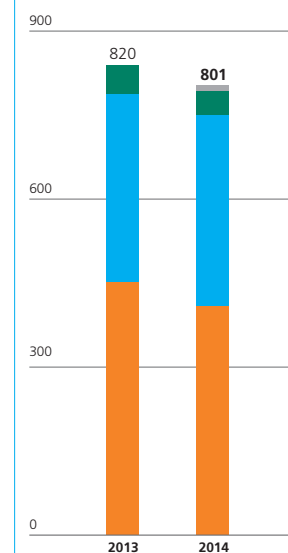
## PFO (\$ million)

	2013	2014
■ Utilities	613	<b>522</b>
■ Marine	660	<b>718</b>
■ Urban Development	45	<b>47</b>
■ Others / Corporate	(3)	<b>10</b>
	1,315	<b>1,297</b>



## Net Profit (\$ million)

	2013	2014
■ Utilities	450	<b>408</b>
■ Marine	337	<b>340</b>
■ Urban Development	50	<b>44</b>
■ Others / Corporate	(17)	<b>9</b>
	820	<b>801</b>



## CASH FLOW AND LIQUIDITY

As at December 31, 2014, the Group's cash and cash equivalents stood at S\$1.7 billion.

Cash flows from operating activities before changes in working capital stood at close to S\$1.5 billion in 2014, a slight increase compared to 2013. Net cash from operating activities for 2014 was an outflow of S\$57.4 million compared to a net

cash inflow of S\$1.5 billion in 2013, mainly arising from change in working capital for ongoing rig building projects.

Net cash outflow from investing activities for 2014 was S\$1.4 billion. S\$1.6 billion was spent on purchase of property, plant and equipment and equity investments. This cash outflow was partially reduced by dividends received and net cash inflow

from the acquisition of Thermal Powertech Corporation India (TPCIL).

Net cash inflow from financing activities of S\$900.6 million for 2014 was mainly related to net proceeds from borrowings, partially offset by dividends and interest paid.

### FINANCIAL POSITION

Group shareholders' funds increased to S\$5.4 billion as at December 31, 2014 from S\$5.0 billion as at December 31, 2013.

Non-current assets increased primarily due to an increase in equity interest in TPCIL from 49% to 65%. With this, TPCIL became a subsidiary of Sembcorp and its financials were consolidated into the Group's financial statements thereafter. The increase in non-current assets was also a result of additional equity investments by the Utilities business, mainly in India and Vietnam, as well as our share of profits contributed by associates and joint ventures during the year.

Inventories and work-in-progress increased primarily due to the payment terms of rig building projects. The excess of progress billings over work-in-progress decreased mainly due to timing of billing for rig building projects.

Interest-bearing borrowings increased, mainly arising from the consolidation of TPCIL and additional borrowings by the Marine business for capital expenditure for its Brazil yard.

### SHAREHOLDER RETURNS

Return on equity for the Group was 15.2% and earnings per share amounted to 44.3 cents in 2014.

Subject to approval by shareholders at the next annual general meeting, a final ordinary one-tier tax exempt dividend of 11.0 cents per share has been proposed for the financial year ended December 31, 2014. Together with an interim dividend of 5.0 cents per ordinary share paid in September 2014, this brings our total dividend for the year to 16.0 cents per ordinary share.

### ECONOMIC VALUE ADDED

The Group generated positive economic value added of S\$524.7 million in 2014.

Our net operating profit after tax for 2014 amounted to S\$1.2 billion, while capital charges increased to S\$642.9 million, mainly due to a higher capital base for building up our capacities.

### VALUE ADDED AND PRODUCTIVITY DATA

In 2014, the Group's total value added was S\$2.6 billion. This was absorbed by employees in wages, salaries and benefits of S\$871 million, by governments in income and other taxes of S\$273 million and by providers of capital in interest and dividends of S\$463 million, leaving a balance of S\$1.0 billion reinvested in business.

### CRITICAL ACCOUNTING POLICIES

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

With effect from January 1, 2014, the Group adopted the following new / amended FRSs, set out in the table below.

The adoption of the FRSs below (including consequential amendments) does not have any significant impact on the Group's financial statements, except for additional disclosures in the Notes to the Financial Statements.

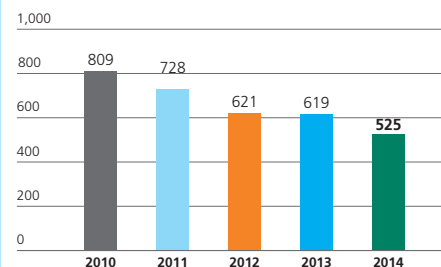
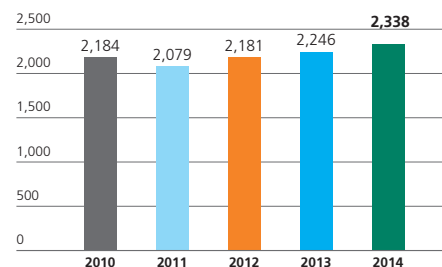
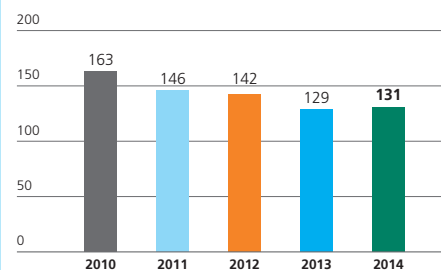
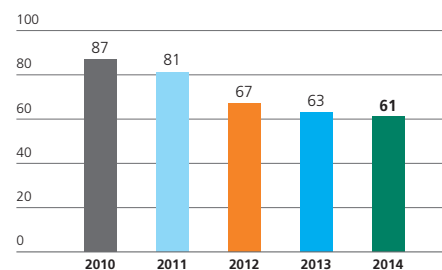
FRS 27 (2011)	Separate Financial Statements
FRS 28 (2011)	Investments in Associates and Joint Ventures
FRS 110	Consolidated Financial Statements
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to FRS 110, FRS 111 and FRS 112	Transition Guidance
Amendments to FRS 110, FRS 112 and FRS 27	Investment Entities
INT FRS 121	Levies

### FINANCIAL RISK MANAGEMENT

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

Please refer to the Risk Management and Internal Controls chapter of this report for details on the management of these risks.



**Economic Value Added** (\$ million)**Gross Value Added** (\$ million)**Value Added Per Employee** (\$ thousands)**Profit After Tax Per Employee** (\$ thousands)**Value Added Statement** (\$ million)

	2014	2013	2012	2011	2010
<b>Value Added from</b>					
Turnover	10,895	10,798	10,189	9,047	8,764
Less: Bought in materials and services	(8,557)	(8,552)	(8,008)	(6,968)	(6,580)
Gross value added	2,338	2,246	2,181	2,079	2,184
Investment, interest and other income	253	308	130	147	168
Share of results of associates and joint ventures	195	190	207	206	192
Other non-operating expenses	(168)	(95)	(74)	(53)	(91)
	<b>2,618</b>	2,649	2,444	2,379	2,453
<b>Distribution</b>					
To employees in wages, salaries and benefits	871	916	781	739	725
To governments in income and other taxes	273	205	203	188	249
To providers of capital in:					
Interest on borrowings	70	118	140	66	61
Dividends to owners	393	268	304	304	268
	<b>1,607</b>	1,507	1,428	1,297	1,303
<b>Retained in Business</b>					
Depreciation and amortisation	315	303	282	235	242
Retained profits	399	548	450	505	525
Non-controlling interests	283	277	280	337	380
Profit attributable to perpetual securities holders	9	4	-	-	-
	<b>1,006</b>	1,132	1,012	1,077	1,147
Other non-operating expenses	5	10	4	5	3
	<b>1,011</b>	1,142	1,016	1,082	1,150
	<b>2,618</b>	2,649	2,444	2,379	2,453

## Productivity Data

	2014	2013	2012	2011	2010
Average staff strength	<b>17,806</b>	17,401	15,343	14,194	13,415
Employment costs (\$ million)	<b>871</b>	916	781	739	725
Profit after tax per employee (\$ thousands)	<b>61</b>	63	67	81	87
Value added (\$ million)	<b>2,338</b>	2,246	2,181	2,079	2,184
Value added per employee (\$ thousands)	<b>131</b>	129	142	146	163
Value added per dollar employment costs (\$)	<b>2.68</b>	2.45	2.79	2.81	3.01
Value added per dollar investment in property, plant and equipment (\$)	<b>0.22</b>	0.30	0.30	0.33	0.40
Value added per dollar sales (\$)	<b>0.21</b>	0.21	0.21	0.23	0.25

The figures above reflect data for core businesses only.

## TREASURY MANAGEMENT

Sembcorp Financial Services (SFS), the Group's wholly-owned treasury vehicle, manages the Group's financing activities, as well as its treasury activities in Singapore. As the Group expands outside of Singapore, we also set up additional treasury units in other respective countries to manage local in-country treasury activities where necessary. SFS facilitates funding and on-lends funds borrowed by it to businesses within the Group, where appropriate.

SFS and our overseas treasury units actively manage cash within the Group by setting up cash pooling structures in various countries, where appropriate, to take in surplus funds from businesses and lend it to those with funding requirements. We also actively manage the Group's excess cash, deploying it to a number of financial institutions, and closely track developments in the global banking sector. Such proactive cash management continues to be an efficient and cost-effective way of managing the Group's cash and financing its funding requirements.

## FACILITIES

As at December 31, 2014, the Group's total credit facilities, including the multicurrency debt issuance programme, amounted to S\$14.5 billion (2013: S\$11.0 billion). This comprised S\$10.3 billion (2013: S\$7.9 billion) in funded facilities and S\$4.3 billion (2013: S\$3.1 billion) in trade-related facilities, including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds. The increase over the previous year was mainly due to the Marine business' new credit facilities to fund its Singapore and Brazil yards, as well as the consolidation of TPCIL following the increase of our share in it from 49% to 65%.

## BORROWINGS AND ISSUANCE OF MEDIUM-TERM NOTES

SFS issued S\$100 million of seven-year notes and another S\$150 million of 12-year notes in November 2014 under its S\$2 billion multicurrency debt issuance programme. The Group aims to term out loans such that their maturity profile mirrors the operating life of our core assets, while continuing our focus on maintaining adequate liquidity for our businesses. We continue to build on our banking relationships to ensure that we are able to secure funding on competitive terms, as and when commercially viable and strategically attractive opportunities arise.

As at December 31, 2014, the Group's gross borrowings amounted to S\$4.7 billion (2013: S\$1.9 billion). As compared to 2013, the increment of S\$2.8 billion in gross borrowings was mainly due to the Marine business' new credit facilities and the consolidation of TPCIL.

The Group remains committed to balancing the availability of funding and the cost of funding, while maintaining prudent financial ratios. We also aim to maintain an efficient and optimal mix of committed and uncommitted facilities and fixed and floating rate borrowings. Of the overall debt portfolio, 76% (2013: 80%) constituted fixed rate debts that were not exposed to interest rate fluctuations.

## Financing and Treasury Highlights (\$ million)

	2014	2013	2012
<b>Source of Funding</b>			
Cash and cash equivalents	1,661	2,256	2,060
<b>Funded facilities (including multicurrency debt issuance programme)</b>			
Committed funded facilities	5,868	3,277	3,418
Less: Amount drawn down	(4,525)	(1,991)	(2,415)
<b>Unutilised committed funded facilities</b>	<b>1,343</b>	<b>1,286</b>	<b>1,003</b>
Uncommitted funded facilities	4,383	4,625	4,519
Less: Amount drawn down	(418)	(116)	(33)
<b>Unutilised uncommitted funded facilities</b>	<b>3,965</b>	<b>4,509</b>	<b>4,486</b>
<b>Total unutilised funded facilities</b>	<b>5,308</b>	<b>5,795</b>	<b>5,489</b>
<b>Trade-related facilities</b>			
Facilities available	4,291	3,141	2,852
Less: Amount used	(1,903)	(1,589)	(1,285)
<b>Unutilised trade-related facilities</b>	<b>2,388</b>	<b>1,552</b>	<b>1,567</b>
<b>Funding Profile</b>			
<b>Maturity profile</b>			
Due within one year	1,086	414	235
Due between one to five years	1,369	689	950
Due after five years	2,288	804	1,263
	4,743	1,907	2,448
<b>Debt mix</b>			
Fixed rate debt	3,627	1,525	1,895
Floating rate debt	1,116	382	553
	4,743	1,907	2,448

## Financing and Treasury Highlights (\$ million)

	2014	2013	2012			
<b>Debt Ratios</b>						
<b>Interest cover ratio</b>						
Earnings before interest, tax, depreciation and amortisation	1,457	1,477	1,403			
Interest on borrowings	70	118	140			
Interest cover (times)	20.8	12.5	10.0			
	2014	D/C ratio	2013	D/C ratio	2012	D/C ratio
<b>Debt / capitalisation (D/C) ratios</b>						
Sembcorp Industries corporate debt	1,322	0.11	1,098	0.13	1,017	0.13
Sembcorp Industries project finance debt	1,680	0.14	243	0.03	1,098	0.14
Sembcorp Marine debt	1,741	0.15	566	0.07	333	0.04
Sembcorp Industries Group gross debt	4,743	0.40	1,907	0.23	2,448	0.30
Less: Cash and cash equivalents	(1,661)	–	(2,256)	–	(2,060)	–
Sembcorp Industries Group net debt / (cash)	3,082	0.26	(349)	Net cash	388	0.05

# UTILITIES REVIEW



Sembcorp's Thermal Powertech Corporation India project in Andhra Pradesh, India

## Competitive Edge

- A leading developer, owner and operator of energy and water assets with strong operational, management and technical capabilities
- Operations in 14 countries with an established presence in Asia and a strong growing presence in emerging markets
- Strong track record in generating and supplying power, steam and natural gas, and providing total water and wastewater treatment solutions for industries and water-stressed regions
- Global leader in the provision of energy, water and on-site logistics to multiple industrial site customers

## Performance Scorecard

Financial Indicators (\$ million)	2014	2013	Change (%)
Turnover	<b>4,890.9</b>	5,137.6	(5)
EBITDA	<b>629.1</b>	713.8	(12)
PFO	<b>521.9</b>	612.9	(15)
– EBIT	<b>432.9</b>	532.2	(19)
– Share of results: Associates & JVs, net of tax	<b>89.0</b>	80.7	10
Net profit	<b>408.0</b>	449.9	(9)
ROE (%)	<b>14.8</b>	19.3	(23)

## Operational Indicators

	2014	2013
Power capacity (megawatts)	<b>7,879</b>	7,277
Steam capacity (tonnes per hour)	<b>4,532</b>	4,702
Water & wastewater treatment capacity (cubic metres per day)	<b>9,514,726</b>	8,578,498

Note: Capacity refers to total gross capacity of facilities in operation and under development.

## PFO\* by Geography

- Singapore
- Overseas



\* Excluding Corporate

## PFO\* by Segment

- Energy
- Water
- On-site logistics & solid waste management



\* Excluding Corporate

Key Developments



Commenced operation of the 400-megawatt Sembcorp Cogen @ Banyan in October, strengthening our market leadership on Jurong Island, Singapore



Acquired a 60% stake in Green Infra, a leading renewable energy group with 700 megawatts of wind and solar power assets in six resource-rich states in India



Marked a milestone at our first power project in India, Thermal Powertech Corporation India, with the synchronisation of the plant's first 660-megawatt unit to the grid



Expanded our power business in China with a conditional agreement for two coal-fired power plants in Chongqing totalling 1,620 megawatts. The plants' strategic mine-mouth location will allow for power production at a competitive cost



Named Asia's Leading Private Sector Developer by Project Finance International (PFI) in its inaugural PFI Asia Best Practice citations



Named the Leader in Wastewater Treatment for Chemical Industrial Parks by ChinaWaterNet at the China Water Industry Annual Award 2013

OPERATIONS AND FINANCIAL REVIEW

Underlying operations deliver growth in earnings

Underpinned by contribution from its overseas operations, the Utilities business delivered profit growth from its underlying operations despite intense competition in Singapore's power market.

The business' turnover was S\$4.9 billion in 2014 compared to S\$5.1 billion in 2013, while net profit was S\$408.0 million, compared to S\$449.9 million last year. Excluding significant items in 2013<sup>1</sup>, net profit grew by 7% in 2014.

Profit from operations (PFO) stood at S\$521.9 million, a 15% decline from last year's S\$612.9 million. Excluding 2013's significant items, PFO decreased by 6% in 2014.

PFO (\$ million)	2014	2013	Change (%)
Singapore	285.7	304.8	(6)
Rest of ASEAN, Australia & India	62.5	46.1	36
China	86.4	85.7	1
Middle East & Africa	46.4	111.5	(58)
UK	46.4	(52.0)	NM
The Americas	9.3	3.1	199
Corporate*	(14.8)	113.7	NM
Total PFO	521.9	612.9	(15)
Less: Interests & taxes	(113.9)	(163.0)	30
Net profit	408.0	449.9	(9)

\* Includes Sembcorp Salalah Power and Water Company IPO gains in 2013

<sup>1</sup> Significant items in 2013 amounted to S\$68.6 million, comprising the gain from the IPO of Sembcorp Salalah Power and Water Company, partially offset by an impairment for Teesside operations in the UK.

Singapore operations accounted for 53% of total PFO, while overseas operations accounted for 47%.

In 2014, PFO from operations in **Singapore** decreased 6% to S\$285.7 million, reflecting intense competition in the local power market. The Uniform Singapore Energy Price continued to slide, averaging S\$137 per megawatt for the year compared to S\$173 per megawatt in 2013. New income streams from the Banyan facilities, short-term merchant income and improved contractual rates in the solid waste management business helped to mitigate the decline in PFO.

The business' PFO from the **Rest of ASEAN, Australia & India** grew 36% to S\$62.5 million. In Vietnam, we raised our effective stake in Phu My 3 power plant to 66.7% and commenced recognition of our additional 33.3% stake in September. Arising from this transaction, a S\$10.3 million one-off net gain was recognised. Meanwhile, our solid waste management associate in Australia, the other major contributor within this region, delivered a comparable performance to last year's.

PFO contribution from our business in **China** stood at S\$86.4 million in 2014, comparable to S\$85.7 million in 2013. Our Yangcheng coal-fired

power plant and Shanghai Cao Jing cogeneration plant delivered a better performance in 2014, but this was offset by weaker performance by our wind power assets and water operations. In the fourth quarter, an increase in the natural gas tariff was implemented by the government, affecting the performance of the gas-fired Shanghai Cao Jing plant for the quarter.

Our **Middle East and Africa** operations registered a PFO of S\$46.4 million in 2014 compared to S\$111.5 million in 2013, due to the deconsolidation of Sembcorp Salalah Power and Water Company after its initial public offering in September 2013. Meanwhile, operations in the **UK** recorded a PFO of S\$46.4 million, backed by an improved performance on Teesside. As part of our strategy to restructure our business on Teesside and develop the Wilton International site into a green hub, we divested our asset protection business and de-commissioned two ageing coal-fired boilers on the site. During the year, we also successfully extended contracts with two on-site customers. Meanwhile, our businesses in **the Americas** spanning Chile, Panama and the Caribbean registered a combined PFO of S\$9.3 million, compared to S\$3.1 million in 2013, on the back of an improved operating performance.

**BUILDING A STRONG DEVELOPMENT PIPELINE TO DRIVE LONG-TERM GROWTH**

**Growing Our Portfolio**

Adding over 3,400 megawatts of power and 1.6 million cubic metres per day of water and wastewater treatment capacity to our operating portfolio in 2015 and 2016

In 2014, we remained focused on sowing the seeds for future growth. In 2015 and 2016, we will add over 3,400 megawatts of power and 1.6 million cubic metres per day of water and wastewater treatment capacity to our operating portfolio, bringing our gross power and water capacity to almost 7,900 megawatts and over 9.5 million cubic metres per day.

**Solid Pipeline of Projects**

	2015	2016
<b>Thermal Energy</b> 2,640MW	<ul style="list-style-type: none"> <li><b>Thermal Powertech Corporation India (Unit 1)</b> Andhra Pradesh, INDIA 660MW</li> <li><b>Thermal Powertech Corporation India (Unit 2)</b> Andhra Pradesh, INDIA 660MW</li> </ul>	<ul style="list-style-type: none"> <li><b>NCC Power Projects (Unit 1)</b> Andhra Pradesh, INDIA 660MW</li> <li><b>NCC Power Projects (Unit 2)</b> Andhra Pradesh, INDIA 660MW</li> </ul>
<b>Renewable Energy</b> 797MW and 140tph of steam	<ul style="list-style-type: none"> <li><b>Huanghua Wind Power Expansion</b> Hebei, CHINA 48MW</li> <li><b>Wind and Solar Power in India</b> Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Tamil Nadu, INDIA 700MW</li> </ul>	<ul style="list-style-type: none"> <li><b>Energy-from-Waste Facility</b> Jurong Island, SINGAPORE 140tph of steam</li> <li><b>Wilton 11 Energy-from-Waste Facility</b> Teesside, UK 49MW or 190tph of steam</li> </ul>
<b>Water</b> 1.6 million m <sup>3</sup> /day	<ul style="list-style-type: none"> <li><b>Fujairah 1 Desalination Expansion</b> Fujairah, UAE 30MIGD / 136,800m<sup>3</sup>/day</li> <li><b>Nanjing Industrial Water Plant Expansion</b> Jiangsu, CHINA 120,000m<sup>3</sup>/day</li> <li><b>Changzhi Total Water Management Plant</b> Shanxi, CHINA 1.3 million m<sup>3</sup>/day <i>Partial operations</i></li> </ul>	<ul style="list-style-type: none"> <li><b>Lianyungang Industrial Wastewater Treatment Plant</b> Jiangsu, CHINA 20,000m<sup>3</sup>/day</li> <li><b>Changzhi Total Water Management Plant</b> Shanxi, CHINA 1.3 million m<sup>3</sup>/day <i>Full completion</i></li> <li><b>Jingmen Industrial Wastewater Treatment Plant</b> Hubei, CHINA 10,000m<sup>3</sup>/day</li> </ul>

*m<sup>3</sup>/day:* cubic metres per day; *MIGD:* million imperial gallons per day; *MW:* megawatts; *tph:* tonnes per hour

**ASEAN and the Middle East**

Besides securing new projects to build up our project pipeline, we have also maintained a strong focus on the execution of projects under development. During the year, we added 400 megawatts of gross power and 200 tonnes per hour of steam to our total operating capacity with the completion and operation of Sembcorp Cogen @ Banyan, our second cogeneration plant in Singapore's Jurong Island petrochemical hub. This investment reinforces our position as the preferred supplier of energy, water and on-site logistics to companies on Jurong Island. Meanwhile in the UAE, our 30 million imperial gallons per day expansion to the desalination capacity of the Fujairah 1 Independent Water and Power Plant is progressing well and is expected to come onstream in the third quarter of 2015.

**China**

In 2014, we continued efforts to extend the reach of our industrial water and wastewater treatment business in China, particularly in the industrial and petrochemical sectors. We made good progress in the construction for an upcoming 120,000 cubic metres per day expansion to our Nanjing industrial water facilities, as well as an upcoming total water management plant to serve a major coal-to-chemicals customer in Changzhi. As at end 2014, these plants were respectively 70% and 37% complete, with the Nanjing expansion on track for completion in the first half of 2015, and partial operations for the Changzhi project expected in 2015. In addition, in response to customer feedback that a higher demand was expected, we increased the planned cooling water capacity of the Changzhi plant by a further 144,000 cubic metres per day. This brings the project's total water capacity to 1.3 million cubic metres per day. The project has been selected by the governments of China and Singapore as a joint showcase for integrated water management.

In June, we signed a joint venture agreement to acquire and upgrade an existing wastewater treatment facility at the Lianyungang Lingang Chemical Industrial Park. We will equip the facility to effectively treat high concentration wastewater and increase its capacity to 20,000 cubic metres per day. This project is significant as it kicks off a new collaboration with the Jiangsu Environment Protection Department, which has chosen Sembcorp as their partner to improve industrial wastewater management at Jiangsu's industrial parks. If successful, this could provide a model that can be replicated at industrial parks across Jiangsu and other provinces.

On the energy front, we inked a conditional joint venture agreement for a mine-mouth coal-fired power project in Chongqing. Sembcorp will hold 49% in the joint venture, which will own an existing 300-megawatt coal-fired power plant and develop an adjacent 1,320-megawatt coal-fired power plant targeted for completion in 2017. The entire project will cost approximately RMB6 billion (approximately S\$1.2 billion). The plants' strategic mine-mouth location offers significant savings in logistics costs and will enable the production of power at a lower cost.

**India**

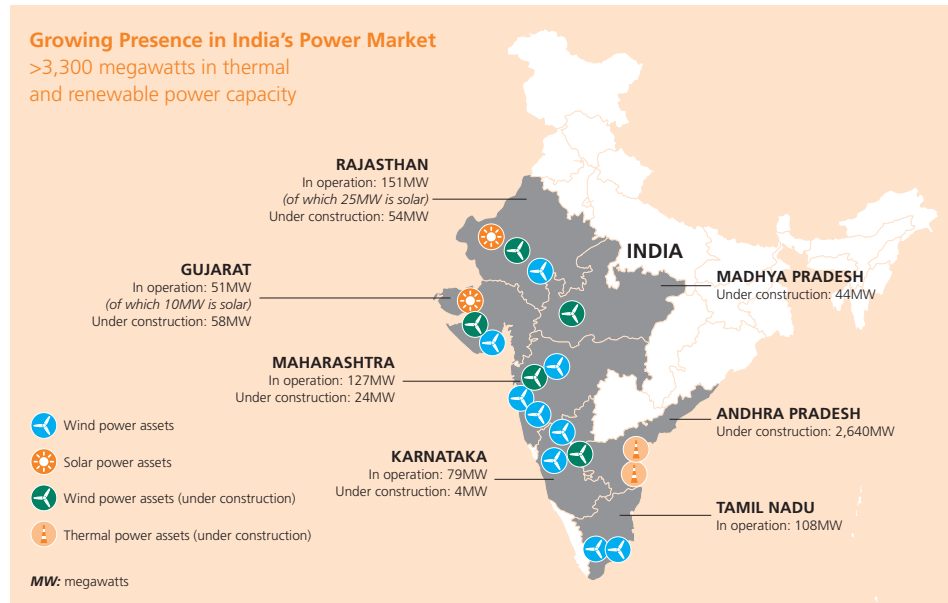
Construction of our two supercritical coal-fired projects in Nellore, Andhra Pradesh is progressing well, and the plants are on track to be completed in 2015 and 2016 respectively.

The first of these 1,320-megawatt power plants will commence commercial operation of its initial 660-megawatt unit in the first quarter of 2015. The plant's second 660-megawatt unit is expected to undergo commissioning soon and begin commercial operation in the third quarter of the year. During the year, we increased our stake in this US\$1.5 billion project from 49% to 65%, giving us majority control. To maintain flexibility,

the plant's load will be sold through a mixture of long-term, medium-term and short-term contracts. To date, we have secured power purchase agreements for the sale of 900 megawatts of power, including a long-term agreement to supply 500 megawatts to the states of Andhra Pradesh and Telangana.

We embarked on our second coal-fired power project in the country early in the year, with the acquisition of a 49% stake in a 1,320-megawatt

facility being built on an adjacent site. This acquisition doubled our thermal power capacity in India to 2,640 megawatts. The proximity of both plants will enable us to benefit from operational synergies, such as shared coal importation and logistics infrastructure and a common management team. The total investment for our 49% stake amounts to Rs 923.4 crores (approximately S\$190.7 million), and we intend to increase our share to 65% upon receipt of relevant approvals.



### A Balanced Portfolio for Sustainability

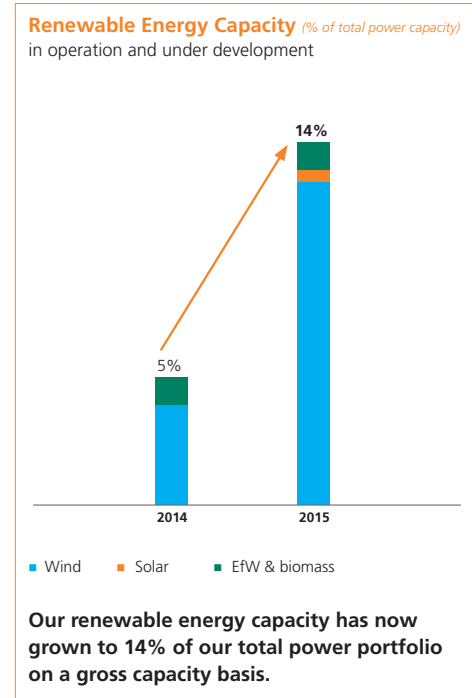
#### Growing our renewable energy business and capabilities globally

Expanding our renewable energy capabilities and capacity as part of having a balanced portfolio of high-efficiency thermal and renewable energy assets is a key element in our strategy for building a sustainable power portfolio. To this end, we have made meaningful progress. From 5% of our total power capacity in 2014, renewable energy now comprises 14% of our total power portfolio on a gross capacity basis.

In China, our 48-megawatt wind power capacity expansion in Huanghua, Hebei province, was completed in February 2015. Meanwhile, construction of our energy-from-waste (EfW) facilities in Singapore and the UK is 38% and 48% complete respectively. Our upcoming 140 tonnes of steam per hour EfW facility on Singapore's Jurong Island will be our largest in the country, and both it and our 49-megawatt EfW facility on Wilton International in the UK are targeted for completion in 2016.

In February 2015, we marked our entry into India's fast-growing renewable energy market with the acquisition of a 60% stake in Green Infra, a leading renewable energy group with wind and solar power assets in six states across the southern, western and central regions of the country. The addition of Green Infra will add approximately 700 megawatts of operating assets to Sembcorp's renewable energy portfolio in 2015. The acquisition almost triples Sembcorp's total renewable energy

capacity to over 1,000 megawatts globally. With gas-fired and coal-fired thermal power plants, as well as a global renewable portfolio that encompasses wind, solar, energy-from-waste and biomass assets, Sembcorp is now well-positioned for growth in both the thermal and renewable energy sectors.



**Renewable Energy**

Sembcorp's renewable energy portfolio includes wind power, solar power, energy-from-waste (EfW) and biomass energy assets in Singapore, China, India and the UK. Our renewable energy capacity stands at over 1,000 megawatts of power in operation and under development, accounting for 14% of our total power capacity, as well as 330 tonnes per hour of steam.



**Wind**

Sembcorp has 961 megawatts of wind power assets in operation and under development in China and India. In China, Sembcorp has four wind power assets across Inner Mongolia and Hebei, with a combined capacity of 296 megawatts. In India, Sembcorp's 665 megawatts of wind power assets are found in six states across the country's renewable resource-rich southern, western and central regions.



**Solar**

Sembcorp has 35 megawatts of solar power assets in operation, located in the states of Rajasthan and Gujarat in India's western region.



**Energy-from-Waste**

Sembcorp's woodchip boiler plant on Singapore's Jurong Island produces 60 tonnes per hour of steam using waste wood collected and processed by the company's solid waste management operations. Sembcorp is also developing a 140 tonnes per hour steam facility on Jurong Island that will be fuelled entirely by industrial and commercial waste. Both our Jurong Island EfW facilities demonstrate our unique capabilities to manage the entire EfW value chain in Singapore.

In addition, Sembcorp is developing an EfW plant on the Wilton International site in the UK which will produce up to 49 megawatts of power or 190 tonnes per hour of steam using municipal and commercial waste.



**Biomass**

On the Wilton International site in the UK, Sembcorp runs the country's first large-scale wood-fired renewable energy plant. The biomass power station uses sustainable virgin wood and recycled wood collected from waste disposal sites throughout the country to produce 35 megawatts of power and 130 tonnes per hour of steam.

**Optimising the Management of Our Assets  
Enhancing competitiveness with technology and innovation**

In October, we officially opened the new Sembcorp Technology & Innovation Centre on Jurong Island in Singapore. Comprising laboratories and applied research and development facilities, it is a centre for the development and integration of innovative processes and the commercialisation of emerging technologies.

It also houses an advanced global asset management system to centrally manage our international utilities operations from Singapore. Currently in development, the Sembcorp Global Asset Management System will allow us to better harness our collective global expertise, drive operational excellence and optimise asset performance for enhanced reliability, availability and cost effectiveness.

**The Sembcorp Global Asset Management System**

Sembcorp's new global asset management system will comprise the following three modules, allowing for the centralised management of an international portfolio of utilities plants.



**Process optimisation module**  
To benchmark plant performance data and provide automatic alerts for any abnormalities



**Troubleshooting module**  
To assist Sembcorp's technical experts in addressing operational issues through the use of predictive analytics



**Predictive maintenance module**  
To identify potential equipment problems even before any disruptions happen and allow for greater optimisation of scheduled maintenance and component replacement



## OUTLOOK

In 2015, the world's economy is expected to face strong and complex cross-currents, leading to a mixed economic outlook. According to the World Bank's Global Economic Prospects, while the global economy is expected to grow by a moderate 3% in 2015 against a lower-than-expected 2.6% in 2014, low oil prices are expected to contribute to diverging prospects for oil-exporting and oil-importing countries.

In Singapore, the Ministry of Trade and Industry forecasts the economy to grow between 2% and 4% in 2015, compared to 2.9% in 2014. Meanwhile, the Economic Development Board has lowered its fixed asset investments forecast for 2015 to a range of between S\$9 billion to S\$11 billion, from S\$10 billion to S\$12 billion in 2014. The lower forecast reflects factors such as a sharper focus on attracting projects that are in line with Singapore's stage of economic development, as well as greater uncertainty in the outlook for the global economy. The Utilities business environment in Singapore is expected to be challenging in 2015, with continued intense competition in the power market as well as low oil prices.

According to the World Bank, China's economy is expected to grow at a moderate 7.1% in 2015, down from its estimated 7.4% growth in 2014. The government is expected to continue with its pursuit of structural reforms to make the economy more

market driven and maintain its strong promotion of greater environmental protection.

Meanwhile, the World Bank forecasts that India's economy will grow by an estimated 6.4% in 2015, up from an estimated 5.6% in 2014. This signals regained economic momentum and continued recovery from two years of modest growth between 2012 and 2013, to growth levels that are more in line with the country's high long-term potential. The new government continues to push ahead with measures to reform the power sector, including efforts to resolve coal issues and encourage greater growth in renewable energy. The first of our 1,320-megawatt power plants in India will commence operation in phases in 2015, followed by our second 1,320-megawatt power plant in 2016. Together with our recent acquisition of Green Infra, this will bring our gross power capacity in India to over 3,300 megawatts, comprising both thermal and renewable energy assets.

Despite the mixed global economic outlook, essential energy and water solutions will continue to remain relevant, particularly in emerging growth markets. Sembcorp has built up a successful track record in developing large-scale greenfield projects and is well-positioned to secure opportunities. Our Utilities business remains focused on operational excellence and efficiency, as well as the execution of our significant pipeline of projects and the pursuit of new growth opportunities to deliver long-term growth.



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

# MARINE REVIEW



The state-of-the-art Sembmarine Integrated Yard @ Tuas, Singapore

## Competitive Edge

- A leading global marine & offshore engineering group, offering a full spectrum of integrated solutions from ship repair, specialised shipbuilding, ship conversion, rig building and repair to offshore engineering and construction
- Proven capabilities in managing complex turnkey projects and delivering timely and innovative solutions
- Global network of yards strategically located in Singapore, Brazil, Indonesia, India, the UK and China
- Development and ownership of proprietary designs and technology for rigs, drillships as well as floating production and drilling solutions

## Performance Scorecard

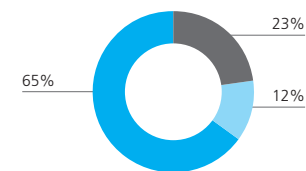
Financial Indicators (\$\$ million)	2014	2013	Change (%)
Turnover	<b>5,830.7</b>	5,525.9	6
EBITDA	<b>823.6</b>	749.6	10
PFO	<b>717.8</b>	660.0	9
– EBIT	<b>708.0</b>	648.8	9
– Share of results: Associates & JVs, net of tax	<b>9.8</b>	11.2	(12)
Net profit	<b>560.1</b>	555.7	1
ROE (%)	<b>19.9</b>	21.7	(8)

*Note: Figures taken at Sembcorp Marine level*

Operational Indicators (\$\$ billion)	2014	2013
Net orderbook	<b>11.4</b>	12.3

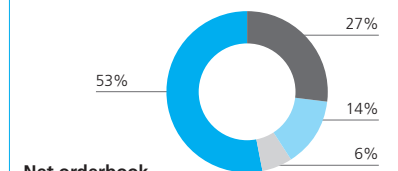
## Turnover by Segment

- Rig building
- Offshore conversions & platforms
- Repair & others



## Orderbook Composition

- Drillships
- Offshore conversions & platforms
- Jack-up rigs
- Semi-submersibles



**Net orderbook**  
**\$511.4 billion**  
as at December 31, 2014

## Key Developments



Secured contract orders worth S\$4.2 billion in 2014. As at end 2014, net orderbook stood at S\$11.4 billion with completion and deliveries till 2019



Estaleiro Jurong Aracruz commenced initial operation in the second half of 2014. The yard also received its first drillship unit, Arpoador



Sembcorp Marine named Shipyard of the Year at the 2014 Lloyd's List Asia Awards

## OPERATIONS AND FINANCIAL REVIEW

## Turnover grows on increased contribution from rig building and offshore platform projects

The Marine business achieved growth in turnover and net profit despite challenging market conditions.

Turnover increased 6% to S\$5.8 billion, mainly from higher contribution from rig building and offshore platform projects.

Turnover (\$ million)	2014	2013	Change (%)
Rig building	3,779	3,564	6
Offshore conversions & platforms	1,353	1,204	12
Repair	622	681	(9)
Others	79	77	2
Total turnover	5,833	5,526	6

Profit from operations (PFO) rose 9% to S\$717.8 million, while net profit grew 1% to S\$560.1 million. Return on equity stood at 20%.

## Rig building

In the rig building segment, turnover increased 6% to S\$3.8 billion, contributing 65% to the overall Marine business' revenue, similar to the previous year. Eight jack-up rigs were delivered in 2014, including four rigs for Noble Corporation, two rigs for Oro Negro and one each for Seadrill and Perisai.

## Offshore conversions and platforms

The offshore conversion and platform segment posted a 12% increase in earnings to S\$1.4 billion. During the year, we completed and delivered six projects, with three major project deliveries from the fixed platform segment and another three comprising offshore and conversion projects.

	2014	2013
Number of projects completed and delivered	6	4
- Offshore and conversion	3	2
- Fixed platforms	3	2

## Repair

Turnover for the repair segment declined 9% to S\$622 million, reflecting the weak conditions in the shipping market. Volume, however, remained strong, as the larger drydocks and additional capacity at the Sembmarine Integrated Yard @ Tuas opened up new customer segments for the business, such as repairs for larger vessels. 439 ships were repaired in 2014 compared to 373 in 2013, but the average repair value per ship fell to S\$1.4 million compared to S\$1.8 million last year. This was due to ship owners opting for smaller repair packages amidst a weak shipping market.

Despite this, the segment continued to secure significant repair projects during the year. In November, we completed the S\$25 million extensive revitalisation of Royal Caribbean International's 137,276-gross tonnage passenger cruise ship *Voyager of the Seas*. In addition, we secured a long-term favoured customer contract from GasLog LNG Services to provide ship repair, refurbishment, upgrading and related marine services for its fleet of 20 liquefied natural gas (LNG) carriers. Under this contract, three to five of GasLog's LNG carriers are expected to dock at our yard for refitting each year.

## Healthy S\$11.4 billion orderbook underpins earnings till 2019

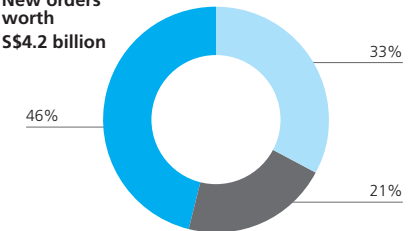
As at December 31, 2014, our net orderbook stood at S\$11.4 billion, excluding repair and upgrade contracts. This includes a total of S\$4.2 billion in new rig building, offshore conversion & platform contracts and drillships secured in 2014. Completions and deliveries stretch into 2019, underpinning earnings for the next five years.

Our strategy to broaden our product offering and enhance our competitiveness with the development and ownership of proprietary designs continues to

bear fruit. During the year, we won contracts to build two drillships worth US\$1.1 billion, from a subsidiary of US-based Transocean. These contracts for the construction of our proprietary Jurong Espadon III drillships are a strong endorsement of our drillship design and execution capabilities.

## Contracts Secured in 2014

New orders worth S\$4.2 billion



- Offshore conversions & platforms
  - S\$600 million FPSO conversions for Saipem
  - US\$190 million LNG process modules assembly for Bechtel
  - US\$696 million FPSO conversion for OOGTK Libra
  - Two contracts worth S\$222 million to build an offshore substation platform for Siemens and convert a VLCC into an FPSO vessel for MODEC Offshore Production Systems
- Drillships
  - Two Jurong Espadon III drillships worth US\$1.1 billion for Transocean
- Jack-up rigs
  - US\$214.3 million Pacific Class 400 deep drilling jack-up rig for Marco Polo Marine
  - US\$236 million Friede & Goldman JU 2000E rig for Hercules North Sea
  - US\$240 million Pacific Class 400 high-specification jack-up rig for BOT Lease Co

Meanwhile, contracts secured in the offshore conversion and platform segment reached an all-time high of S\$1.9 billion. Contracts secured included a S\$600 million project from Saipem to convert two very large crude carriers (VLCCs) into floating, production, storage and offloading (FPSO) units for the Kaombo project in Angola; and a US\$696 million project from OOGTK Libra (a joint venture between Brazil's Odebrecht Oil & Gas and Teekay Offshore) to convert a shuttle tanker into an FPSO vessel for Brazil's Libra Field. The latter will be the first conversion project to be carried out at the Sembmarine Integrated Yard @ Tuas.

**LAYING THE FOUNDATION FOR LONG-TERM SUSTAINABLE GROWTH**

**Sembmarine Integrated Yard @ Tuas**  
Developing a next-generation fully integrated marine & offshore engineering hub

During the year, we announced details of the next phase of development for our Sembmarine Integrated Yard @ Tuas. To be developed into a leading next-generation fully integrated marine & offshore engineering hub, the yard will enhance our long-term competitive position in the global offshore & marine industry.

Firstly, a new steel fabrication facility will be built to serve as the central kitchen for steel fabrication for the entire Tuas yard. The S\$222 million multi-functional facility will offer a streamlined, seamless and extensively automated production process from

steel stock yard to final assembly and finishing shop once it is completed in the third quarter of 2015.

Secondly, on the back of robust demand for the yard's four VLCC drydocks, we began construction for a S\$489 million second phase extension to the yard. With marine works scheduled for completion in 2017, this 34.5-hectare second phase will add on three new drydocks, including a dedicated drydock for offshore facilities and rig building, upgrades and repairs. When completed, the yard, with its total of seven drydocks, will be well-placed to benefit from anticipated growth in demand for modern docking capacity. It will also be positioned to deliver value-added and cost-competitive solutions to better meet the needs of our growing list of global customers and alliance partners.

**Estaleiro Jurong Aracruz**  
Integrated yard in Brazil commences operation

In the second half of 2014, our wholly-owned shipyard Estaleiro Jurong Aracruz commenced operation. This important achievement marked a new chapter for our Marine business. Equipped with a 3,600-tonne heavy lift floating crane, which is the largest of its kind in Latin America, the yard has opened its doors to receive *Arpoador*, the first of seven drillships ordered by Sete Brasil.

With its prime location close to Brazil's pre-salt basins and active exploration and production areas in the Gulf of Mexico and West Africa, Estaleiro Jurong Aracruz will position our Marine business to capture further opportunities in these areas.

**Sembmarine Integrated Yard @ Tuas, SINGAPORE**

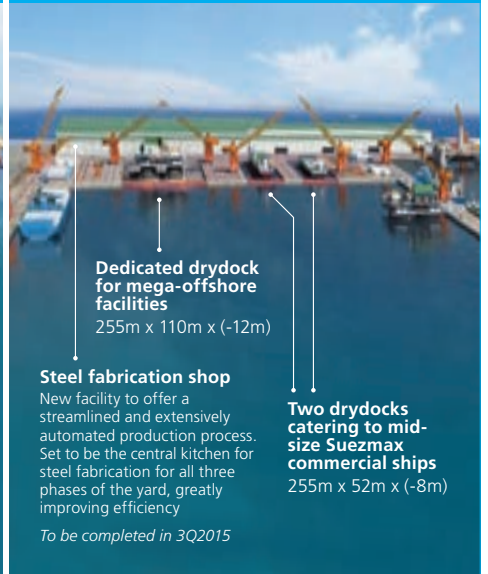
**PHASE I**

73.3 hectares  
Four VLCC drydocks: 1.55 million dwt



**PHASE II**

34.5 hectares  
Expected completion in 2017



**Features include:**

- Natural deep waters** Enables installation of semi-submersible thrusters without towing rigs to sea
- Special reinforced load-out areas for offshore modules of up to 20,000 tonnes** Enables direct lifting and deployment of topside modules onto hulls without requiring the hulls to be towed out to sea
- Three finger piers and a basin ranging from 210m to 400m with maximum draft from 9m to 15m** Enables ultra-deepwater semi-submersibles and cruise ships to be berthed without restrictions

dwt: deadweight tonnes; m: metres; TEU: twenty-foot equivalent units; 3Q: third quarter

**Estaleiro Jurong Aracruz, BRAZIL**

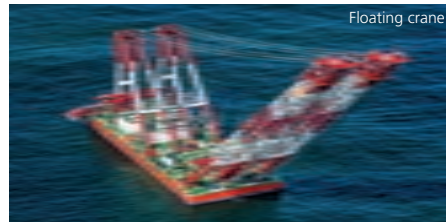
Commenced initial operation in 2H2014  
Full completion expected end 2015



82.5-hectare integrated yard located in Aracruz, state of Espírito Santo

**An integrated yard capable of undertaking a wide range of services:**

- Construction of drillships, semi-submersibles and jack-up rigs
- Construction of platforms and supply vessels
- FPSO integration
- Topsides modules fabrication
- Drilling rig repair, ship repair and modification works



**Equipped with the biggest floating crane in Latin America**

Model: L3602 floating crane  
Weight: approximately 10,000 tonnes  
Dimensions: 110m x 46m x 7.5m  
Lifting capacity: 3,600 metric tonnes

2H: second half; m: metres

**Investing in technology to stay ahead**

In line with our ongoing efforts to stay ahead and offer new and innovative solutions to our customers, we

acquired a 12% stake in GraviFloat of Norway and purchased the business assets of Houston-based SSP Offshore, including its flagship SSP Floater technology and entire portfolio of proprietary SSP® solutions.

**New Technologies and Solutions**

**Sembmarine SSP**



Proprietary technologies and solutions including the flagship SSP Floater technology for next-generation circular hull forms



**GraviFloat**



Modularised LNG and LPG terminals for installation in shallow waters

A spin-off from one of Europe's leading naval architecture and maritime engineering firms LMG Marin, GraviFloat was formed to design, deliver and operate modularised LNG and liquefied petroleum gas (LPG) terminals for installation in shallow waters. The terminals, which are re-deployable, offer a more cost-competitive solution compared with floating storage and regasification units and land terminals. GraviFloat's technology also allows LNG terminals to be fully built and completed at a shipyard. Our total investment for 12% of GraviFloat was US\$4 million and we have the right to increase our stake up to 20% through further equity injection.

Meanwhile, our US\$21 million acquisition of SSP Offshore's assets allows us to expand into circular-based floaters and own the full range of the company's intellectual property, including proprietary products related to its next-generation SSP floaters. The SSP floater technology has a wide range of applications from deepwater drilling, production and storage units, to logistics support hubs, and can be customised for region-specific operating requirements such as harsh environments and

arctic conditions. SSP floaters offer cost savings to customers by eliminating the need for turret, swivel or catenary anchor leg mooring buoy facilities in production and storage operations and offloading. They also offer fabrication flexibility, as they can be built with simple block construction methods without the need for a drydock.

**OUTLOOK**

With the steep decline in oil prices in the second half of 2014, major oil and gas companies have announced reduced capital expenditure and deferred some of their planned projects. The Marine business continues to face tough competition in upcoming tenders in the offshore exploration and production sectors.

For the ship repair sector, demand for the business' large docks remains strong which would help to cushion the impact of weaker demand in the offshore rig building segment.

The business' performance in 2015 will be supported by its orderbook.

# URBAN DEVELOPMENT REVIEW



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

## Competitive Edge

- Over 20 years' track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments
- Significant land bank of integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

## Performance Scorecard

Financial Indicators (\$ million)	2014	2013	Change (%)
Turnover <sup>1</sup>	10.7	12.5	(14)
PFO	47.5	45.1	5
– EBIT	(0.3)	(4.7)	94
– Share of results: Associates & JVs, net of tax	47.8	49.8	(4)
Net profit	44.3	50.2	(12)
ROE <sup>2</sup> (%)	6.4	8.2	(22)

### Notes:

<sup>1</sup> Most of our Urban Development businesses are associates or joint ventures. Turnover reflected consists of payment for services provided to these associates or joint ventures.

<sup>2</sup> Excluding its returns on Sembcorp's corporate office on 30 Hill Street and its investment in Gallant Venture, the Urban Development business' ROE for 2014 and 2013 was 9% and 12% respectively.

## Operational Indicators (hectares)

	2014	2013
Saleable land inventory	5,410	5,446
Land sold (cumulative)	1,633	1,494
Net orderbook	198	281
Land available for sale	3,579	3,671

Note: Figures are based on current planned estimates and exclude projects under Gallant Venture.

## Remaining Saleable Land by Geography

■ Vietnam ■ China ■ Indonesia



## Remaining Saleable Land by Segment

■ Industrial ■ Commercial\* & residential



\* Commercial land also includes office space for research & development, innovation and technology purposes.

**Key Developments**



Maiden profits from Singapore-Sichuan Hi-tech Innovation Park, China



Positive response to public land auction at Sino-Singapore Nanjing Eco Hi-tech Island, China



Commitments secured for land in new Kendal Industrial Park in Indonesia even before the launch of the project

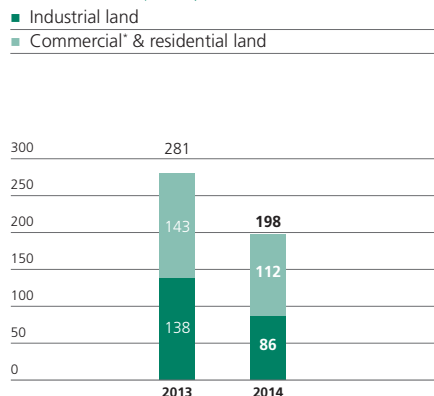
**OPERATIONS & FINANCIAL REVIEW**

**Creditable performance amid a challenging year**

Against the backdrop of difficult market conditions, our Urban Development business recorded a net profit of S\$44.3 million compared to S\$50.2 million the previous year. Profit from operations (PFO) stood at S\$47.5 million compared to S\$45.1 million in 2013.

2014 saw a slower property market in China and dampened investor sentiment in Vietnam following an unrest in the country. With investor confidence returning in the fourth quarter, the business ended the year with a total of 140 hectares of land sales in Vietnam and China. It also received commitments from customers for a further 56 hectares of land, bringing its net orderbook to a total of 198 hectares as at end 2014. Industrial land accounted for 78% of the land sold in 2014, while commercial and residential land accounted for the remaining 22%.

**Net Orderbook (hectares)**



\* Commercial land also includes office space for research and development, innovation and technology purposes.

**Vietnam**

2014 was a challenging year for our Vietnam operations. In May, unprecedented riots broke out across several provinces in the country. Binh Duong province, where our Vietnam Singapore Industrial Park (VSIP) I and II are located, was amongst the worst hit. In the aftermath of the unrest, we saw cancellations and delays for land orders across all VSIP projects, with dampened sentiment continuing through the second and third quarters of the year.

Notwithstanding this, our Vietnam business delivered a credible performance for the year. With investor confidence recovering late in the fourth quarter, we ended 2014 with higher land sales than in 2013. In terms of product mix, industrial land continued to form the bulk of land sold in the VSIPs, accounting for 94%, while the remaining 6% of land sold comprised higher-margin land for commercial and residential purposes.

During the year, we incorporated Sembcorp Infra Services to provide on-site warehousing and logistics operations to customers within the VSIP. This new subsidiary will offer tenants multiple pick-up and delivery points across the VSIP projects. It will also offer 15,000 square metres of warehouse space in VSIP Hai Phong by end 2015. Response so far has been encouraging, with a number of customers already making reservations to take up warehouse space. This new unit widens our suite of value-added solutions for tenants of the VSIPs, and is expected to contribute recurring income to the business.

**China**

In 2014, China's economy posted its weakest growth in 24 years. This translated to a sluggish market for land sales. Furthermore, the country saw a slowdown in industrial growth, with the Purchasing Managers' Index decreasing to 50.1 in December 2014 compared to 51.0 in December 2013.

In particular, the performance of our Wuxi-Singapore Industrial Park (WSIP) project, which relies on factory rental and electricity distribution as its main sources of income, was affected by poor sentiment in both the property and manufacturing sectors. Despite this, the development saw the entry of a new long-term tenant during the year. It handed over an 11,000-square metre factory built to specifications for Muehlbauer, which began an eight-year lease in June. Take-up for commercial and residential projects launched by WSIP was marginally higher compared to 2013. These projects included WSIP's business and technology park, which saw 65% of its initial phase taken up; the International Garden City residential project, where 171 or 97% of the apartment units have been sold; as well as Hongshan Mansion, a new residential development which has also sold 21 units or 19% of its initial phase.

Meanwhile, our Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project saw a slowdown in new land sales for much of the year. However, this was mitigated by several announcements from the local and central governments from the third quarter of the year. In September, Nanjing's municipal government announced the abolition of restrictions that limit the number of homes that residents can own, while in October, the central government eased monetary policy by lowering its benchmark lending rates. The impact of these announcements was immediately seen in an improved take-up of residential units in Jiangxinzhou, where SNEI is located, as well as in good response to a public auction of land in the SNEI in December, with land sales to be booked next year.

In 2014, our Singapore-Sichuan Hi-tech Innovation Park made maiden profits from a land sale. The 1,000-hectare innovation park, located in the central business district of Chengdu's Tianfu New City and within a newly established national-level economic zone, broke ground in 2012.

### Development Progress at the Sino-Singapore Nanjing Eco Hi-tech Island



Riverside Commercial Complex (under construction in the foreground) overlooking mainland Nanjing



Pedestrian bridge linking the island to mainland Nanjing

### Development Progress at the Vietnam Singapore Industrial Park Projects



13 ready-built factories have been completed at VSIP Hai Phong with 10 factories already tenanted



33 companies have commenced operation at VSIP Bac Ninh

## Indonesia

In Indonesia, our new Kendal Industrial Park (KIP) project in Central Java has already begun to draw interest from both local and foreign manufacturers. Two companies have signed expressions of interest to buy land, even before the formal launch of the project.

Located along the Jakarta-Semarang-Surabaya Economic Corridor in Central Java, KIP is positioned to benefit from the spillover of manufacturing activity from greater Jakarta. During the year, the detailed engineering design for the entire 860-hectare project was completed. The first of KIP's eight ready-built factories was also constructed, with the remaining seven to be built on demand. Land and infrastructure development for the project continues to progress in preparation for handover of prepared land to customers in 2015.

Following the dilution of Sembcorp's stake in Gallant Venture (GV) to 11.96% and the reclassification of GV as an available-for-sale

financial asset, our subsidiary Sembcorp Parks Management has ceased to provide marketing services to Batamindo Industrial Park and Bintan Industrial Estate.

## OUTLOOK

The Urban Development business has an orderbook of 198 hectares of land, which will be converted into sales in the next two years. This comprises 86 hectares of industrial land and 112 hectares of commercial and residential land. In addition, we continue to receive enquiries for land within our projects in Vietnam, China and Indonesia.

While the World Bank has projected global growth to rise moderately to 3% in 2015, risk factors for our business include residual uncertainty as to the outcome of government measures to promote sustained recovery in the Vietnam and China property markets. Other risk factors include

economic uncertainty in the eurozone, which may affect our customers' export markets, and the weak yen drawing Japanese investment and manufacturing activities back to their home base.

Going forward, the outlook for our key markets is expected to improve. In 2014, Vietnam recorded gross domestic product growth of just under 6%, marking its highest growth in three years. Investor confidence appears to have recovered since the last quarter of 2014 and in November, Vietnam's parliament approved new regulations for the real estate sector permitting foreign ownership of property. This is expected to boost interest in residential real estate. Furthermore, the country is looking forward to the conclusion of the Trans-Pacific Partnership, which is expected to benefit Vietnam and its industries, such as the garment and footwear manufacturing sectors.

While China's growth has moderated, the impact on its real estate sector is expected to be mitigated by new measures introduced by the

authorities, including a rate cut by the People's Bank of China in November. Furthermore in the third quarter of 2014, the government lifted restrictions in Chengdu, Wuxi and Nanjing on the number of homes that residents can own. This is expected to provide a boost to the property market over the next year.

Meanwhile in Indonesia, pre-launch interest in KIP has been very encouraging. With the development's strategic location in Central Java, it is well-positioned to capture the spillover of manufacturing activities from Jakarta. The project has secured commitments for land, and continues to receive enquiries from Jakarta-based manufacturers.

In 2015, the business is expected to deliver a steady operating performance. As we continue to focus on the successful execution of our new projects, we believe we are ready to respond quickly to a growth momentum in orderbook and deliver land to our customers.





Sembcorp's wind power operations in Hulunbeier, China

# GOVERNANCE AND SUSTAINABILITY

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# CORPORATE GOVERNANCE STATEMENT

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

"In the best organisations, the practice of good governance is a living process, integrated into the business and embraced as part and parcel of the company's culture and DNA.

At Sembcorp, we believe that strong governance is necessary for us to achieve our fullest economic potential and secure our long-term sustainability. We are committed towards high standards of corporate conduct across our Group, and continually strive for the prudent management of risks and the alignment of our operations with international best practice."

ANG KONG HUA  
Chairman

The board and management of Sembcorp recognise that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability, and are committed to high standards of corporate governance to preserve and maximise shareholder value. This report sets out the company's corporate governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2012 (the Code). The board is pleased to report that the company has complied in all material aspects with the principles and guidelines set out in the Code, and any deviations are explained in this report.

The company continually reviews and refines its processes in light of best practice, consistent with the needs and circumstances of the Group, and we are encouraged that our efforts towards excellent governance have been recognised. At the 2014 Singapore Corporate Awards, Sembcorp Industries

won gold awards for Best Managed Board and Best Annual Report for companies with S\$1 billion and above in market capitalisation. Our Group President & CEO Tang Kin Fei was also named Best Chief Executive Officer in the same category. In addition, the company was ranked in the top three on Singapore's Governance and Transparency Index, an independent ranking exercise by the National University of Singapore's Centre for Governance, Institutions and Organisations, CPA Australia and The Business Times that assesses 644 Singapore-listed companies in terms of governance, ethics, transparency and rigour in financial reporting. Furthermore, the Securities Investors Association (Singapore) named Sembcorp the runner-up for the Singapore Corporate Governance Award at the 15<sup>th</sup> Investors' Choice Awards. The award was given under the category of companies with market capitalisation of S\$1 billion and above.

## BOARD MATTERS

### Board's Conduct of Affairs (Principle 1)

#### Effective board to lead and effect controls

Sembcorp is led by an effective board comprising mainly independent non-executive directors. The board is headed by Ang Kong Hua. He is joined on the board by Mr Tang, Goh Geok Ling, Evert Henkes, Bobby Chin Yoke Choong, Margaret Lui, Tan Sri Mohd Hassan Marican, Tham Kui Seng, Dr Teh Kok Peng, as well as Ajaib Haridass and Neil McGregor who joined the board on May 1, 2014.

#### Role of the board

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

- Provide leadership and guidance to management on the Group's overall strategy, taking into consideration sustainability issues and the need to ensure necessary financial and human resources are in place
- Ensure the adequacy of the Group's risk management and internal controls framework and standards, including ethical standards, and that its obligations to shareholders and other key stakeholders are met
- Review management performance and oversee the Group's overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestments and funding proposals, quarterly and full-year financial performance reviews, risk management and corporate governance practices
- Provide guidance on sustainability issues, such as environmental and social factors, as part of the Group's overall business strategy

To assist the board in the efficient discharge of its responsibilities and provide independent oversight of management, the board has established the following board committees with written terms of reference:

- Executive Committee
- Audit Committee
- Risk Committee
- Executive Resource & Compensation Committee
- Nominating Committee
- Technology Advisory Panel

Special purpose committees are also established as dictated by business imperatives.

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

The Group has adopted internal controls and guidelines that set out financial authorisation and approval limits for borrowings, including off-balance sheet commitments, investments, acquisitions, disposals, capital and operating expenditures, requisitions and expenses. Significant investments and transactions exceeding threshold limits are approved by the board while transactions below the threshold limits are approved by the Executive Committee and management to facilitate operational efficiency, in accordance with applicable financial authority limits.

### Executive Committee

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

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

### Technology Advisory Panel

The Technology Advisory Panel (TAP) comprises board members Mr Ang, Mr Tang and Dr Teh, as well as co-opted members Dr Josephine Kwa Lay Keng, Dr Ng How Yong and Prof Lui Pao Chuen. Their profiles may be found under the TAP chapter of this annual report.

The TAP provides guidance to the Group on its vision and strategy in leveraging technology to enhance Sembcorp's leadership in the energy and water industries. The panel advises on technologies for research and development as well as investment, oversees the application of significant emerging and potentially disruptive technologies in the energy and water sectors, and ensures the appropriate management of specialised research and development projects and systems for intellectual property creation and protection. In addition, the panel advises Sembcorp's board and management on technological trends and opportunities in line with the company's growth strategies.

The other committees' respective composition, roles and responsibilities are further explained in this report. Minutes of board committee meetings are circulated to the board to keep directors updated on each committee's activities.

### Meetings and attendance

The board meets on a quarterly basis to review and approve the release of the company's quarterly results, as well as to deliberate on key activities and business strategies, including significant acquisitions and disposals. At these board meetings, the Group President & CEO updates the board on the development and prospects of the Group's businesses and each board committee also reports an update of its activities. An additional board meeting is held at the end of each financial year to review the Group's strategy going forward and to consider and approve the Group's budget for the following year, and ad-hoc board meetings may also be convened as necessary to consider other specific matters. Time is also set aside at these scheduled meetings for the board to discuss management's performance; members of management are not present at or privy to such discussions.

Board and board committee meetings, as well as annual general meetings (AGMs) of the company are scheduled in consultation with the directors in advance of each year. Telephonic attendance and conference via audio-visual communication channels are allowed under the company's Articles of Association to enable the participation of directors who are unable to be present, and decisions of the board and board committees may be obtained at meetings or via circular resolution. Should a director be unable to attend a board or board committee meeting, he / she will still be sent the papers tabled for discussion and have the opportunity to separately convey any views to the chairman for consideration or further discussion with other directors. If necessary, a separate session may be organised for management to brief that director and obtain his / her comments and / or approval.

The directors' attendance at board and committee meetings held during the financial year 2014 is set out on page 103.

**Board orientation and training**

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.

The company conducts orientation programmes for new directors 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.

As part of training and professional development for the board, the company 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.

**Briefings and updates provided for directors in 2014**

- Briefings on developments in accounting and governance standards presented by our external auditors at Audit Committee meetings
- Updates on the Group's business and strategic developments presented by the Group President & CEO to the board
- Insights on China and India markets presented by external advisors to the board

- Review of the Group's country risk framework with benchmarking against global best practices presented by an external advisor to the Risk Committee
- Quarterly overviews on the risk and controls environment of the Group and updates relating to other risk management and governance initiatives, such as the governance assurance framework, presented by the Group Risk and Governance departments to the Risk Committee
- Public forum discussions on boards and technology by eminent US and Asian practitioners

Besides such briefings, articles and reports relevant to the Group's businesses are also circulated to the directors for information. Furthermore, facility visits to the Group's operating sites are also arranged to enhance directors' understanding of the Group's businesses as well as meetings with key customers and government officials. In October 2014, a facility visit was conducted in conjunction with the official opening of the Sembcorp Cogen @ Banyan and the Sembcorp Technology & Innovation Centre on Jurong Island in Singapore.

**Board Composition and Guidance (Principle 2)**  
Strong and independent board exercising objective judgement**Board composition**

The current board comprises eleven directors, eight of whom are independent directors. Excluding the Group President & CEO, all the directors are non-executive. The board members include business leaders and professionals with strong experience relevant to the Group's businesses, from engineering, petrochemicals, oil and gas and real estate industries to accountancy, finance and legal sectors. Best efforts have been made 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. The board is of the view that given that the majority of directors are non-executive and independent of management in terms of character and judgement, objectivity on issues deliberated is assured. Profiles of the directors may be found on pages 30 to 35.

**Review of directors' independence**

The independence of each non-executive director is assessed annually, with each director required to complete a Director's Independence Checklist drawn up based on the guidelines provided in the Code. The checklist also requires each director to assess whether he considers himself independent despite involvement in any of the relationships identified in the Code. Thereafter, the Nominating Committee reviews the completed checklists, assesses the independence of the directors and presents its recommendations to the board. Particular scrutiny is applied when assessing the continued independence of directors who have served more than nine years.

Taking into account the views of the Nominating Committee, the board determined in 2014 that with the exception of Mr Tang, Mrs Lui and Mr McGregor, all of Sembcorp Industries' directors are independent. Mr Tang is Group President & CEO and an executive director, while Mrs Lui is Chief Executive Officer of Azalea Asset Management, a related company of Temasek Holdings (Temasek) which holds more than 10% interest in the Group. Mr McGregor was regarded as an independent director at the time of his appointment to the board and prior to his employment as Senior Managing Director of Temasek's Enterprise Development Group on June 1, 2014. Thereafter he was deemed non-independent given his direct association with Temasek as defined in the Code.

Tan Sri Mohd Hassan Marican sits on the board of Sembcorp Marine, a listed subsidiary from which the company has received payment in excess of S\$200,000 in aggregate for consultancy services and provision of utilities services, as did Mr Goh prior to April 22, 2014. The board has assessed this matter and is of the view that the payment received from Sembcorp Marine is insignificant in the context of the Group's earnings. The board believes that Tan Sri Mohd Hassan Marican and Mr Goh's directorships in Sembcorp Marine have not and will not interfere, or be reasonably perceived to interfere, with their abilities to exercise independent judgement and act in the best interest of Sembcorp Industries.

Mr Goh and Mr 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.

The board has determined that Mr Chin, who was appointed a director to the board of Temasek on June 10, 2014, and Tan Sri Mohd Hassan Marican and Mr Tham, who respectively hold the positions of Senior International Advisor and Corporate Advisor at Temasek International Advisors, a subsidiary of Temasek, are independent. The board believes that the three directors have consistently exercised strong independent judgement in their deliberations and that they 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.

**Chairman and Chief Executive Officer (Principle 3)****Clear division of responsibilities between the board and management**

The Chairman and the Group President & CEO are not related to each other. Their roles are kept separate to ensure a clear division of responsibilities, increased accountability and a greater capacity of the board for independent decision-making.

The Chairman, who is non-executive, chairs the board, ExCo, Executive Resource & Compensation Committee, Nominating Committee and the TAP. He leads and ensures effective and comprehensive board discussion on matters brought to the board, including strategic issues as well as business planning. The Chairman promotes an open environment for deliberation and ensures that board and board committee meetings are conducted in a manner that allows non-executive directors to participate

in meaningful and active discussion. He also monitors follow-up to the board's decisions to ensure that such decisions are translated into executive action and provides advice to management. In addition, the Chairman provides leadership and guidance to management, particularly with regard to its global growth strategy and project investments. He also helps to oversee the Group's talent management, and works with the Group President & CEO to ensure that robust succession plans are in place for key management positions.

The Group President & CEO makes strategic proposals to the board, develops the Group's businesses in accordance with strategies, policies, budgets and business plans as approved by the board and provides close oversight, guidance and leadership to senior management.

**Board Members for 2014**

Board member	Position held on the board	Date of first appointment to the board	Date of last re-election / re-appointment as director	Nature of appointment
Ang Kong Hua	Chairman	Feb 26, 2010	Apr 24, 2014*	Non-executive / Independent
Tang Kin Fei	Director	May 1, 2005	Apr 25, 2013	Executive / Non-independent
Goh Geok Ling	Director	May 3, 2000	Apr 24, 2014*	Non-executive / Independent
Evert Henkes	Director	Apr 30, 2004	Apr 24, 2014*	Non-executive / Independent
Bobby Chin Yoke Choong	Director	Dec 1, 2008	Apr 24, 2012*	Non-executive / Independent
Margaret Lui	Director	Jun 1, 2010	Apr 25, 2013	Non-executive / Non-independent
Tan Sri Mohd Hassan Marican	Director	Jun 16, 2010	Apr 24, 2014	Non-executive / Independent
Tham Kui Seng	Director	Jun 1, 2011	Apr 24, 2014	Non-executive / Independent
Dr Teh Kok Peng	Director	Oct 15, 2012	Apr 25, 2013*	Non-executive / Independent
Ajaib Haridass	Director	May 1, 2014	N.A.*	Non-executive / Independent
Neil McGregor	Director	May 1, 2014	N.A.*	Non-executive / Non-independent

\* Up for retirement at AGM

**Composition of Board Committees for 2014**

Board member	Executive Committee	Audit Committee	Risk Committee	Executive Resource & Compensation Committee	Nominating Committee	Technology Advisory Panel
Ang Kong Hua	Chairman			Chairman	Chairman	Chairman
Tang Kin Fei	Member					Member
Goh Geok Ling	Member			Member	Member	
Evert Henkes		Member	Chairman			
Bobby Chin Yoke Choong		Chairman	Member			
Margaret Lui	Member			Member	Member	
Tan Sri Mohd Hassan Marican <sup>1</sup>				Member	Member	
Tham Kui Seng		Member				
Dr Teh Kok Peng <sup>2</sup>		Member				Member
Ajaib Haridass <sup>3</sup>			Member			
Neil McGregor <sup>4</sup>			Member			

**Directors' Attendance at Board and Board Committee Meetings in 2014**

Board member	Board meeting	Executive Committee meeting	Audit Committee meeting	Risk Committee meeting	Executive Resource & Compensation Committee meeting	Nominating Committee meeting	Technology Advisory Panel meeting
<b>Total Number of Meetings Held in 2014</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>3</b>
Ang Kong Hua	4/4	4/4	–	–	2/2	3/3	3/3
Tang Kin Fei	4/4	4/4	–	–	–	–	3/3
Goh Geok Ling	4/4	3/4	–	–	2/2	3/3	–
Evert Henkes	4/4	–	5/5	4/4	–	–	–
Bobby Chin Yoke Choong	4/4	–	5/5	4/4	–	–	–
Margaret Lui	4/4	4/4	–	–	2/2	3/3	–
Tan Sri Mohd Hassan Marican <sup>1</sup>	4/4	–	1/1	1/1	1/1	2/2	–
Tham Kui Seng	4/4	–	5/5	–	–	–	–
Dr Teh Kok Peng <sup>2</sup>	4/4	–	4/4	1/1	–	–	3/3
Ajaib Haridass <sup>3</sup>	3/3	–	–	3/3	–	–	–
Neil McGregor <sup>4</sup>	2/3	–	–	2/3	–	–	–

<sup>1</sup> Tan Sri Mohd Hassan Marican relinquished his membership of the Audit Committee and Risk Committee and was appointed a member of the Executive Resource & Compensation Committee and Nominating Committee with effect from May 1, 2014.

<sup>2</sup> Dr Teh relinquished his membership of the Risk Committee and was appointed a member of the Audit Committee with effect from May 1, 2014.

<sup>3</sup> Mr Haridass was appointed a member of the Risk Committee with effect from May 1, 2014.

<sup>4</sup> Mr McGregor was appointed a member of the Risk Committee with effect from May 1, 2014.

**Board Membership (Principle 4)**

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

**Nominating Committee**

The Nominating Committee (NC) comprises non-executive directors, namely Mr Ang, Mr Goh, Mrs Lui and Tan Sri Mohd Hassan Marican. Three out of four directors in the NC (including the Chairman) are independent.

The NC is responsible to review Sembcorp's board to ensure strong, independent and sound leadership for the continued success of the company and its businesses.

The key responsibilities of the NC are to:

- Ensure that the board has the right balance of skills, attributes, knowledge and experience in business, finance and related industries, as well as management skills critical to the company's businesses
- Review the composition and size of the board and its committees and recommend new appointments, re-appointments and re-elections to the board and board committees as appropriate
- Review the directors' independence and succession plans for the board
- Develop a process to evaluate board and board committee performance
- Review training and professional development programmes for the board

**Succession planning, appointment and re-appointment of directors**

The NC seeks to refresh board membership progressively and in an orderly manner. 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. The board also recognises the contributions 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.

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 our 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. In accordance with the company's Articles of Association, the new director will hold office until the next AGM and, if eligible, can stand for re-appointment.

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

In addition, all newly-appointed directors submit themselves for retirement and re-election at the

AGM immediately following their appointment. Thereafter, these directors are subject to the one-third rotation rule. Directors who are above the age of 70 are also statutorily required to seek re-appointment at each AGM.

Pursuant to the one-third rotation rule, Mr Chin and Dr Teh will retire and submit themselves for re-election at the forthcoming AGM. Mr Haridass and Mr McGregor, who were newly appointed to the board on May 1, 2014, will also submit themselves for retirement and re-election by shareholders at the forthcoming AGM.

In addition, Mr Ang, Mr Goh and Mr Henkes, who are above the age of 70, will submit their retirement at the coming AGM in accordance with the statutory requirement. The board has been informed that Mr Ang will offer himself for re-appointment, while Mr Goh and Mr Henkes have decided not to seek re-appointment.

The board does not encourage the appointment of alternate directors. No alternate director has been or is currently being appointed to the board.

**Review of directors' time commitments**

While reviewing the re-appointment and re-election of directors, the NC also considers the directors' other board directorship representations and principal commitments to ensure they have sufficient time to discharge their responsibilities adequately. Taking into consideration the total time commitment required of our directors for involvement in Sembcorp's board and board committees and for their other appointments outside our company, the board has determined that the maximum number of listed company board representations held by any Sembcorp Industries director should not exceed six.

For 2014, the board is satisfied that all directors have given sufficient time and attention to the affairs of the company and have discharged their duties adequately.

**Board Performance (Principle 5)**

Active participation and valuable contributions are key to overall effectiveness of the board

**Board evaluation process and performance criteria**

The board believes that board performance is ultimately reflected in the long-term performance of the Group. Each year, in consultation with the NC, the board assesses its performance to identify key areas for improvement and requisite follow-up actions.

To provide feedback to aid in this assessment, each director is required to complete a questionnaire on the effectiveness of the board, board committees and directors' contribution and performance. The evaluation considers factors such as the size and composition of the board and board committees, board processes and accountability, board and board committees' development and effectiveness, information management, decision-making processes, risk and crisis management, succession planning, communication with senior management and stakeholder management.

The evaluation and feedback are then consolidated and presented to the board for discussion on areas of strengths and weaknesses, to improve the effectiveness of the board and its committees.

In 2014, the NC reviewed and improved the questionnaire to further enhance assessment of board and board committee effectiveness.

**Access to Information (Principle 6)**

Directors have complete, adequate and timely information and resources

**Complete, adequate and timely information**

The company recognises that directors should be provided with complete, adequate and timely information on an ongoing basis. This is 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. Sembcorp's management furnishes management and operation reports as well as financial statements to the board on a regular basis. Financial highlights of the Group's performance and key developments are presented on a quarterly basis at board meetings and the Group President & CEO, Group Chief Financial Officer and members of senior management attend board and board committee meetings to provide insight into matters under discussion and address any queries which the directors may have.

In line with Sembcorp's strong commitment towards environmental responsibility, directors are provided with electronic tablets to enable them to access board and board committee papers prior to and during meetings. As a general rule, board and board committee papers are disseminated to directors at least three working days prior to meetings to provide sufficient time to review and consider matters at hand, and so that discussions at the meetings can be focused on the directors' questions arising from these matters. The board has ready and independent access to the Group President & CEO, senior management, the Company Secretary and internal and external auditors at all times, should it need to request for additional information.

**Company Secretary**

The Company Secretary assists the Chairman to ensure good information flow within the board and its committees and between the board and senior management. In addition, the Company Secretary attends to corporate secretarial matters, such as arranging orientations for new directors and assisting with their professional development as required. In consultation with the Chairman and the Group President & CEO, the Company Secretary assists the board with scheduling of board and board committee meetings and the preparation of meeting agendas, and also administers, attends and minutes board proceedings. The Company Secretary assists the board on the Group's compliance with the Memorandum and Articles of Association and applicable regulations, including requirements of the Companies Act, Securities & Futures Act and the SGX-ST. Moreover, the Company Secretary liaises on behalf of the company with the SGX-ST, the Accounting and Corporate Regulatory Authority and when necessary, shareholders.

**Independent professional advice**

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

**REMUNERATION MATTERS****Procedures for Developing Remuneration Policies (Principle 7)**

Remuneration of directors adequate and not excessive

With the assistance of the Executive Resource & Compensation Committee, the board ensures that a formal policy and transparent procedure for determining remuneration of executives and directors are in place.

**Executive Resource & Compensation Committee**

The Executive Resource & Compensation Committee (ERCC) is chaired by Mr Ang, an independent non-executive director, and he is joined on the committee by Mr Goh, Mrs Lui and Tan Sri Mohd Hassan Marican.

The ERCC is responsible for developing, reviewing and recommending to the board the framework of remuneration for the board and key management personnel as defined in the Code. To this end, it:

- Assists the board to ensure that competitive remuneration policies and practices are in place and aligned with the prevailing economic environment
- Reviews and recommends to the board for endorsement each director and member of key management's specific remuneration package
- Establishes guidelines on share-based incentives and other long-term incentive plans and approves the grant of such incentives to key management personnel. These incentives serve to motivate executives to maximise operating and financial performance and shareholder value, and are aimed at aligning the interests of key management personnel with those of shareholders
- Reviews succession planning for key management personnel and the leadership pipeline for the organisation

In its deliberations, the ERCC takes into consideration industry practices and compensation norms. The Group President & CEO does not attend discussions relating to his own compensation, terms and conditions of service, or the review of his performance. In addition, no ERCC member or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself / herself.

The ERCC has access to expert professional advice on human resource matters whenever there is a need for such external consultation. In 2014, Mercer (Singapore) was engaged as external consultants to provide such advice. In engaging external consultants, the company takes care to ensure that the relationship, if any, between the company and these external consultants will not affect the independence and objectivity of the external consultants. In 2014, the ERCC undertook a review of the independence and objectivity of Mercer (Singapore) and has confirmed that it has no relationships with the company which would affect its independence.

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

CEO and key management personnel's contracts of service, to ensure that such contracts contain fair and reasonable termination clauses.

### Level and Mix of Remuneration (Principle 8)

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

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

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

### Non-executive directors' fees

In 2014, the ERCC reviewed and updated the directors' fee framework to include a new all-in chairman's fee. This reflects the greater commitment required of the Chairman in spending time outside regular board and board committee meetings to guide and provide oversight to the company and its management where this is needed, such as in the Group's expansion into new markets. With the introduction of the all-in chairman's fee, the Chairman will not receive further fees or allowances as a director on our board or for involvement in any of the board's committees, such as membership fees.

The framework below adopted by the company is based on a scale of fees divided into basic retainer fees, attendance fees and allowances for travel and service on board committees:

Directors' Fee Framework for FY2014		S\$
<b>Chairman's fee (all-in)*</b>		750,000
<b>Director's basic retainer fee</b>		75,000
<b>Executive Committee</b>		
Chairman's allowance		50,000
Member's allowance		30,000
<b>Audit Committee</b>		
Chairman's allowance		50,000
Member's allowance		30,000
<b>Executive Resource &amp; Compensation Committee</b>		
Chairman's allowance		35,000
Member's allowance		20,000
<b>Risk Committee</b>		
Chairman's allowance		35,000
Member's allowance		20,000
<b>Nominating Committee</b>		
Chairman's allowance		25,000
Member's allowance		15,000
<b>Technology Advisory Panel / Others</b>		
Chairman's allowance		25,000
Member's allowance		15,000
<b>Attendance fees</b>		
Board meeting		5,000
Committee meeting		2,500
Teleconference (board meeting)		2,000
Teleconference (committee meeting)		1,000
<b>Travel allowance for overseas directors</b>		
≤ 4 hours (to and fro air travel time)		2,500
> 4 to 15 hours (to and fro air travel time)		5,000
> 15 hours (to and fro air travel time)		10,000

**Notes:**

\* With effect from January 1, 2014, the Chairman of our board will only receive one all-in chairman's fee. He will not receive the directors' basic fee, nor any further fees or allowances for serving as a chairman or member of any of our board committees.

<sup>1</sup> As an executive director, Mr Tang does not receive directors' fees.

<sup>2</sup> The attendance fee for committee meetings also applies to attendance at general meetings.

The directors' fees payable to non-executive directors are paid in cash and in share awards under the Sembcorp Industries Restricted Share Plan 2010. The ERCC has determined that up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards. Directors' cash fees and share awards will only be paid and granted upon approval by shareholders at the AGM of the company. Directors and their associates also abstain from voting on any resolution(s) relating to their remuneration.

Share awards granted under the Sembcorp Industries Restricted Share Plan 2010 to directors as part of directors' fees will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. This however does not apply to Mr Tang, as he does not receive directors' fees given that he is Group President & CEO of the company. Non-executive directors are required to hold shares in the company (including shares obtained by other means) worth at least the value of their annual basic retainer fee (currently S\$75,000); any excess may be disposed of as desired. A non-executive director may only dispose of all of his shares one year after leaving the board. Subject to shareholders' approval at the forthcoming AGM, the cash component of the directors' fees for FY2015 is intended to be paid half-yearly in arrears.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days 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. The share component of the directors' fees for FY2015 is intended to be paid after the AGM in 2016 has been held.

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

### Remuneration for key management personnel

Sembcorp's remuneration and reward system for key management personnel is designed to ensure a competitive level of compensation to attract, retain and motivate employees to deliver high-level performance in accordance with the company's established risk policies. The remuneration of our key management personnel comprises three primary components:

- **Fixed remuneration**

Fixed remuneration includes an annual basic salary, and where applicable, fixed allowances, an annual wage supplement and other emoluments. Base salaries of key management personnel are determined based on the scope, criticality and complexity of each role, equity against peers with similar responsibilities, experience and competencies, individual performance and market competitiveness.

- **Annual variable bonuses**

The annual variable bonus is intended to recognise the performance and contributions of the individual, while driving the achievement of key business results for the company. The annual variable bonus includes two components. The first is linked to the achievement of pre-agreed financial and non-financial performance targets, while the second is linked to the creation of economic value added (EVA).

The EVA-linked bonus component is held in a "bonus bank". Typically, one-third of the balance in the bonus bank is paid out in cash each year, while the balance two-thirds is carried



forward to the following year. Such carried-forward balances of the bonus bank may either be reduced or increased in future, based on the yearly EVA performance of the Group and its subsidiaries. There are provisions in the EVA incentive plan to allow for forfeiture of the outstanding balances in the bonus bank in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the company.

- **Share-based incentives**

The company's performance share plan and restricted share plan were approved and adopted by the shareholders at an Extraordinary General Meeting of the company held on April 22, 2010. Through our share-based incentives, we motivate key management personnel to continue to strive for the Group's long-term shareholder value. In addition, our share-based incentive plans aim to align the interests of participants with the interests of shareholders, so as to improve performance and achieve sustainable growth for the company.

- **Pay for performance**

As in prior years, a pay-for-performance study was conducted in 2014 by our external consultants, Mercer (Singapore), to review the alignment between the Group's executive pay programme, shareholder returns and business results. The Group benchmarked itself with established global energy and utilities firms and comparably-sized local listed companies with which the Group competes for talent and capital.

The study benchmarked different elements of senior executive pay, namely fixed remuneration, total cash remuneration and total compensation including long-term incentives, against that of peer companies. It found senior executive pay to be positioned competitively vis-à-vis the Group's

relative size and performance. Executive compensation for the year had a robust correlation to the Group's profit from operations and EVA. In the longer term, there was also a strong relationship between executives' total compensation (which includes share awards for the Group President & CEO and senior executives) and the Group's three-year earnings per share growth, wealth added and total shareholder return. Overall, the study showed a strong correlation between the Group's executive pay and its business results and shareholder returns, indicating strong pay-for-performance alignment.

- **Disclosure on Remuneration (Principle 9)**

The computation of non-executive directors' fees totalled S\$2,165,833 in 2014 (2013: S\$1,583,728). This comprised S\$1,516,083 in cash and S\$649,750 to be paid in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010. More information on directors and key management personnel's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements.

In 2014, the company had no employees who were immediate family members of a director or the Group President & CEO.

## ACCOUNTABILITY AND AUDIT

- **Accountability (Principle 10)**

*The board is accountable to shareholders*

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

- **Risk Management and Internal Controls (Principle 11)**

The board has overall responsibility for the governance of the Group's risk management and internal controls. The company's board and management are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

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

- **Risk Committee**

The Risk Committee (RC) assists the board in overseeing risk management for the Group. The RC is chaired by Mr Henkes and its other members include Mr Chin, as well as Mr Haridass and

Mr McGregor who joined the RC on May 1, 2014. Dr Teh and Tan Sri Mohd Hassan Marican, who served as RC members for the first four months of the year, relinquished their seats on the RC on May 1, 2014; Dr Teh then joined the Audit Committee whilst Tan Sri Mohd Hassan Marican joined the ERCC and NC. The RC's principal functions are to:

- Review and endorse the risk management plans of the Group
- Review and approve group-wide risk policies, guidelines and limits
- Review the adequacy and effectiveness of the risk management systems, processes and procedures of the Group
- Review risk-related reports submitted to it by management. These 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 / issues
- Review infrastructure and resources in place to support the management of risk, including for instance human resources, information technology systems, reporting structure and procedures

- **Adequate and effective system of internal controls**

The Group has implemented a comprehensive enterprise risk management (ERM) framework where key risks identified are deliberated by management with the support of the risk management function, and reported regularly to the RC. Supporting the ERM framework is a system of internal controls, comprising a code of business conduct, group-wide governance and internal control policies, procedures and guidelines dictating the segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. The Group has also considered the various financial risks, details of which are found

on page 121 of the annual report. For more information on the company's ERM framework, please refer to the Risk Management and Internal Controls chapter of this annual report.

Our 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. The effectiveness of our internal controls was also 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.

For the financial year under review, 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.

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. Internal controls, because of their inherent limitations, can provide reasonable but not absolute assurance regarding the achievement of their intended control objectives. In this regard, the board will ensure that should any significant internal control failings or weaknesses arise, necessary remedial actions will be swiftly taken.

### Audit Committee (Principle 12)

The Audit Committee (AC) comprises directors who are both independent and non-executive. The AC is chaired by Mr Chin and its members are Mr Henkes, Mr Tham and Dr Teh, who joined the AC on May 1, 2014. Tan Sri Mohd Hassan Marican served as a member of the AC for the first four months of the year, before relinquishing his seat on the committee on May 1, 2014.

### Authority and duties of the AC

The AC assists the board in fulfilling its fiduciary responsibilities relating to the internal controls, financial accounting and reporting practices of the Group. Its main responsibilities are to:

- Review the company's policies and control procedures and accounting practices with external auditors, internal auditors and management
- Review and act in the interest of the shareholders in respect of interested person transactions, as well as any matters or issues that affect the financial performance of the Group
- Review the quarterly, half-year and full-year results announcements, accompanying press releases and presentation slides, as well as the financial statements of the Group and the adequacy and accuracy of information disclosed prior to submission to the board for approval

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and co-operation from management and full discretion to invite any director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its function properly.

Where relevant, the AC is guided by the recommended best practice for audit committees as set out in the revised Guidebook for Audit Committees issued by Singapore's Audit Committee Guidance Committee in August 2014.

### External auditors

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

The AC reviews and approves the external audit plan to ensure the adequacy of the audit scope. It also reviews the external auditors' management letter and monitors the timely implementation of required corrective or improvement measures. The AC meets external and internal auditors at least once a year without the presence of management. It has reviewed the nature and extent of non-audit services provided by the external auditors to the Group for the year, excluding services provided to Sembcorp Marine, a listed subsidiary that has its own audit committee.

The AC is satisfied that the independence of the external auditors has not been impaired by their provision of non-audit services. Accordingly, the AC has recommended the re-appointment of the external auditors at the forthcoming AGM. Details of non-audit fees payable to the external auditors are found in Note 33(a) in the Notes to the Financial Statements.

### Whistle-blowing policy

The AC oversees the whistle-blowing policy implemented by the Group to strengthen corporate governance and ethical business practices across all business units. Employees are provided with accessible channels to report suspected fraud, corruption, dishonest practices or other misdemeanours to the Group's internal auditors and are protected from reprisal to the extent possible. This aims to encourage the reporting of such matters in good faith. For more information on our whistle-blowing policy, please refer to the Risk Management and Internal Controls chapter in this annual report.

### Internal Audit (Principle 13)

#### Independent internal audit function

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

#### Adequacy of the internal audit function

The AC reviews the effectiveness of the internal audit function on an annual basis, including the adequacy of audit resources. GIA adopts a risk-based methodology in drawing up its annual internal audit plan, which is reviewed and approved by the AC.

GIA also assists the board and management in the discharge of their corporate governance responsibilities, as well as in improving and promoting effective and efficient business processes within the Group. Internal audits aim to ensure that the Group maintains a sound system of internal controls and that our operations comply with the internal control framework. Internal audit reports issued are reviewed by the AC.

#### Professional standards and competency

GIA employs qualified staff and provides training and development opportunities for them so that their technical knowledge remains current and relevant. GIA is guided by and has met standards for the professional practice of internal audit promulgated by the Institute of Internal Auditors (IIA). An external assessment of GIA affirmed that its internal audit activity conforms on the whole to the standards set by IIA.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights (Principle 14)

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

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

### Communication with Shareholders (Principle 15) Regular, effective and fair communication with shareholders

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

### Disclosure of information on timely basis

Sembcorp makes every effort to ensure that shareholders and capital market players have easy access to clear, meaningful and timely information on the company in order to make informed investment decisions. To do this, various channels including announcements, press releases, shareholder circulars and annual reports are utilised.

All price-sensitive and material information is disseminated via SGXNET on a non-selective basis and in a timely and consistent manner. The company's announcements are also uploaded on the corporate website, [www.sembcorp.com](http://www.sembcorp.com), after dissemination on SGXNET.

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

The company also maintains a dedicated investor relations section on its corporate website to cater to the specific information needs of shareholders, investors, analysts and the financial community. Designed to provide a convenient repository for investors' information needs, the site includes filings on the company's results announcements since the company's listing in 1998, an archive of the company's results briefing webcasts, downloadable five-year financial data, a calendar of upcoming events, as well as pertinent stock information such as dividend history, share price charts and analyst coverage. Investor relations contact information is also displayed on the website for direct shareholder enquiries.

### Establishing and maintaining regular dialogue with shareholders

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

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

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

### Dividend policy

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

### Conduct of Shareholder Meetings (Principle 16)

#### Greater shareholder participation at general meetings

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

The company disseminates information on general meetings through notices in its annual reports or circulars. These notices are also released via SGXNET, published in local newspapers as well as posted on the company website ahead of the meetings to give ample time for shareholders to review the documents. In line with the company's commitment towards environmental responsibility, the company's annual reports and circulars are sent to shareholders in the form of a CD-ROM. The annual reports and circulars may also be viewed on the company website. However, we are mindful that some shareholders may prefer to receive a printed copy and this will be provided upon request.

The company's Articles of Association allow all shareholders the right to appoint up to two proxies to attend general meetings and vote on their behalf. The company also allows Central Provident Fund investors to attend general meetings as observers. Voting in absentia by mail, facsimile or email is currently not permitted as such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identity.

The Group President & CEO delivers a short presentation at each AGM to shareholders to update them on the performance of Sembcorp's businesses. Every matter requiring approval at a general meeting is proposed as a separate resolution. Shareholders present are given an

opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The board and management are in attendance to address these queries or concerns and obtain feedback from shareholders. External auditors and legal advisors are also present to assist the board as necessary.

The company conducts electronic poll voting at shareholder meetings for greater transparency in the voting process. The total number of votes cast for or against each resolution is tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced after the meetings via SGXNET.

Minutes of shareholder meetings are available upon request by shareholders.

#### Dealings in securities

The company has adopted a Code of Compliance on Dealing in Securities, which prohibits dealings in the company's securities by its directors and senior management within two weeks prior to the announcement of the company's financial statements for each of the first three quarters of its financial year and within one month prior

to the announcement of the company's full-year financial statements. Directors and employees are also expected to observe insider trading laws at all times, even when dealing in the company's securities outside the prohibited trading period, and are reminded not to deal in the company's securities on short-term considerations.

#### Interested person transactions

Shareholders have adopted an interested person transaction (IPT) mandate in respect of interested person transactions of the company. The IPT mandate defines the levels and procedures to obtain approval for such transactions. Information regarding the IPT mandate is available on the staff intranet. All business units are required to be familiar with the IPT mandate and report any interested person transactions to the company, to be reviewed by the AC. The Group maintains a register of the company's interested person transactions in accordance with the reporting requirements stipulated by Chapter 9 of the SGX-ST Listing Manual. Information on interested person transactions for 2014 may be found in the related item under the Supplementary Information section of the Financial Statements in this annual report.

#### Governance Disclosure Guide

In line with Sembcorp's commitment towards high standards of corporate governance and disclosure, the company has completed the Disclosure Guide developed by the Singapore Exchange in 2015. The company's responses to the Disclosure Guide can be found on pages 336 to 347 of this annual report.



Sembcorp Woodchip Boiler Plant on Singapore's Jurong Island

# RISK MANAGEMENT AND INTERNAL CONTROLS

Sembcorp's risk management frameworks and internal controls safeguard our people and assets and protect and enhance shareholder value.

Managing risk is an integral part of our business activities and is performed to create value for the Group.

The Group manages risk under an overall strategy determined by the board of directors and supported by the board's Risk Committee and Audit Committee. The Risk Committee reviews and enhances the effectiveness of the Group's risk management and health, safety and environment (HSE) plans, systems, processes and procedures. It also regularly reviews group-wide risk and HSE policies, guidelines and limits, as well as significant risk exposures relating to foreign exchange rates, commodity prices and major investment projects and corresponding risk mitigation plans. Oversight responsibility for risk management within the Group's listed entities lies with their respective boards.

## ENTERPRISE RISK MANAGEMENT

The Group is committed to ensuring that we have an effective and practical enterprise risk management (ERM) framework in place to safeguard our people and assets, protect shareholders' interests, make informed decisions for intrinsic value creation and ultimately uphold and enhance our brand and reputation amongst our stakeholders. In designing our ERM framework, the Group has adapted and made reference to various industry risk management standards, such as ISO 31000 and the COSO framework, to ensure

that we are in line with best practice. To sustain a successful ERM programme, we believe in having the right processes and tools, as well as instilling and embedding the right risk awareness culture. Our ERM framework specifically sets out a systematic and structured approach towards risk management through the following activities:

- Awareness trainings and workshops
- Risk identification and assessment
- Formulation of key risk management strategies
- Design and implementation of risk mitigation controls (preventive, detective and responsive controls)
- Monitoring and timely reporting of risk management performance and risk exposure levels
- Continuous improvement of risk management mitigation measures and capabilities

Our ERM framework is supported by the following key pillars:

- a. Fraud risk management
- b. Operational risk management
- c. Financial, market and credit risk management
- d. Investment risk management

### a. Fraud Risk Management

The risk of fraud is an inherent risk within any organisation. To manage this, the Group has established a fraud risk management policy which was approved by the board's Risk Committee. The

fraud risk management policy provides a framework and comprehensive guidance on anti-fraud measures to pro-actively manage the risk of fraud, bribery and corruption. All subsidiaries are required to have a fraud control plan in place and we actively influence and encourage our joint ventures and associates to adopt our fraud risk management framework. The Group adopts a zero tolerance policy on fraud, which we take to include corruption and bribery, and this policy stance is regularly communicated to employees.

The following key activities and complementary policies and procedures are part of our holistic approach towards fraud risk management and also address the risk of bribery and corruption:

#### Preventive anti-fraud measures

- Employee code of conduct
- Conflict of interest policy
- Corporate gift policy
- Fraud risk assessments
- Employee and third party due diligence

#### Detective anti-fraud measures

- Whistle-blowing policy
- Forensic data analysis
- Compliance and monitoring
- Pre-employment screening

#### Responsive anti-fraud measures

- Fraud reporting procedures
- Fraud investigation procedures
- Grievance handling procedures

#### Whistle-blowing policy

Since 2005, Sembcorp has maintained a whistle-blowing policy and procedure which provides employees with well-defined and accessible channels within the Group through

which they may, in confidence, raise concerns about possible improprieties in the conduct of business activities, financial reporting or other matters to the Audit Committee. This arrangement facilitates independent investigation of such matters for appropriate resolution. The policy is communicated to all employees and is subject to review on a regular basis.

Employees are encouraged to report suspected wrongdoing, in confidence and without fear of reprisal, in relation to the following:

- Mail or wire fraud, bank fraud, or fraudulent acts
- Violations of laws, rules or regulations applicable to the company and related to accounting, internal accounting controls and auditing matters
- Intentional error or fraud in the preparation, review or audit of any financial statement of the company
- Significant deficiencies in or intentional non-compliance with the company's internal accounting controls
- Any reportable conduct, defined to mean any one of the following:
  - Unlawful, unethical, corrupt or improper conduct
  - Conduct that is in breach of any policy of the company
  - Misuse of funds or assets of the company
  - Conduct that jeopardises the safety of the company's employees, the environment in which they are working, or the public
  - Abuse of authority
  - Any other conduct which may cause financial or non-financial loss to the company or damage to the company's reputation
  - Suppression or concealment of any information relating to any of the above types of actions

- Acts to mislead, deceive, manipulate, coerce or fraudulently influence any internal or external accountant or auditor in connection with the preparation, examination, audit or review of any financial statement or record of the company or the Group
- Criminal acts, including theft, the sale or use of drugs, money laundering, violence or threatened violence and criminal damage against property
- Detrimental actions taken in reprisal against a whistle-blower

A whistle-blower may submit his / her allegations or concerns either by telephone, email or through other written forms or existing communication channels. The company will protect the confidentiality and anonymity of the whistle-blower. The whistle-blowing case will be received by the head of Group Internal Audit and an investigation will be conducted in compliance with the requirements set out in the company's whistle-blowing policy. If an employee who uses whistle-blowing channels is found to have wilfully done so in bad faith, disciplinary action will be taken against him / her. A copy of our whistle-blowing policy is available on our company website, [www.sembcorp.com](http://www.sembcorp.com).

#### **b. Operational Risk Management**

##### **Crisis management and business continuity**

With operations extending across the globe, the Group monitors for emerging threats that may disrupt its operations, and formulates and updates its strategies and mitigation measures accordingly. Focus is placed on establishing a robust and effective crisis management framework that is relevant to the current business environment and risk landscape, and on improving existing emergency response protocols and business continuity plans across our business

entities to strengthen operational readiness. Crisis communication procedures are also embedded as part of the Group's crisis management framework. The Group's crisis management, emergency response and business continuity procedures and plans are regularly tested and fine-tuned to ensure that the Group can respond effectively to crises and emergencies. The Group also addresses crises and emergencies through the implementation of appropriate prevention, preparedness, response and recovery programmes. In addition, the Group adopts key standards and practices set out by ISO 22301:2012 under Societal Security – Business Continuity Management Systems – Requirements and by S5540 Singapore Standard for Business Continuity Management. This approach enables us to build resilience and enhance our capability in managing and responding to emergencies. It also helps to minimise the impact of incidents on people and the environment, prevent loss of assets and mitigate disruption to business operations while safeguarding the company's reputation.

##### **Health, Safety and Environment**

The Group HSE department is guided by our Group President & CEO and the board-level Risk Committee, reflecting the high priority accorded to HSE issues at Sembcorp. The department has formalised a Group HSE management system and promotes global HSE efforts to ensure effective and timely management of HSE issues across the Group. This management system is aligned with ISO 14001 and OHSAS 18001 standards and provides guidance to business units in actively managing HSE risks associated with our activities and services in a systematic manner. For more information on the company's HSE management, please refer to the relevant section in the Sustainability Report contained in this annual report.

##### **Insurance**

The Group actively reviews its insurable and uninsurable risks, and identifies comprehensive and cost-effective risk management tools to manage such risks. As a risk transfer mechanism, the Group has purchased a comprehensive set of insurance policies to protect itself against financial loss resulting from property damage, machinery breakdown, business interruption and general liability. The Group has also engaged a panel of top-tier insurance consultants to leverage their technical expertise and resources to negotiate for competitive pricing and comprehensive coverage with commercial insurance companies. To balance the cost of risk transfer, the Group focuses on insuring catastrophic events while maintaining its emphasis on improving internal controls over operations and maintenance. Sembcorp Captive Insurance, a wholly-owned captive insurance subsidiary, provides first layer coverage against property damage and business interruption losses for the Group's operations in Singapore and on the Wilton International site in the UK. Sembcorp Captive Insurance serves not only as an internal risk transfer mechanism, but also showcases the efforts of the Group in promoting greater accountability and responsibility in the operations and maintenance of each business unit. Over the years, Sembcorp Captive Insurance has successfully built up a strong capital surplus, allowing it to extend its insurance reach to other operations and broaden its scope of coverage.

##### **c. Financial, Market and Credit Risk Management**

The Group actively manages its financial, market and credit risk exposure with respect to foreign exchange rates, commodity prices and interest rates via established policies, including the Group's treasury policies, financial authority limits and

system of financial discipline. These policies set out the parameters for management of the Group's exposure to counterparty, liquidity, foreign exchange and other material transaction risks.

##### **Financial and market risk**

The Group defines and utilises approved financial instruments to manage exposure to foreign exchange, commodity prices and interest rate fluctuations arising from operational, financing and investment activities. The commodities include fuel oil, coal and natural gas. Transactions such as foreign exchange forwards, interest rate swaps, commodities swaps, purchase of options and contracts for differences are used to manage these risks as appropriate. Under the Group's overall treasury policy, transactions for speculative purposes are strictly not allowed. Transactions are allowed only for hedging purposes based on the underlying business and operating requirements. Exposure to foreign currency risk is also hedged naturally where possible. In addition, the Group has financial authority limits, which seek to limit and mitigate operational risk by setting out the threshold of approvals required for entering into contractual obligations and investments.

##### **Default and credit risks**

Default and credit risks arise when counterparties fail to fulfill their contractual obligations. The Group generally deals with counterparties with satisfactory creditworthiness and this is achieved by evaluating and monitoring default and credit risks of trade customers, suppliers, contractors, off-takers, joint venture partners and financial institutions. Credit evaluations are performed on counterparties from time to time based on an appropriate methodology. On a case-by-case basis, additional securities and shorter payment terms will be required as risk mitigation measures when

dealing with counterparties of weaker credit standing. The Group also reviews material concentration risk with individual counterparties or geographically.

#### d. Investment Risk Management

To ensure that the necessary prudence is exercised in all investment decisions, the Group has in place an investment approval process whereby a disciplined approach is taken to review the key risks and opportunities presented by potential investments. As part of our investment approval process, all new investments and transactions are reviewed by a cross-functional project team that provides risk assessments, mitigation measures and recommendations to the respective authorised persons for approval in accordance with applicable financial authority limits.

In addition, to ensure that Sembcorp maintains appropriate diversification across different geographies, the Group has put in place a country risk framework to monitor and report its investment exposure globally. Countries are classified into high, medium and low risk categories based on their macroeconomic and sovereign risks, political and corruption risks, regulatory and transfer risks, as well as social and environmental risks. Furthermore, our investment exposure under each country is regularly reported to the board's Risk Committee. This framework also defines limits that have been approved by the board and stipulates that any deviation from these country limits requires board approval according to a set procedure. In reviewing any request for deviations from the country limits, the board will consider the key risk drivers at hand, in terms of investment size, duration and economic life of the project, as well as the level of residual risk after the implementation of mitigation plans.

With this country risk framework, the board has currently set the limit of the Group's investment

exposure in countries deemed to be of high and medium risk to be no more than 65% of its total investment exposure, and has also set appropriate single country limits to prevent concentration risk.

As at December 31, 2014, the countries outside of Singapore in which the Group (excluding the Marine business) holds the largest shareholders' invested capital are China (\$\$1.1 billion), the UK (\$\$711 million) and India (\$\$534 million).

### INTERNAL CONTROLS

The Group adopts a governance assurance framework that is integrated with its ERM framework, under which a logical and systematic approach is used to identify, analyse, treat and monitor key risks. The effectiveness of key controls is rated, and the rationale for ratings documented, to enable management to better identify and manage key control gaps or weaknesses.

Sembcorp's governance assurance framework comprises four lines of defence to manage key risks identified:

#### i. Business Governance / Policy Management

As a first line of defence, business units establish a risk management and control environment in their day-to-day operations and operate within the parameters of policies established for operational and financial governance. Group governance and functional policies are developed to communicate corporate governance culture and to set principles and guidelines for business operations. Business units, in turn, develop operating procedures and manuals aligned with the Group's governance policies to operate effectively and efficiently and to ensure legal, regulatory and contractual compliance.

#### ii. Management Assurance

The second line of defence is a system of self-review and assessment by the management of the Group's key businesses. This system of financial discipline is a comprehensive compliance self-review process to ensure that transactions are in compliance with Singapore accounting standards, and that internal controls are adequate and effective. Fines and sanctions arising from non-compliance to laws and regulations are also reported. In addition, an annual self-assessment is conducted by key businesses, under which significant risk areas are assessed, mitigating controls are reviewed for effectiveness and action plans are identified to further address key areas of risk.

#### iii. Independent Assurance

Reviews by internal auditors of our system of internal controls provide independent assurance on the adequacy and effectiveness of these controls in addressing the financial, operational and compliance risks of the company. In the course of performing the full-year audit, our external auditors also consider internal controls relevant to the preparation of financial statements that give a true and fair view in order to design the appropriate audit procedures.

#### Internal audit

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

#### iv. Board Oversight

The board and its Audit Committee endorse Sembcorp's governance assurance framework and provide oversight on the effectiveness of internal controls and risk management processes.

# SUSTAINABILITY REPORT

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

## MANAGING SUSTAINABILITY

At Sembcorp, we believe in building sustainable businesses that deliver long-term shareholder value and growth. We believe that a truly sustainable business not only creates economic value, but does so in a way that creates benefit for its stakeholders.

Environmental, social and governance (ESG) considerations are embedded in our business decisions and processes. We believe that taking ESG considerations into account helps us to understand our risks and responsibilities in a holistic manner, and that when our strategy and business decisions are informed by ESG concerns, we are better prepared to respond to the challenges we face.

Sembcorp's management of its sustainability issues is centred on five focus areas (see Focus Areas and Material Issues table on page 129). Sembcorp's key sustainability principles are set out in our Sustainability Policy. These principles are applied through the management systems and processes of Sembcorp's operations. We aim for continuous improvement of our sustainability management systems, and evaluate our management approach by benchmarking it against industry best practice. We adopt a precautionary approach to avoid or minimise negative impacts through preventive measures and tracking of leading indicators. A list of our policies, certified facilities as well as memberships and participation in external initiatives is available in the Sustainability section of our website.

Sembcorp's Board of Directors oversees the business affairs of the Group and is collectively responsible for the long-term success of the company. The principal duties of the board include providing leadership on the Group's overall strategy, taking into consideration sustainability issues. The board also ensures the adequacy of the Group's framework for risk management and internal controls, including ethical standards.

Sembcorp's Sustainability Steering Committee (SSC) provides strategic direction for the management of sustainability-related risks and opportunities and guides the development and improvement of frameworks, policies, guidelines and processes for the effective management of sustainability issues. The SSC is a high-level committee chaired by the Group Chief Financial Officer, and comprises senior executives across various functions, including asset management, human resources, health, safety and environment (HSE) and corporate relations.

At the business unit level, economic, operational, as well as health and safety issues and other risks are reviewed by the operations head at bi-monthly business unit management meetings, and performance in these areas is evaluated against internal targets.

### Sustainability contact

Sembcorp welcomes feedback on our sustainability issues and reporting at [sustainability@sembcorp.com](mailto:sustainability@sembcorp.com).

## Sustainability Performance Snapshot

The table below shows quantitative data that reflects our performance in areas that have been identified as material to our businesses and stakeholders.

More performance data, including qualitative data, is available in the individual sections for each focus area in this report, as well as in the Sustainability section of our website.

	2014	2013	2012
<b>Economic</b>			
<b>Capital and Portfolio Management<sup>1</sup></b>			
Turnover (\$ million)	10,895	10,798	10,189
Net profit (\$ million)	801	820	753
Return on equity (%)	15.2	17.1	17.5
Return on total assets (%)	7.5	9.1	9.5
Total debt-to-capitalisation ratio	0.40	0.23	0.30
Total debt-to-capitalisation ratio (less cash and cash equivalents)	0.26	Net cash	0.05
Total shareholder returns <sup>2</sup> (%)	(15.6)	7.7	33.7
<b>People</b>			
<b>People Development</b>			
Employee turnover (voluntary and non-voluntary) (%)	18.4	12.4	10.8
Training cost per employee (\$)	706	520	366
<b>Health, Safety and Environment</b>			
<b>Occupational Health and Safety<sup>3,4</sup></b>			
Number of fatalities <sup>5</sup>	0	0	0
Injury rate per 200,000 man-hours <sup>6</sup>	0.47	0.27	0.53
Lost day rate per 200,000 man-hours <sup>6</sup>	9.38	4.54	9.36
<b>Climate Change</b>			
Direct greenhouse gas emissions <sup>7</sup> (million tonnes of CO <sub>2</sub> equivalent)	5.7	5.8	5.3
<b>Environmental Protection</b>			
Water withdrawal (million m <sup>3</sup> )	1,593.0	1,502.2	1,588.5
Waste disposal <sup>8</sup> (thousand tonnes)	43.1	31.7	30.8
Hazardous waste (thousand tonnes)	12.6	9.4	9.4
Non-hazardous waste (thousand tonnes)	30.5	22.4	21.4
<b>Community</b>			
Community contributions (\$ million)	2.4 <sup>9</sup>	1.8	0.9

Notes:

Please refer to the section on Reporting Framework and Scope on page 127 for details on our scope.

<sup>1</sup> Financial figures reported are for the Group, including Sembcorp Marine, as per audited financial statements.

<sup>2</sup> Source: Bloomberg

<sup>3</sup> Occupational health and safety data from our solid waste management operations in Singapore and Zhumadian China Water Co are excluded in this summary. Data from our Singapore solid waste management operations, which have a different risk profile, can be found on page 147. We were unable to include data from our Zhumadian operations due to unavailability of data.

<sup>4</sup> Occupational health and safety data excludes data from projects under development / in construction.

<sup>5</sup> Health and safety data covers employees and contractors engaged to work on our sites. In 2014, there were three fatalities involving members of the public who were involved in road traffic accidents with company vehicles. These are reported on page 146.

<sup>6</sup> 200,000 man-hours is roughly equivalent to the total number of hours worked by 100 full-time employees in a calendar year.

<sup>7</sup> Data covers operations that produce direct greenhouse gas emissions from the combustion of fossil fuel.

<sup>8</sup> Waste disposal data excludes waste that is collected and incinerated for our customers.

<sup>9</sup> Figure excludes contributions by Sembcorp Marine. Contributions including Sembcorp Marine amount to \$55.7 million.



**Materiality**

Materiality analysis is a key process enabling Sembcorp to define the sustainability issues that are of greatest significance to our businesses and our stakeholders over the long term. We believe our focus on materiality is vital as we seek to make progress on our sustainability journey, drive performance and transparency, and embed sustainability into the Group's culture.

Sembcorp focuses our reporting on 11 material issues, grouped into five focus areas. Each focus area is owned by an appointed SSC member. The five focus areas and 11 material issues are recognised by both internal and external stakeholders, and are listed on page 129. For each material issue, we report the sustainability context, the relevance to Sembcorp, and our management approach and performance.

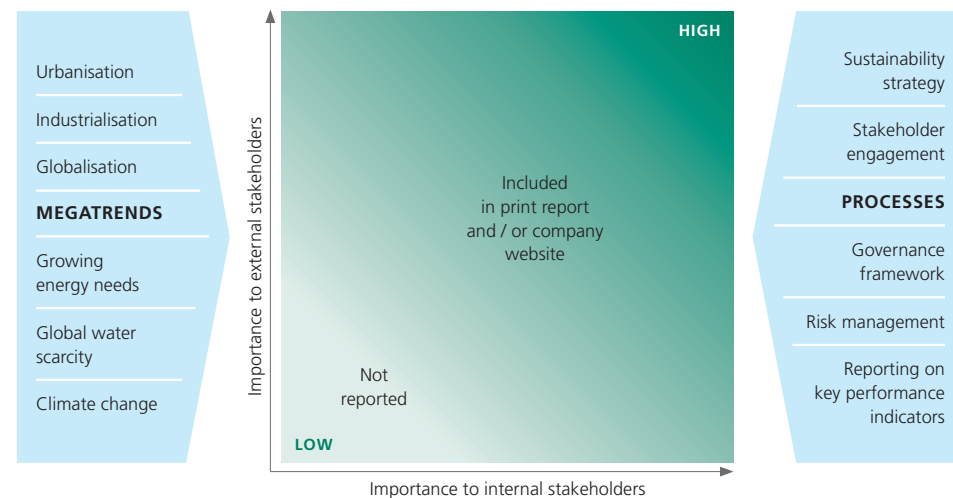
Sembcorp conducted a materiality review in 2013, building on our first formal materiality assessment in 2011. Sustainability issues were identified in line with Global Reporting Initiative (GRI) guidelines. The materiality review took into account GRI's Electric Utilities Sector Supplement, the Dow Jones Sustainability Index and other relevant frameworks and peer reviews. These issues

were prioritised using a materiality matrix, charting their level of significance to Sembcorp and our stakeholders according to clearly defined criteria based on the AA1000AS five-part materiality process.

The materiality assessment and review were conducted with input from an independent sustainability consultant. To enhance the robustness of our materiality assessment, feedback from our stakeholders, including shareholders, financial institutions, the investment community, regulators, customers, suppliers and non-governmental organisations, was incorporated. The survey, commissioned in 2012, was conducted by an independent firm to ensure anonymity for respondents. Respondents agreed on the whole with the issues identified as material for Sembcorp. Survey responses also helped to refine aspects of the material issues that our key stakeholders were interested in, and gave us input on how we could better communicate the issues.

In 2014, we integrated sustainability considerations into our approach to risk management, in order to create a more robust materiality and risk assessment process.

**Sembcorp's Materiality Matrix**



**Reporting Framework and Scope**

This report was prepared in accordance with GRI G4 Core requirements. Our GRI content index is available in the Sustainability section of our website.

Sembcorp operates across six continents. Our three key businesses comprise Utilities, Marine and Urban Development. As our Marine business is separately listed in Singapore and reports its activities separately, it is excluded from this report.

The period under review pertains to January 1 to December 31, 2014, and the information provided in this report relates to subsidiaries of Sembcorp. It excludes joint ventures, partnerships and associates for which Sembcorp does not have management and / or operational control. Data reported in the Governance, Risk and Compliance, People, HSE and Community sections is specific to businesses in operation, and excludes projects in construction.

Environmental data provided is specific to Sembcorp's Utilities businesses only. New acquisitions and subsidiaries are given one year, or more where required, to integrate their reporting systems with that of the Group. Thereafter, their sustainability data will be reported externally upon the collection of a full calendar year of data. Data pertaining to entities divested during the year is excluded from this report. We aim to work towards external assurance of the report.

**Data Measurement and Quality**

All data measurements are in line with GRI G4 recommendations for our chosen indicators. Greenhouse gas (GHG) emission factors are based on the 2006 Intergovernmental Panel for Climate Change (IPCC) guidelines, except for those relating to our operations on Teesside, UK, which use emission

factors adapted from the US Environmental Protection Agency and the 2013 and 2014 Government Greenhouse Gas Conversion Factors for Company Reporting issued by the UK's Department for Environment, Food & Rural Affairs and Department of Energy & Climate Change.

While there are inherent limitations to the accuracy of data, Sembcorp seeks to minimise errors and irregularities through the strengthening of internal controls.

**Stakeholder Engagement**

We recognise the importance of engaging our stakeholders to encourage open communication and build relationships, and employ a range of platforms to this end. The frequency of ongoing engagement with our stakeholders varies with their concerns and needs as well as with the topics of engagement.

In 2012, we conducted a stakeholder mapping exercise to review and define our stakeholder groups. This was done in accordance with the AA1000 Stakeholder Engagement Standard by an independent consultant. Stakeholders were mapped based on their level of influence and interest, using a structured approach. The level of stakeholder interest against each material issue was also reviewed and a survey was conducted to invite feedback on our material issues from selected key stakeholders.

More information on the platforms we use to regularly engage our stakeholders can be found in the Sustainability section of our website.

**HIGHLIGHT**

**Engaging Our Stakeholders**

Sembcorp actively participated in Singapore International Water Week 2014, using this industry event as a platform to engage peers, partners, customers and governments through forum and roundtable discussions. Topics ranged from water solutions for the chemical and refining sector and industrial parks, to approaches to solving the future water challenges of industries. Sembcorp also hosted China's Minister for Water Resources, Chen Lei, at our facilities on Jurong Island, and discussed with him the advanced water management solutions that will support China's growth and sustainable development. For more insights on our participation in Singapore International Water Week, please go to the Events section under News and Multimedia of our website.

**MATERIAL ISSUES**

We group our material issues into five focus areas, aligned with how we drive success for the company. Under each focus area, we discuss our management

approach to the relevant material issues and our performance against each issue.

A snapshot of Sembcorp's quantitative sustainability performance data is presented on page 125.

Focus Areas	Material Issues
<b>Economic</b>	
<ul style="list-style-type: none"> <li>To deliver long-term value and growth</li> </ul>	<ul style="list-style-type: none"> <li>Capital and portfolio management</li> <li>Operational reliability</li> <li>Innovation</li> <li>New income streams</li> </ul>
<b>Governance, Risk and Compliance</b>	
<ul style="list-style-type: none"> <li>To maintain high standards of behaviour and integrity and be best in class for governance practices</li> </ul>	<ul style="list-style-type: none"> <li>Governance and ethical business</li> <li>Risk and regulatory compliance</li> </ul>
<b>People</b>	
<ul style="list-style-type: none"> <li>To provide a fair, diverse and inclusive workplace, and continually improve our human resource management and people development</li> </ul>	<ul style="list-style-type: none"> <li>People development</li> </ul>
<b>Health, Safety and Environment</b>	
<ul style="list-style-type: none"> <li>To instil sound and practical health and safety management as part of our workplace culture, and protect the environment in the conduct of our business activities and generation of our products and services through good environmental practices</li> </ul>	<ul style="list-style-type: none"> <li>Occupational health and safety</li> <li>Climate change</li> <li>Environmental protection</li> </ul>
<b>Community</b>	
<ul style="list-style-type: none"> <li>To be a responsible business, making a positive contribution to our communities</li> </ul>	<ul style="list-style-type: none"> <li>Community integration</li> </ul>

**Economic****To deliver long-term value and growth****Why this is material**

Long-term economic viability is at the core of Sembcorp's approach to building sustainable businesses. The Group drives its economic sustainability by monitoring and managing the following key facets of its business: capital and portfolio management, operational reliability of assets, innovation and business development for new income streams.

**Capital and portfolio management**

Sembcorp's businesses often involve large-scale, long-term projects requiring significant initial capital outlay. Strong financial health and a disciplined approach to investment are therefore necessary for us to succeed. At the same time, as Sembcorp continues to grow, we believe it is important for us to maintain a balanced portfolio of businesses across various geographical regions and business segments with the appropriate level of risk. Capital allocation, including the geographical distribution of our investments, is hence managed from this perspective.

**Operational reliability**

The reliability of our assets is vital not only for our reputation, but also for our long-term profitability. Our Group is heavily invested in the Utilities business, which involves the sustained operation of energy and water facilities for prolonged periods. The business is committed to long-term customer contracts and its products and services, such as power, steam, water and wastewater treatment, are essential to its customers. Proper care and maintenance of our assets ensure that their useful life, and therefore their ability to generate stable recurring income and a reliable supply of products and services, is sustained throughout our long investment horizon.

**Innovation**

We recognise the importance of technology and innovation in maintaining and enhancing our relevance, profitability and competitive advantage. This includes applied research and development and improvements to optimise our operations and enhance our efficiency, as well as the adoption of new technologies and methodologies with wider sustainability benefits.

**New income streams**

To deliver long-term growth, the company continuously explores new business opportunities and maintains a pipeline of upcoming projects, including both greenfield and brownfield investments.

**HIGHLIGHT****Developing World-class Capabilities**

In late 2014, we announced the development of the Sembcorp Global Asset Management System. The system will allow Sembcorp to centralise the management of its energy and water plants from around the world and will put Sembcorp at the forefront of using predictive analytics in the operation of utility plants.

The system will comprise a process optimisation module, which will benchmark plant performance data and provide automatic alerts for any abnormalities; a troubleshooting module using predictive analytics to help Sembcorp's technical experts address operational issues the minute they occur; and a predictive maintenance module to identify potential equipment problems, prevent unexpected shutdowns and allow for more optimised scheduling of maintenance.

The advanced system will allow Sembcorp to better harness its collective global expertise, drive operational excellence and optimise asset performance for enhanced reliability, availability and cost effectiveness.

**Management approach****Capital and portfolio management**

The Group has put in place robust frameworks and processes to ensure our investment and business decisions take into account long-term considerations. Since 2003, we have implemented a system of financial discipline across all subsidiaries, joint ventures and associates. Potential acquisitions and growth opportunities are evaluated based on strict investment guidelines. Depending on criteria such as project value and country risk, approval for projects may involve the Senior Management Committee, the board and / or its Executive Committee or Risk Committee.

The Group actively manages its risk portfolio. This includes monitoring balance sheet liquidity ratios and country risk profiles. For more information on risk management at Sembcorp, please refer to the Risk Management and Internal Controls chapter of this annual report.

**Operational reliability**

Reliability is of foremost importance in the management of our assets, from the design phase to the operation and maintenance phases. In the design and construction phases, consideration is given to installing sufficient operational flexibility and selecting quality equipment. In the operation and maintenance of assets, regulatory and manufacturers' standards are adhered to. Efforts are continually made to optimise use of the equipment. The reliability of our plants is monitored through monthly performance indicators for which senior management has oversight. Technical audits and checks are also conducted on our plants.

## Supply Chain Management

We recognise that our supply chain has a material impact on the efficiency and effectiveness of our operations. From our engineering, procurement and construction contractors to fuel and spare parts suppliers, Sembcorp's procurement policy guides our assessment of suppliers and contractors to ensure that they are chosen for their ability to deliver over the long term and operate in a responsible manner.

### Requirements for suppliers

Sembcorp has stringent requirements for its suppliers. In Singapore for instance, our suppliers go through an extensive pre-qualification process which vets their ability to sustain their business. This includes checks on areas such as their financial viability, human resource policy and litigation history. The vendors' capabilities are also reviewed, taking into account the qualifications and experience of their personnel and track records. Suppliers' HSE records and processes, as well as their labour conditions and community impact, are also considered. We value the opportunity to positively influence our suppliers for greater HSE awareness and social responsibility, and believe that securing a pool of suppliers with a shared commitment to sustainability will mitigate operational and reputational risk.

### Supplier diversification

Our efforts to ensure supply chain security include diversifying supply to mitigate concentration risk. For instance, Sembcorp's operations in Singapore maintain at least one primary and one secondary supplier for key spare parts and consumables wherever possible.

### Fuel procurement

Fuel comprises a significant cost component for Sembcorp's power and steam generation operations. Security of fuel supply is also essential to the sustained performance of our assets. In view of this, we established a Fuel Management department to focus on issues such as security of supply, price fluctuations and fuel mix. To further diversify our fuel mix and tap sustainable sources, Sembcorp has increased our use of alternative fuels and renewables. For instance, in Singapore, our solid waste management operations provide a reliable supply of waste wood for our woodchip boiler plant, while in our biomass power plant in the UK, waste wood from sustainably-managed forests, sawmills and arboricultural residues is used as fuel. A case study on how we deliver value across the energy and water value chain is available in the Economic portion in the Sustainability section of our website.

## Innovation

Sembcorp's Technology Advisory Panel, comprising our Chairman, Group President & CEO and other invited experts, provides strategic direction for Sembcorp's technology and innovation programmes. It oversees the application of significant emergent technologies in the energy and water sectors, and provides guidance to Sembcorp's leadership on technological trends and opportunities. The panel is supported by an in-house Group Technology department.

Headed by our Chief Technology Officer, our Group Technology department oversees our research and development as well as innovation efforts. Besides tracking our investment in innovation and the corresponding returns, we also track indicators such as number of projects screened, to ensure that we have a pipeline of innovation projects for development and implementation in a timely manner.

To further encourage innovation from the bottom up, Sembcorp's IDEA Awards programme also recognises innovative ideas and efforts across the Group. Past winning entries have included process innovations resulting in cost savings and improved HSE performance, and innovations in the development of new products and services.

Ongoing engagement with venture capitalists, technology companies and tertiary research institutes enables us to keep abreast of the latest technological advancements. In looking at new technology, we prioritise innovations for our operations' identified needs, while also considering more general proposals.

### New income streams

Sembcorp's Group Business Development & Commercial department is structured and resourced to pursue new business opportunities with agility and focus. Dedicated teams look into growing our businesses in both existing as well as new markets.

To provide a platform for future growth, we identify and develop a healthy pipeline of projects. We also seek to grow through strategic partnerships with our customers, by continuously developing innovative and competitive solutions to meet their evolving needs.

We actively invest in sustainable and green business lines which will give us an edge in an increasingly resource-scarce world. Applying a disciplined approach, we employ a stringent evaluation process for all our projects and investments.

### 2014 performance

Sembcorp's financial performance and key economic indicators can be found in our Group Financial Review chapter and Financial Statements in this annual report.

We officially opened the Sembcorp Technology & Innovation Centre in Singapore, which serves as a focal point for our testing, optimisation and research and development activities in both energy and water. We announced the development of the Sembcorp Global Asset Management System, which will enhance our management of our global portfolio of facilities and lead to greater reliability, availability, optimisation, as well as cost savings. In addition, we are strengthening our team of technical specialists who will be employed to troubleshoot technical issues for our plants worldwide. We expanded our team to continue the development of Virtual Brain, the system we are developing for predictive maintenance and optimisation of our operations. We successfully implemented equalisation-hydrolysis (EQ-H), a wastewater treatment technology we developed in-house, which offers commercial and environmental benefits through improving effluent quality while reducing power and chemical consumption as well as biosludge production. The technology was applied in a full-scale pilot project at our facilities in Zhangjiagang, China.

Two patents were filed to protect our innovations in Virtual Brain and EQ-H.

We announced the formation of the Sembcorp-EMA Energy Technology Partnership, a S\$10 million research and development fund by Sembcorp and Singapore's Energy Market Authority (EMA) to support the translation of innovative energy solutions from laboratory to market, benefitting the power industry and our operations. We strengthened and re-launched the IDEA Award to reward not only implemented solutions, but also ideas and suggestions that could potentially create sustainable value for Sembcorp's businesses and operations. We also earmarked seven research and development projects in areas related to our businesses to be jointly explored with the National University of Singapore over the next few years.

New projects added to our growth pipeline in 2014 include the acquisition and upgrade of an existing wastewater treatment plant in Lianyungang Lingang Chemical Industrial Park in China's Jiangsu Province. Sembcorp was selected by the Jiangsu Environmental Protection Department to improve industrial wastewater treatment operations at the industrial park, with the potential for the project to serve as a model to be replicated at other industrial parks in Jiangsu. We also acquired a stake in NCC Power Projects, which is currently building a 1,320-megawatt supercritical coal-fired plant in Andhra Pradesh, India. This project will double our thermal power generation capacity in India and increase our footprint in the country's growing power market.

### Going forward

The Group will continue to maintain a disciplined approach towards managing its financial position and portfolio. We will further deepen our asset management as well as business development and commercial capabilities, optimise plant performance and grow our asset portfolio for a greater recurring

income base. We will also review our global supply chain, and aim to harmonise our procurement principles globally.

We will continue to identify and develop new and innovative technologies and build on our culture of innovation through recognition and implementation of IDEA Awards projects and other ad-hoc innovation proposals. In the near future, we expect to implement further phases of the Virtual Brain project and develop it for application in other water treatment processes. We target to launch the first joint call for proposals seeking funding under the Sembcorp-EMA Energy Technology Partnership in 2015.

### Governance, Risk and Compliance To maintain high standards of behaviour and integrity and be best in class for governance practices

#### Why this is material

##### Governance and ethical business

Responsible business conduct ensures the long-term viability of our business, and builds trust and confidence with stakeholders. We commit to high standards of behaviour and integrity in everything we do and comply with all laws and regulations wherever we operate. We believe in conducting business legally, fairly, honestly and with integrity, and expect the same of those with whom we do business. Sembcorp has zero tolerance towards fraud, bribery and corruption.

##### Risk and regulatory compliance

Risk management is integral to Sembcorp's approach to operating sustainably. We actively equip our management with tools to manage and control risks arising from existing business activities and investment decisions. Risk management helps to preserve our bottom line by reducing the likelihood and impact of potential losses, while

providing a common platform for the evaluation of new business opportunities. In addition, risk management provides our board and shareholders the assurance that key enterprise and business risks faced by the organisation have been identified, assessed and managed via appropriate risk mitigation and controls.

Sembcorp is committed to high standards of regulatory compliance, as non-compliance with applicable laws and regulations may subject us to statutory and regulatory fines and even result in material litigation with severe negative impact on our reputation, financials and licence to operate.

#### HIGHLIGHT

##### Strengthening Governance

In 2014, we formulated a new policy and manual covering internal controls for the Group and its businesses. These documents provide a clear framework for what constitutes an effective and adequate system of controls. It also provides guidelines on the appropriate segregation of duties and a checklist of internal controls for our business units to put in place.

#### Management approach

##### Governance and ethical business

Sembcorp is led by an effective board mainly comprising independent non-executive directors. The board is collectively responsible for the long-term success of the company. Part of its role is to ensure the adequacy of the Group's control and risk framework and standards, including ethical standards, and that obligations to key stakeholders are understood and met. Several board committees have been established with written terms of reference to assist the board in the efficient discharge of its responsibilities and provide independent oversight of management.

Sembcorp complies with the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore and reports our governance processes and activities with reference to principles set out in the Code.

#### Risk and regulatory compliance

##### Enterprise risk management

The Group has an enterprise risk management (ERM) framework in place. The Group's risks are managed through reviews of major occurrences and key risk areas at management meetings, risk assessments at the investment appraisal and due diligence stages, monitoring of key risks through a quarterly System of Financial Discipline submission or as required, and reporting of departmental and business unit level risks by all employees via the ERM reporting process and risk committee meetings.

##### Governance assurance framework

Sembcorp adopts a governance assurance framework, which comprises four lines of defence:

- i. Business governance / policy management
- ii. Management assurance
- iii. Independent assurance
- iv. Board oversight

For more information on Sembcorp's governance and risk management systems, please refer to the Corporate Governance Statement and Risk Management and Internal Controls chapter in this annual report.

##### Training and performance management

The Group provides awareness training and workshops on ERM, fraud risk management and business continuity management on a periodic basis. Desktop exercises for crisis management, emergency response drills and business continuity exercises are

also conducted regularly to validate and fine-tune our procedures and plans, so as to ensure that the Group can respond effectively to crises and emergencies.

Remuneration for senior management is tied to risk management and governance performance indicators relevant to their roles. More details on senior management remuneration and reward can be found in the Corporate Governance Statement in this annual report.

#### 2014 performance

This year, we continued to make progress in the global implementation of our fraud risk management framework. All our subsidiaries have completed fraud risk assessments for their respective cash-handling and procurement processes where applicable. We also continued to communicate our policy of zero tolerance towards bribery and corruption through our fraud awareness sessions for employees.

In 2014, we continued to roll out our group-wide governance assurance framework to promote a consistent approach and understanding with regard to our risk and controls assessment process and methodology. This aims to strengthen the risk and controls assessment process and also provides a framework for self assessment of risk-based controls.

In addition, a policy and manual governing internal controls were developed to provide our business units guidance in implementing, strengthening and maintaining an effective and adequate system of internal controls. We also continued to use forensic data analytics as a tool to uncover red flags and identify any gaps in internal controls to be addressed.

In 2014, a total of two significant fines amounting to S\$214,000 were incurred by our operations in Chile and China. We have looked into these incidents to ensure a non-recurrence.

With the increased threat of disease epidemics, we strengthened our readiness to respond to pandemic outbreaks through table-top exercises and emergency response drills in Singapore, the Middle East and South Africa. This included simulating a World Health Organisation declaration that an infectious disease had reached pandemic phase, and the activation of response measures such as isolation and contact tracing procedures.

As part of our continuous review of policies, Sembcorp introduced a business continuity management (BCM) policy which defines the BCM governance and implementation framework, and provides guidance to our operations in their business continuity planning activities.

As a testament to our ongoing commitment to excellence in corporate governance, financial reporting and disclosure, Sembcorp was ranked third on The Business Times Governance & Transparency Index in Singapore. We also won top awards in three out of five categories at the 2014 Singapore Corporate Awards. These included gold awards for Best Managed Board and Best Annual Report for companies with S\$1 billion and above in market capitalisation, as well as the gold award for Best Chief Executive Officer in the same category, which was awarded to Sembcorp Industries' Group President & CEO Tang Kin Fei. In addition, we were also named runner-up for the Singapore Corporate Governance Award under the category of companies with S\$1 billion and above in market capitalisation at the 15<sup>th</sup> Securities Investors Association (Singapore) Investors' Choice Award 2014.

#### Going forward

Sembcorp will continue to improve our risk management, governance and compliance processes. As part of building the right risk management culture, regular risk awareness refresher training and risk assessment workshops will be conducted.

#### People

To provide a fair, diverse and inclusive workplace, and continually improve our human resource management and people development

#### Why this is material

##### People development

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

The nature of our business is such that we require specialist technical expertise. Some of the markets in which we operate lack a qualified labour force with the necessary technical skill sets that our business requires. In other markets, these skill sets are highly sought after across other industries. Additionally, the commercial and regulatory environment in which we operate is growing in complexity. Therefore, there is a critical need to attract, retain and develop competent employees who possess a deep understanding of the company and industry.

We believe that the career opportunities and structured development framework we offer are key to attracting, motivating and retaining talent.

We continually stay abreast of latest developments and industry best practice through our memberships and participation in external organisations such as the Singapore National Employers Federation, the Temasek Human Resource Council and The Conference Board, as well as numerous local roundtable groups.

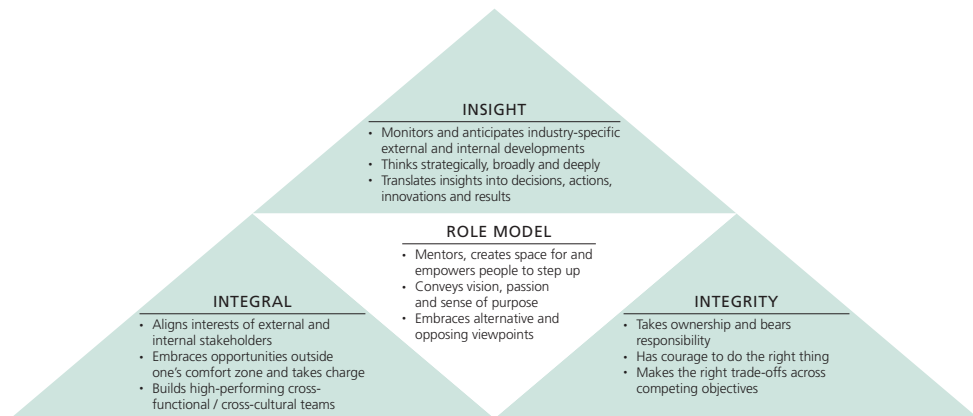
For further details of our approach and initiatives on labour relations, remuneration and employee welfare and engagement, please refer to the People portion in the Sustainability section of our website.

#### HIGHLIGHT

##### Investing in People

In 2014, we focused our efforts on implementing our competency framework, with the aim of improving competencies of managers and employees across the different functions of the organisation. We launched company-wide training programmes to equip our employees in aspects of functional and core competencies, such as coaching skills, performance management, presentation and writing skills. This training is ongoing across our organisation.

**Sembcorp's Core Competency Framework**



**Management approach**

**Human resource policies and structure**

Our human resource management approach is based on the key aspects of strategic workforce planning, our competency framework and creating development journeys for our employees.

The Senior Management Committee, supported by the Group Human Resources department, is responsible for setting key policies relating to our employees.

The Group is committed to preserving and respecting human rights in our operating locations. Sembcorp fully supports basic principles of fairness and opportunity as well as dignity, respect and non-discrimination. With our headquarters based in Singapore, we abide by the approach to human rights taken by the Singapore government, and endorse the Employers' Pledge of Fair Employment Practices under Singapore's Tripartite Alliance for Fair and Progressive Employment Practices. We do not hire forced or child labour, and comply with local regulations restricting forced or child labour

wherever we operate. While our operations span six continents where labour laws, regulations and practices differ widely, we are committed to high standards of human resource management globally. We abide by local laws wherever we operate, including abiding by and exceeding minimum wage requirements where such laws exist. Examples of other diverse regulations our global operations comply with include the Broad-based Black Economic Empowerment Amendment Act 2013 in South Africa, and localisation requirements for our operations in Oman and the UAE.

For the convenience of our employees, our local human resource policies, as well as all other company policies and guidelines, are readily available and accessible on our intranet.

**Five Key Principles of Fair Employment Practices Endorsed by Sembcorp**

- ➔ Recruit and select employees on the basis of merit (such as skills, experience or ability to perform the job), and regardless of age, race, gender, religion, marital status and family responsibilities, or disability
- ➔ Treat employees fairly and with respect and implement progressive human resource management systems
- ➔ Provide employees with equal opportunity to be considered for training and development based on their strengths and needs to help them achieve their full potential
- ➔ Reward employees fairly based on their ability, performance, contribution and experience
- ➔ Abide by labour laws and adopt the Tripartite Guidelines on Fair Employment Practices

**People development**

People development is a key focus of our company's strategy, and is driven at the board level by the Executive Resource & Compensation Committee.

Sembcorp developed the My Career Journey @ Sembcorp framework to identify, develop and deploy employees to take up roles across the organisation. The framework encompasses three aspects:

**i. Strategic workforce planning**

Precise growth areas within Sembcorp are mapped, giving us a clear picture of skills and capabilities required. This helps us ensure that

the right people are in the right jobs, and can be deployed in the right locations.

**ii. Competency framework**

The competency framework spells out the competencies and behaviours expected of a Sembcorp employee. The framework is deployed through recruitment, assessment, development and career progression. This framework is also an evaluative tool that highlights areas of developmental need, not only for the individual, but also for the organisation as a whole to address.

**iii. Development journeys**

Employees are developed through on-the-job learning, exposure and formal training as well as a mentorship programme for high-potential employees.

The framework aligns the development of the organisation and individuals, addressing both organisational needs and employee aspirations.

*Performance appraisals*

All employees undergo half-yearly performance appraisals, where performance against expectations, training needs and targets for the coming year are discussed and agreed upon by employee and supervisor. As an assessment of core competencies and areas for improvement is embedded in the appraisal format, going through the appraisal process also helps to inculcate our core values in every employee, and provides clarity on the competencies and functional skills needed for their development.

*Employee learning and development*

To promote learning and development throughout the organisation, all supervisors are given the mandate to oversee and drive the development of their employees.

Our engineers and technicians receive up-to-date technical training by experts. All employees are also encouraged to attend professional courses relevant to their roles.

We offer employees the opportunity to develop their careers and gain international exposure through job rotations and attachments in different cultural and operational settings. We currently have more than 50 employees of different nationalities seconded from our Singapore offices to various overseas operations. We also provide internships and industrial attachments which offer students and Sembcorp scholars practical experience and exposure to our operations while they undergo their studies.

We support our employees in their pursuit of continuous improvement and higher qualifications and also sponsor selected employees who wish to pursue higher qualifications in fields of study relevant to their work. To develop our leaders, the company sponsors senior executives to undergo programmes at leading institutes such as Harvard Business School, The University of Pennsylvania Wharton School, INSEAD and Temasek's Business Leadership Centre. Sembcorp scholarships are also offered to promising students at various tertiary institutions, following which a comprehensive development plan is mapped out to groom them for management positions.

As an industry leader in various sectors, Sembcorp encourages our employees to share and exchange best practices through platforms such as seminars, roadshows and local and international conferences.

*Developing local capability*

We believe in recruiting and retaining local talent as a long-term investment and strategy for our operations. This leads to knowledge transfer and capability development for the local community.

Localisation plans play an important part in our strategy for the sustainable growth of our overseas projects. Targets are set to progressively localise our overseas operations' workforce across all positions, including management positions, in line with each jurisdiction's regulatory and operating environment. Where operations commence in a new market, employees who are seconded from our head office to start up the operations are given a clear responsibility to develop local talent. Capability development plans are designed for local employees hired and with the gradual localisation of the team, the number of expatriates seconded from head office is then progressively reduced.

All employees are given the same development opportunities across the Group, and at our overseas operations, local employees are also encouraged to develop their professional and managerial skills through international exposure, such as on-the-job training in Singapore or at other Sembcorp operations around the world.

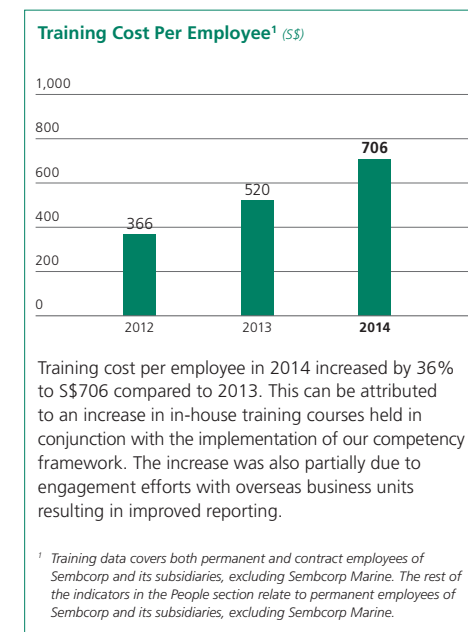
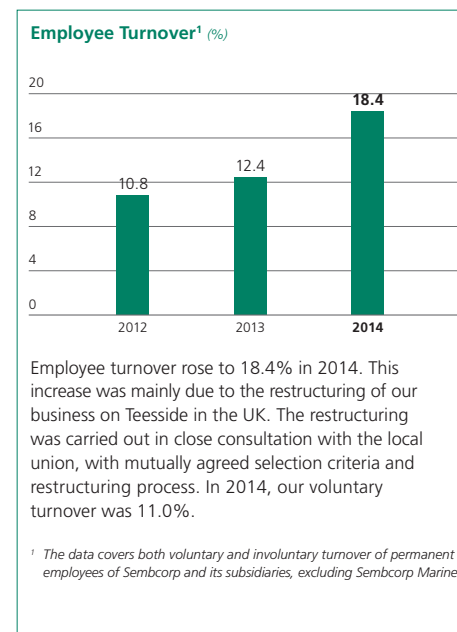
**2014 performance**

The continued implementation of our competency framework and the enhancement of our learning and development framework were our main areas of focus in 2014.

We remain committed to meeting our localisation targets. In 2014, three Omani employees underwent a customised training programme in Singapore. The programme consisted of on-site training at our operations, as well as workshop sessions.

**Going forward**

In 2015, we will focus on implementing the learning and development framework for employees. The framework will be guided by a learning strategy, and lays out a model to chart the most efficient and relevant way to execute learning needs.



Unless otherwise stated, all People data reported relates to Sembcorp's permanent employees. For more performance data, please refer to the People portion of the Sustainability section of our website.



**Health, Safety and Environment**

To instil sound and practical health and safety management as part of our workplace culture, and protect the environment in the conduct of our business activities and generation of our products and services through good environmental practices

**Why this is material**

**Occupational health and safety**

Effective occupational health and safety management prevents and mitigates health and safety-related incidents, protects our workforce and helps to reduce disruption to our operations. It also ensures compliance with applicable laws and regulatory requirements in all the countries we operate in.

We regard the health and safety of our people as top priority, and seek to provide a working environment that exceeds regulatory obligations for our employees and others who work on or visit our premises. We are also committed to enforcing safe working practices within our sphere of influence.

**Climate change**

Our businesses are exposed to potential regulatory, physical and supply risks related to climate change, and as a company we also recognise the threat that climate change presents to the planet. We adhere to and support common policy positions adopted by governments on climate change, whilst keeping abreast of the wider body of academic and institutional research related to the subject.

We believe that our businesses can leverage innovative technology and renewable resources

to provide competitive and reliable energy and water solutions to customers and communities, while mitigating the impact of climate change.

**Environmental protection**

Sembcorp recognises its duty to conserve the natural environment and resources whilst going about its businesses. Our businesses consume primary resources and it is in these areas that our responsible stewardship can have the greatest impact.

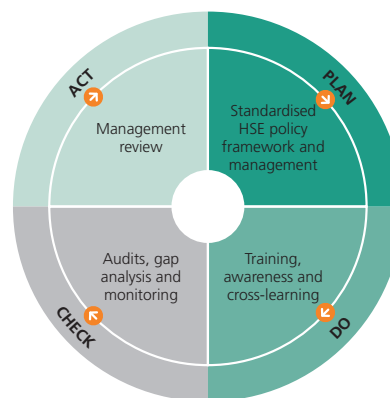
**HIGHLIGHT**

**Strengthening the Management and Governance of HSE**

Excellence in HSE is a journey which requires constant vigilance and striving for continuous improvement. In 2014, we reviewed our frameworks for health and safety management and formulated a plan to enhance and strengthen them. The plan, which was endorsed by our board's Risk Committee and spearheaded by our Group President & CEO, aims to encourage a greater level of behavioural observation and intervention by employees and contractors, so as to prevent accidents and near-misses. Key elements of the plan include the formulation of Sembcorp Life Saving Rules, as well as the setting up of Safe Operation Committees at our operational and project sites to strengthen the management of HSE.

**Management approach**

HSE management is embedded alongside compliance with legal and regulatory requirements in work processes applicable to all phases of Sembcorp's business – from business development and project development, to asset management. We strive for continuous improvement in our HSE performance, and apply an integrated management approach in accordance with the Plan-Do-Check-Act methodology:



**Sembcorp's HSE Strategy**

**Leadership commitment**

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

**Continuous improvement**

- Implementation of key HSE requirements
- Standardisation of management systems

**Effective communication**

- Reinforce HSE processes through effective communication

**HSE policy and guidelines**

Sembcorp's Group HSE Policy articulates our commitment to our stakeholders with respect to HSE. It is available in the Sustainability section of our website.

The Group's HSE guidelines outline the roles and responsibilities of the relevant departments and business units, in line with the Group HSE Policy. The guidelines are endorsed by the board's Risk Committee. Business units under the management and operational control of Sembcorp must comply with the requirements set out in the HSE guidelines, and must monitor performance relating to standardised key HSE indicators based on our 4/0 targets. The 4/0 targets refer to: zero harm to people, zero damage to the environment, zero damage to assets and zero non-compliance with legal and regulatory requirements.

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

Sembcorp encourages the implementation of internationally recognised HSE management systems across our operations. For detailed disclosure of certifications achieved by Sembcorp's businesses, please refer to the Awards, Memberships and Certification portion of the Sustainability section of our website.

**Training and audits**

Adequate and relevant training is key to improving our HSE performance. Training needs arise from various situations, including new appointments, legal and / or regulatory requirements, as well as risk control and business needs. These needs are identified and the appropriate training implemented.

The Group HSE department also organises an annual global workshop. The workshop updates business units on our HSE priorities and facilitates the sharing of best practice case studies across a range of topics, including technical performance and cross-cultural HSE management. This helps our business units to learn from one another and improve their HSE performance, and supports their planning of the following year's goals and initiatives.

Periodic HSE cross-audits are also conducted for our overseas operations to ensure compliance and promote continuous improvement.

#### Occupational health and safety

We are committed to preventing and reducing workplace injuries and occupational illnesses through active management of risks associated with our activities and services. The Group HSE Management System requires our business units to have programmes in place to manage occupational health hazards and the risk of occupational illnesses. For example, it is a requisite for every operating site to appoint a dedicated HSE officer to support the management of HSE issues in accordance with our requirements and procedures. Monthly safety inspections are conducted, and findings are recorded, analysed and tabled for discussions. Examples of safe practices in operating units include mandatory precautions, such as permits to work, to ensure that our employees and contractors are equipped with the right training and equipment when performing potentially hazardous work. Identifying critical risk and safety elements for high risk activities, such as work at height and lifting operations, and ensuring strict adherence to safety requirements are also key controls enforced on our sites.

#### Project and asset life cycle risk assessment and prevention

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

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

#### Climate change

As a global energy player, we recognise that investing in energy-efficient, renewable and low-carbon technologies not only helps manage emissions, but also makes business sense. We are committed to setting achievable energy efficiency and renewable energy targets, and developing strategies to mitigate the impact of our operations on the environment.

We adopt a four-pronged approach to climate change:

- Maintaining a diversified generation portfolio
- Growing our renewable energy business as part of a balanced portfolio
- Energy-efficient power and water facilities
- Active stakeholder engagement

For further details on Sembcorp's approach to climate change, please refer to the HSE portion in the Sustainability section of our website.

#### Environmental protection

At Sembcorp, we aim to ensure adequate resources are allocated to maintain environmental quality where we operate.

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

#### Atmospheric emissions

Our management approach to reduce fuel consumption and increase energy efficiency also helps to reduce atmospheric emissions. In addition, we minimise atmospheric emissions through various technologies, including catalytic convertors and adjusting combustion temperatures for nitrogen oxide (NO<sub>x</sub>) and carbon dioxide (CO<sub>2</sub>) control. Emission levels are monitored at our energy plants, where emissions are significant.

#### Water

Sembcorp's facilities are able to effectively treat multiple streams of industrial wastewater to meet effluent discharge standards, including effluent with a wide-ranging chemical oxygen demand and salinity. Our comprehensive water sampling and testing regime ensures consistent compliance with such standards.

In designing our various wastewater treatment facilities, we employ a specialised configuration of treatment processes targeted at the expected feedwater profile, in order to treat the wastewater

in the most effective and energy-efficient manner. Treatment processes applied include mechanical, chemical, biological or membrane technologies, or a combination of a number of these.

Furthermore, we are able to use treated effluent from our wastewater treatment facilities to produce high-purity water for industrial use, such as high grade industrial water and demineralised water. By integrating wastewater treatment, water reclamation and water supply in a closed loop, Sembcorp helps its customers reduce their environmental impact and conserve water resources.

Sembcorp also owns and operates large-scale water reuse and seawater desalination facilities, which offer a sustainably-sourced, high-quality water supply for industries and households in water-scarce areas.

#### Waste and spills

Sembcorp actively develops capabilities to recover energy from waste. An example is our Sembcorp Woodchip Boiler Plant in Singapore, which uses woodchip processed from waste wood collected by our solid waste management arm to produce economical and renewable steam. This demonstrates our capability to manage the entire energy-from-waste value chain and leverages synergies between our energy and solid waste management businesses.

In addition, all hazardous waste generated by our operations or collected by us on behalf of our customers is disposed of in accordance with local regulations. In the instance of an emergency arising from major spillage or hazards at our industrial facilities, emergency response plans will be activated.

**2014 performance**

It is of utmost importance to us that our operations do not pose a risk to the safety of our employees, contractors or local community. It is therefore with deep regret that we report that our company vehicles were involved in three fatal road traffic accidents, two in Singapore and one in South Africa. In Singapore, the first accident involved a waste truck colliding with a cyclist while reversing into a bin centre. The second took place while one of our company's waste trucks was travelling on a highway, when a motorcyclist in an adjacent lane skidded under our truck. In the first case, the driver was found to be at fault and dismissed from his employment with us. In the second case, the driver was cleared of wrongdoing and subsequently returned to work. In South Africa, our company vehicle collided with a pedestrian on a public road, and investigations are still ongoing. In all three cases, the drivers were immediately suspended from work while investigations were ongoing. The company and these employees fully cooperated with authorities conducting investigations into the incidents. Assistance was also rendered to families of the deceased, our drivers and their families. Drivers who returned to work underwent counselling beforehand to ascertain their ability to resume their duties. Corrective measures were put in place where necessary to prevent recurrence, and the lessons learnt were shared with other drivers and crew members through briefings.

This year, with the endorsement of our board's Risk Committee, we developed a group-wide health and safety improvement plan. Adherence to the plan is mandatory for all our subsidiaries, including projects in development. Key elements of this plan include the formation of Safe Operation Committees on our sites, as well as the Sembcorp

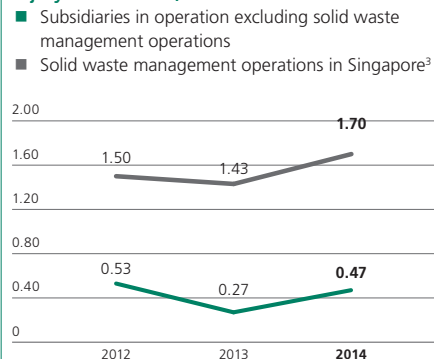
Life Saving Rules. The rules, which apply to all employees and contractors working on our premises, set out clear and simple "dos" and "don'ts" for high risk activities. These rules aim to bring about a greater level of awareness, observation and intervention among our employees and contractors, so as to prevent accidents and near-misses. Non-adherence to these rules may result in the immediate removal of the employee or contractor from site as well as disciplinary action, depending on the severity of the infraction. A workshop spearheaded by our Group President & CEO and attended by the heads of key business units was held in December to launch and communicate this initiative.

We recognise that adherence to plans and procedures is the first line of defence against incidents, and aim to tighten our validation and verification process to ensure these plans and procedures are implemented properly.

We remain committed to ensuring the efficiency of our operations while optimising our use of resources. In 2014, we finalised our plans for two energy efficiency initiatives for our operations in Singapore. We re-designed an existing boiler to use our customers' process by-product as fuel, thereby eliminating the need for natural gas as fuel for steam production. We also developed the Sembcorp Energy Optimiser. This online tool selects the most efficient and reliable mix of assets and fuel inputs to use based on energy demand and prices, in order to achieve higher reliability and efficiency.

Our NO<sub>x</sub> emissions were 3,162 tonnes and our sulphur oxide (SO<sub>x</sub>) emissions were 732 tonnes in 2014. Water discharged in 2014 amounted to 1,089 million cubic metres.

**Injury Rate Per 200,000 Man-hours<sup>1,2</sup>**

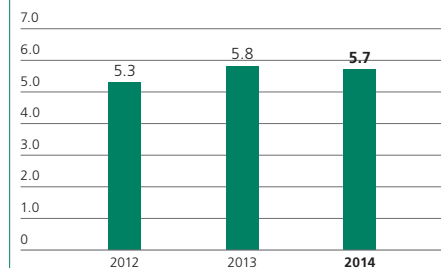


Injuries were largely due to human factors, which will be addressed in a group-wide health and safety improvement plan for 2015. Recognising the greater exposure to risk of injury in our solid waste management operations, we have taken steps to prevent injuries. These include installing a "mobile eye" system on our fleet to alert our drivers of impending danger, cameras on our vehicles to assist our drivers, and refresher training and lessons learnt workshops for the crew as ongoing programmes to continuously improve performance in this area.

<sup>1</sup> Occupational health and safety data includes employees and contractors.  
<sup>2</sup> 200,000 man-hours is roughly equivalent to the total number of hours worked by 100 full-time employees in a calendar year.  
<sup>3</sup> Occupational health and safety data for our solid waste management operations in Singapore is reported separately as this business employs manual labour to a greater degree and has a different risk profile from our other businesses.

**Direct Greenhouse Gas Emissions<sup>1</sup>**

(million tonnes of CO<sub>2</sub> equivalent)

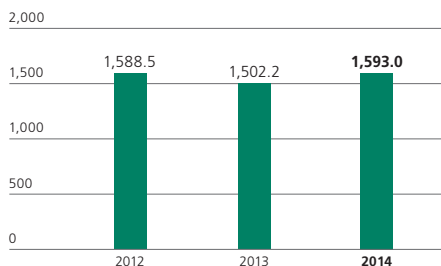


Direct GHG emissions remained steady in 2014. The marginal decrease in GHG emissions was due to slightly lower generation volume at our operations in Oman and the UAE, as well as the retirement of coal-fired assets on our Wilton International site in the UK, in line with Sembcorp's strategy to transform the site into a green hub.

We report emissions from the combustion of biomass separately, in accordance with GRI guidelines. These emissions amounted to 1.1 million tonnes of CO<sub>2</sub> equivalent in 2014 compared to 0.7 million tonnes in 2013. The significant increase was due to the aforementioned shift towards biomass at our UK operations, and the doubling of biomass-fuelled generation capacity in Singapore.

<sup>1</sup> Emissions data covers entities that produce direct GHG emissions from the combustion of fossil fuel. It excludes emissions from anaerobic wastewater treatment plants, as well as emissions from the use of diesel in vehicles and maintenance and servicing equipment. CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emissions are included in the calculation of direct GHG emissions. HFCs, PFCs, SF<sub>6</sub> and NF<sub>3</sub> emissions are excluded. Global warming potential factors used are from the IPCC Fourth Assessment Report for the 100-year time horizon.

**Water Withdrawal** (million m<sup>3</sup>)



Water withdrawal increased by 6% in 2014 from the previous year, primarily due to increased activity from our water utilities business in Singapore and the Middle East.

**Waste Disposal<sup>1</sup>** (thousand tonnes)



Hazardous waste disposed increased by 34% against the previous year. This increase was due to the higher reliability of our operations, resulting in longer runs which produced a larger volume of ash. Non-hazardous waste increased by 36%. This increase was due to the aforementioned longer boiler runs at our operations, and a second boiler at our woodchip boiler plant in Singapore coming onstream, both of which contributed to larger volumes of ash. Major maintenance activities also contributed to the disposal of metal scrap.

<sup>1</sup> The data excludes waste that is collected and incinerated for our customers.

For more information on our HSE performance, please refer to the HSE portion in the Sustainability section of our website.

**Going forward**

While we have made improvements to our management of HSE, we recognise that there is much more to do. In the area of health and safety management, we are determined to strive for continuous improvement and instil a stronger, more pervasive safety culture. Ensuring responsible and safe operations remains our top priority. We will focus on establishing Safe Operation Committees in our global operations, as well as implementing and enforcing the Sembcorp Life Saving Rules. In our solid waste management operations, we plan to implement a mandatory defensive driving refresher course for drivers to improve their safety awareness. Real-time digital recording cameras

have been installed on most of our vehicles and monthly driver briefings using footage taken from vehicular recordings will be held to share lessons learnt, and further promote safe driving. A driver's handbook with safe driving tips which is currently available in English will be translated into Chinese and Malay languages.

We plan to implement our zero natural gas boiler project and Sembcorp Energy Optimiser at our Singapore operations after necessary regulatory approvals have been received.

**Community**

To be a responsible business, making a positive contribution to our communities

**Why this is material**

**Community integration**

Sembcorp provides solutions that are essential to everyday life. We view our support and contribution to our host communities as a part of our licence to operate. We are therefore committed to assessing and responsibly managing our impact, as well as investing in our local communities.

**HIGHLIGHT**

**Inspiring the Next Generation of Energy Leaders**

In 2014, we announced a partnership with Singapore's EMA to launch the Sembcorp-EMA Energy Challenge. This national annual competition aims to nurture and inspire youths in Singapore to become future energy professionals. Participants will take part in sharing sessions by industry experts and plant visits, and will then get to apply their knowledge to real-life challenges faced by power professionals in an exciting game. This initiative will complement what the students learn in school, show them what the life of a power engineer is like, and support the government's drive to attract more young people into the local energy industry.

**Management approach**

The needs of one community can be very different from another's, and it is our belief that our local operations will be in the best position to understand those needs and partner local stakeholders to help address them. Therefore, while the Group provides the strategic framework, tools and guidelines to

ensure consistency and acceptable standards, community integration is managed at the local level.

Sembcorp's global corporate social responsibility (CSR) framework establishes a strategic and consistent approach for our charitable contributions and community investments. We focus on fostering environmental stewardship as well as improving the living standards and quality of life of the communities we are in.



**Environment**

We are committed to fostering environmental stewardship in our community through contributions to sustainability and environmental initiatives.



**Community**

We are committed to improving the living standards and quality of life of the community, such as through providing access to energy and water, social welfare and education.

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

Assessing and responsibly managing our impact on local communities is key to successful community integration and acceptance. Environmental impact studies are carried out in accordance with national and / or international standards and methodologies

for new major projects and expansions. Some of these studies include social impact assessments and social management plans which are implemented through the various stages of the site's development.

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

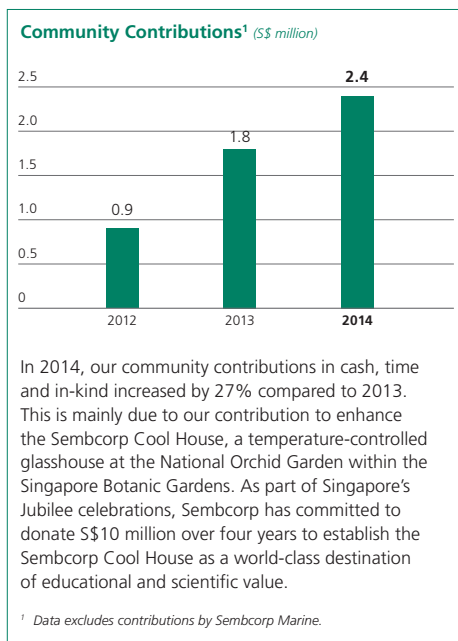
**2014 performance**

In 2014, Sembcorp and Sembcorp Marine contributed S\$5.7 million across our global operations in terms of charitable contributions and community investments. Excluding Sembcorp Marine's contribution, S\$2.4 million in cash, time and in-kind donations were contributed by Sembcorp. The contribution supported initiatives in aid of causes including youth development, environmental and water conservation education, as well as apprenticeships and job training programmes. During the year, we presented the Festival of Biodiversity in partnership with Singapore's National Parks Board (NParks). The event engaged more than 15,000 members of the public on Singapore's environment heritage and conservation. We received recognition for our support of environmental conservation with NParks naming a 100-year-old heritage tree in the Singapore Botanic Gardens after our company. This is a rare honour only given to a handful of companies who have made significant contributions over the years to the greening of Singapore.

73% of our operations had local community engagement and / or development programmes.

We continue to be committed to creating economic and social benefit for the communities in which we operate. Our products and services such as the provision of energy and water contribute to thriving local economies and healthy local communities.

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



**Going forward**

We will continue to enhance our Group's frameworks and guidelines, including the integration of impact assessments into our investment approval process.

**CASE STUDY**

**Making a positive impact in Salalah, Oman**

The accessibility of potable water is a key concern in the Middle East. Historically, groundwater formed the main source of water for the community, resulting in issues such as the risk of over-extraction.

With the opening of Sembcorp's Salalah independent water and power plant (IWPP), the first large-scale seawater desalination facility in the Salalah system, today 85% of the water needs in the Dhofar governorate are instead met through the plant's 69,000 cubic metres per day capacity. The plant currently supplies water to approximately 170,000 people.

The reliable provision of good quality desalinated water has enabled the region to reduce its withdrawal of groundwater. At the same time, this has helped to meet the rapidly increasing demand for water in the area.

The local population has benefitted from the marked improvement in the quality of water.

In the past, Dhofar's groundwater was at risk of contamination from factors such as saline intrusion and surface pollution. Filtered groundwater used by residents also had a high concentration of calcium and other minerals, resulting in health impacts from consumption, a chalky residue left on the skin after a bath, as well as sediment collection on washed crockery and utensils. With the supply of desalinated water from Sembcorp's Salalah IWPP, residents now enjoy a supply of good quality drinking water from a safe source and an improved quality of life.

Furthermore, the development of Sembcorp's Salalah IWPP has led to a significant contribution to the local economy. During the construction and development phase of the plant, monies paid to local businesses amounted to OMR45 million, or approximately S\$150 million.

# INVESTOR RELATIONS

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

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with an accurate, coherent and balanced account of the Group's performance. Sembcorp has a dedicated investor relations team and communicates with the investing public through multiple platforms and channels. These include group briefings to analysts, investors and the media; one-on-one meetings with shareholders and potential investors; investor roadshows as well as the investor relations section of our corporate website. In addition, company visits and facility tours are also organised to help investors gain insights into the Group's operations.

## PROACTIVE COMMUNICATION WITH THE FINANCIAL COMMUNITY

During the year, senior management and the investor relations team continued to actively engage with the financial community. We held over 150 one-on-one and group meetings with shareholders, analysts and potential investors. These included non-deal roadshows to international financial centres. In the Asia Pacific, we covered Singapore, Malaysia and Australia; in Europe, England, Scotland and Switzerland; and in North America, Canada and the US. We also participated in six investor conferences: the Credit Suisse 17<sup>th</sup> Annual Asian Investment Conference in Hong Kong, and in Singapore, the Maybank Invest ASEAN Conference,

the dbAccess Asia Conference, the Citibank ASEAN Investor Conference, the Macquarie ASEAN Conference and the Morgan Stanley 13<sup>th</sup> Annual Asia Pacific Summit. We also continued to organise site visits to our facilities on Jurong Island, Singapore to provide analysts and investors a first-hand look at our operations and allow them to gain a better understanding of Sembcorp's capabilities and operational track record.

## COMMITMENT TO GOOD CORPORATE GOVERNANCE

As a strong endorsement of Sembcorp's excellence in corporate governance management and disclosure, Sembcorp won top awards in three out of five categories at the 2014 Singapore Corporate Awards. These included gold awards for Best Managed Board and Best Annual Report for companies with S\$1 billion and above in market capitalisation, as well as the gold award for Best Chief Executive Officer, which was awarded to Sembcorp Industries' Group President & CEO Tang Kin Fei. The Singapore Corporate Awards celebrate the best in corporate governance among listed companies, as well as individuals who, through their corporate practices, have helped to raise Singapore's standard of governance and disclosure. The awards are organised by the Institute of Singapore Chartered Accountants, the Singapore Institute of Directors and The Business Times, and

supported by the Accounting and Corporate Regulatory Authority and the Singapore Exchange.

In 2014, Sembcorp also improved its ranking on the Governance and Transparency Index (GTI) and became the third-highest ranked company on the GTI. A well-respected ranking exercise by the National University of Singapore Business School's Centre for Governance, Institutions and Organisations in collaboration with CPA Australia and The Business Times, the GTI assesses the transparency of 644 Singapore-listed companies' financial disclosures as well as their governance, ethics and rigour in financial reporting.

## TOTAL SHAREHOLDER RETURN

Sembcorp Industries' last traded share price in 2014 was S\$4.45, and the company ended the year with a market capitalisation of S\$8.0 billion. The company's share price averaged S\$5.16 during the year, registering a high of S\$5.55 in April and a low of S\$4.10 in December. Daily turnover averaged 2.1 million shares. In May 2014, we paid out a final tax exempt one-tier dividend of 17 cents per ordinary share for the financial year 2013, comprising a final ordinary dividend of 15 cents per ordinary share and a final bonus dividend of 2 cents per ordinary share.

Falling oil prices, exacerbated by the decision of the Organization of the Petroleum Exporting Countries (OPEC) to maintain oil production levels, sparked a sell-off in oil and gas-related stocks globally. The negative sentiment on the sector has had an impact on the performance of Sembcorp Industries shares, and for 2014, total shareholder return stood at negative 16%. In relative terms, this performance compared favourably against the

FTSE ST Oil & Gas Sector Index's negative 23%; but against the broader market, this was below the Straits Times Index's positive 10% return and the MSCI Asia Pacific ex-Japan Industrials Index's flat performance.

Based on feedback from shareholders and in line with Sembcorp's commitment to deliver shareholder value, we paid an interim dividend for the first time to shareholders, increasing the frequency of dividend payments to twice a year. For the financial year 2014, an interim tax exempt one-tier dividend of 5 cents per ordinary share was declared and paid to shareholders in September 2014. In addition, a final tax exempt one-tier dividend of 11 cents per ordinary share has been proposed, subject to approval by shareholders at the next annual general meeting. Together with the interim dividend, this brings our total dividend for FY2014 to 16 cents per ordinary share.

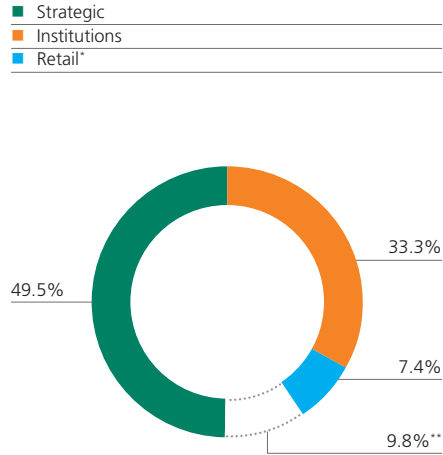
## SHAREHOLDER INFORMATION

In 2014, institutional shareholders as a group continued to dominate Sembcorp's shareholder base. Other than our major shareholder Temasek Holdings which held 49.5% of our shares at the end of 2014, institutional shareholders accounted for 33.3% of our issued share capital or 66% of free float, while retail shareholders<sup>1</sup> and unidentified shareholders<sup>2</sup> held 17.2% of issued share capital or 34% of free float. In terms of geographical spread, excluding the stake held by Temasek Holdings, our largest geographical shareholding base was Europe with 14% of issued share capital, followed by shareholders from North America and Asia which accounted for 12% and 9% of our company's issued share capital respectively.

<sup>1</sup> Retail shareholders include private investors, brokers, custodians and corporates

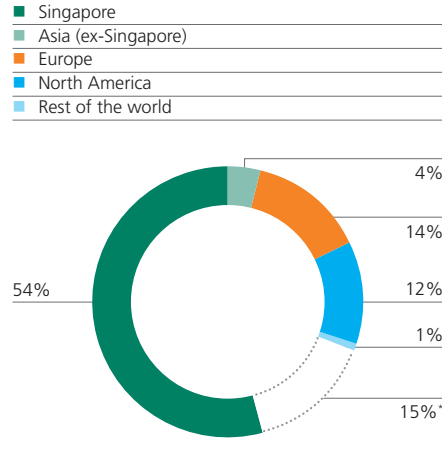
<sup>2</sup> Unidentified shareholders mainly include shareholders that fall below the threshold of 250,000 shares

Share Ownership by Investor Category



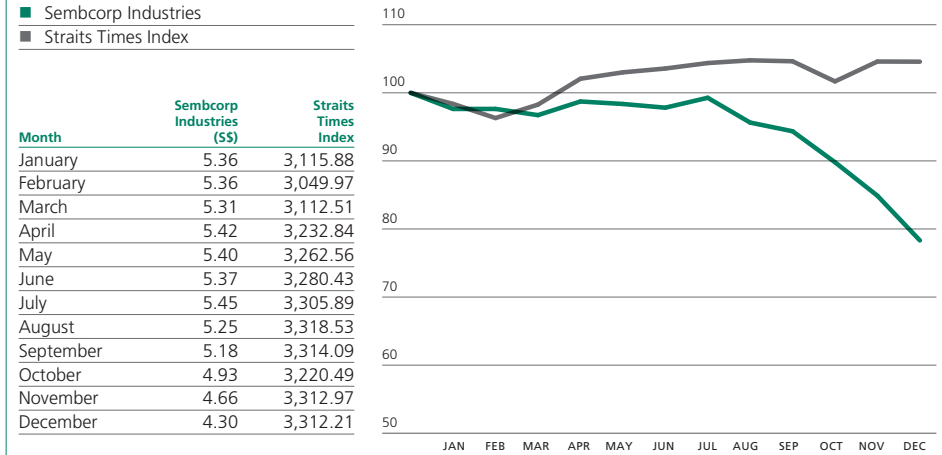
\* Includes private investors, brokers, custodians and corporates  
 \*\* Shareholders not identified mainly include those that fall below the threshold of 250,000 shares  
 As at December 31, 2014

Share Ownership by Geographical Distribution

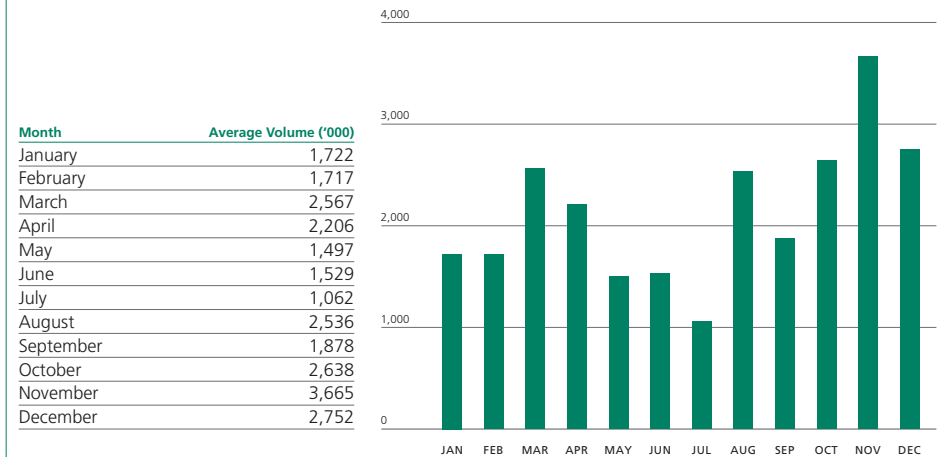


\* Shareholders not identified mainly include those that fall below the threshold of 250,000 shares  
 As at December 31, 2014

Average Monthly Sembcorp Industries Share Price and Straits Times Index in 2014 (rebased)



Average Monthly Traded Volume of Sembcorp Industries Shares in 2014 (thousands)





Sembcorp's facilities on Jurong Island, Singapore

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# 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:

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			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	At beginning of the year / date of appointment	At end of the year	At 21/01/2015
<b>Ang Kong Hua</b> Sembcorp Industries Ltd	Ordinary shares (Note 1)		52,100	70,500	70,500	-	-	-
<b>Tang Kin Fei</b> Sembcorp Industries Ltd	Ordinary shares (Note 2)		4,776,546	5,499,486	5,499,486	-	-	-
	Options to subscribe for ordinary shares at - \$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)

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			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	At beginning of the year / date of appointment	At end of the year	At 21/01/2015
<b>Tang Kin Fei (cont'd)</b> 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)

		Shareholdings registered in the							
		name of director, spouse, infant children or nominees			Other shareholdings in which director is deemed to have an interest				
		At beginning of the year /		At		At beginning of the year /		At	
		date of		end of		date of		end of	
		appointment		the year		21/01/2015		appointment	
		the year		21/01/2015		the year		21/01/2015	
Name of director and corporation in which interests held	Description of interests	Exercise period	Principal amount:	Principal amount:	Principal amount:				
<b>Tang Kin Fei</b> (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				
<b>Goh Geok Ling</b>									
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				
<b>Evert Henkes</b>									
Sembcorp Industries Ltd	Ordinary shares		146,004	159,504	159,504				
<b>Bobby Chin Yoke Choong</b>									
Sembcorp Industries Ltd	Ordinary shares		44,600	55,600	55,600				
<b>Margaret Lui</b>									
Sembcorp Industries Ltd	Ordinary shares		18,200	28,100	28,100				
<b>Tan Sri Mohd Hassan Marican</b>									
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				
<b>Tham Kui Seng</b>									
Sembcorp Industries Ltd	Ordinary shares		8,900	15,500	15,500				
<b>Dr Teh Kok Peng</b>									
Sembcorp Industries Ltd	Ordinary shares		1,300	8,700	8,700				
Sembcorp Marine Ltd	Ordinary shares		40,000	40,000	40,000				
<b>Ajaib Haridass</b>									
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		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Exercise period
		at Jan 1, 2014	Options exercised	at Dec 31, 2014	at Jan 1, 2014	at Dec 31, 2014		
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
		<b>1,222,424</b>	<b>(493,750)</b>	<b>(57,375)</b>	<b>671,299</b>	<b>1,222,424</b>	<b>671,299</b>	

2013

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Exercise period
		at Jan 1, 2013	Options exercised	at Dec 31, 2013	at Jan 1, 2013	at Dec 31, 2013		
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
		<b>2,023,824</b>	<b>(736,400)</b>	<b>(65,000)</b>	<b>1,222,424</b>	<b>2,023,824</b>	<b>1,222,424</b>	

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			
	Aggregate options granted	cancelled / lapsed / not accepted	Aggregate options exercised	Aggregate options outstanding
<b>Directors</b>				
Ang Kong Hua	–	–	–	–
Tang Kin Fei	3,444,052	(607,759) <sup>1</sup>	(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	–	–	–	–
<b>Other executives</b>				
Group	149,771,742	(69,426,413)	(79,674,030)	671,299
Associated company	748,600	(215,100)	(533,500)	–
Parent Group <sup>2</sup>	378,500	(113,000)	(265,500)	–
<b>Former directors of the Company</b>				
<b>Total</b>	<b>165,448,472</b>	<b>(72,745,600)</b>	<b>(92,031,573)</b>	<b>671,299</b>

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		Options		Options		Options		Exercise period
		outstanding at Jan 1, 2014	Options exercised	cancelled / lapsed / not accepted	outstanding at Dec 31, 2014	exercisable at Jan 1, 2014	exercisable at Dec 31, 2014			
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	
		<b>2,160,179</b>	<b>(412,877)</b>	<b>(70,800)</b>	<b>1,676,502</b>	<b>2,160,179</b>	<b>1,676,502</b>			

**2013**

Date of grant of options	Exercise price per share	Options		Options		Options		Options		Exercise period
		outstanding at Jan 1, 2013	Options exercised	cancelled / lapsed / not accepted	outstanding at Dec 31, 2013	exercisable at Jan 1, 2013	exercisable at Dec 31, 2013			
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	
		<b>2,516,257</b>	<b>(281,723)</b>	<b>(74,355)</b>	<b>2,160,179</b>	<b>2,516,257</b>	<b>2,160,179</b>			

**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:

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

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:

	Movements during the year					
	At Jan 1	Additional restricted				At Dec 31
		Conditional restricted	shares awarded arising from	Conditional restricted	Conditional restricted	
Restricted shares participants	At Jan 1	shares awarded	targets met	shares released	shares lapsed	At Dec 31
<b>2014</b>						
<b>Directors of the Company:</b>						
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)	–	–
<b>Other executives of</b>						
<b>the Group</b>	6,483,954	2,113,000	1,087,350	(2,627,146)	(267,349)	6,789,809
	<b>6,955,014</b>	<b>2,380,300</b>	<b>1,150,350</b>	<b>(2,885,386)</b>	<b>(267,349)</b>	<b>7,332,929</b>
<b>2013</b>						
<b>Directors of the Company:</b>						
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)	–	–
<b>Other executives of</b>						
<b>the Group</b>	6,291,717	2,011,100	737,640	(2,375,362)	(181,141)	6,483,954
	<b>6,708,437</b>	<b>2,262,600</b>	<b>783,000</b>	<b>(2,617,882)</b>	<b>(181,141)</b>	<b>6,955,014</b>

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



**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		Company		Note	Group		Company		
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000		2014 S\$'000	2013 S\$'000			
<b>Non-current assets</b>						<b>Non-current liabilities</b>					
Property, plant and equipment	3	7,725,423	5,126,650	606,245	637,590	Deferred tax liabilities	12	413,680	371,596	53,298	44,212
Investment properties	4	23,579	20,954	–	–	Provisions	19	105,423	101,693	593	593
Investments in subsidiaries	5	–	–	1,999,357	1,706,116	Other financial liabilities	22	106,472	56,786	–	–
Interests in associates and joint ventures	6	2,074,394	1,852,249	–	–	Retirement benefit obligations	23	15,658	30,910	–	–
Other financial assets	7	314,933	344,181	–	–	Interest-bearing borrowings	24	3,648,578	1,485,011	3	12
Long-term receivables and prepayments	8	467,340	360,970	14,440	7,223	Other long-term liabilities	25	296,884	276,144	482,846	462,915
Intangible assets	11	390,566	308,223	21,857	21,068	<b>Total liabilities</b>		<b>9,944,118</b>	<b>7,223,892</b>	<b>879,372</b>	<b>755,090</b>
Deferred tax assets	12	49,706	51,170	–	–	<b>Net assets</b>		<b>7,232,274</b>	<b>6,529,994</b>	<b>2,129,197</b>	<b>2,182,035</b>
		<b>11,045,941</b>	<b>8,064,397</b>	<b>2,641,899</b>	<b>2,371,997</b>	<b>Equity attributable to owners of the Company:</b>					
<b>Current assets</b>						Share capital	26	565,572	565,572	565,572	565,572
Inventories and work-in-progress	13	3,204,912	2,240,655	11,200	10,023	Other reserves	27	(130,297)	(101,230)	(22,386)	(18,839)
Trade and other receivables	14	1,200,336	1,140,173	157,075	104,885	Revenue reserve		4,978,291	4,563,136	1,383,446	1,432,332
Tax recoverable		8,514	6,698	–	–			5,413,566	5,027,478	1,926,632	1,979,065
Assets held for sale	16	24,437	36,517	–	–	Perpetual securities	28	202,565	202,970	202,565	202,970
Other financial assets	7	30,825	9,581	–	–			5,616,131	5,230,448	2,129,197	2,182,035
Cash and cash equivalents	17	1,661,427	2,255,865	198,395	450,220	<b>Non-controlling interests</b>		<b>1,616,143</b>	<b>1,299,546</b>	<b>–</b>	<b>–</b>
		<b>6,130,451</b>	<b>5,689,489</b>	<b>366,670</b>	<b>565,128</b>	<b>Total equity</b>		<b>7,232,274</b>	<b>6,529,994</b>	<b>2,129,197</b>	<b>2,182,035</b>
<b>Total assets</b>		<b>17,176,392</b>	<b>13,753,886</b>	<b>3,008,569</b>	<b>2,937,125</b>						
<b>Current liabilities</b>											
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						
		<b>5,357,423</b>	<b>4,901,752</b>	<b>342,632</b>	<b>247,358</b>						
<b>Net current assets</b>		<b>773,028</b>	<b>787,737</b>	<b>24,038</b>	<b>317,770</b>						

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

# CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2014

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

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2014

	Note	Group	
		2014 S\$'000	2013 S\$'000
<b>Profit for the year</b>		<b>1,084,282</b>	1,097,205
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		<b>129,982</b>	21,118
Exchange differences on monetary items forming part of net investment in foreign operation		<b>(2,280)</b>	(6,003)
Net change in fair value of cash flow hedges		<b>(147,973)</b>	22,206
Net change in fair value of cash flow hedges transferred to profit or loss		<b>18,873</b>	3,615
Net change in fair value of available-for-sale financial assets		<b>(33,572)</b>	(31,924)
Share of other comprehensive income of associates and joint ventures		<b>(8,654)</b>	(4,507)
		<b>(43,624)</b>	4,505
<i>Items that may not be reclassified subsequently to profit or loss:</i>			
Defined benefit plan actuarial gains and losses		<b>16,776</b>	(25,139)
Other comprehensive income for the year, net of tax	29	<b>(26,848)</b>	(20,634)
<b>Total comprehensive income for the year</b>		<b>1,057,434</b>	1,076,571
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>766,663</b>	790,388
Non-controlling interests		<b>290,771</b>	286,183
<b>Total comprehensive income for the year</b>		<b>1,057,434</b>	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													
	Attributable to owners of the Company					Share-based					Perpetual securities	Non-controlling interests	Total equity	
	Share capital	Reserve for own shares	Currency translation reserve	Capital reserve	Merger reserve	payments	Fair value reserve	Hedging reserve	Revenue reserve	Total				
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>At January 1, 2014</b>	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
<b>Total comprehensive income for the year</b>														
Profit for the year	-	-	-	-	-	-	-	-	801,096	801,096	-	801,096	283,186	1,084,282
<b>Other comprehensive income</b>														
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.

	Attributable to owners of the Company													
	Share capital	Reserve	Currency	Capital reserve	Merger reserve	Share-based				Revenue reserve	Total	Perpetual securities	Non-controlling interests	Total equity
		for own shares	translation reserve			payments	Fair value reserve	Hedging reserve	Total					
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Transactions with owners of the Company, recognised directly in equity</b>														
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)
<b>At December 31, 2014</b>	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.

	Attributable to owners of the Company													
	Reserve					Share-based					Perpetual securities	Non-controlling interests	Total equity	
	Share capital	for own shares	Currency translation reserve	Capital reserve	Merger reserve	payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total				Total
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
<b>At January 1, 2013</b>	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
<b>Total comprehensive income for the year</b>														
Profit for the year	–	–	–	–	–	–	–	–	820,448	820,448	–	820,448	276,757	1,097,205
<b>Other comprehensive income</b>														
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										Perpetual securities	Total	Non-controlling interests	Total equity	
	Share capital	Reserve	Currency	Capital reserve	Merger reserve	Share-based	Fair value reserve	Hedging reserve	Revenue reserve	Total					
		for own shares	translation reserve			payments									
Group	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Transactions with owners of the Company, recognised directly in equity</b>															
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)	
<b>At December 31, 2013</b>	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		Group	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
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		
Tax paid	61,563	1,634,216		
Net cash (used in) / from operating activities	(57,416)	1,509,212		
<b>Cash flows from investing activities</b>				
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)
<b>Cash flows from financing activities</b>				
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
<b>Net (decrease) / increase in cash and cash equivalents</b>			(598,209)	173,944
<b>Cash and cash equivalents at beginning of the year</b>			2,255,865	2,059,800
Effect of exchange rate changes on balances held in foreign currency			1,778	22,121
<b>Cash and cash equivalents at end of the year (Note 17)</b>			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:

	As previously reported	As restated
December 31, 2013	S\$'000	S\$'000
<b>Related Corporations</b>		
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(i).

**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)**i. 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.

**ii. 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.

**iii. 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

	Leasehold and freehold land,				Plant and machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment		Motor vehicles	Capital work-in-progress	Total
	wet berthage and buildings	Improvements to premises	Quays and dry docks	Infrastructure								
Note	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	
<b>Group</b>												
<b>Cost / Valuation</b>												
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)	(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	
<b>Accumulated Depreciation and Impairment Losses</b>												
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	
<b>Carrying Amount</b>												
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)

	Leasehold and freehold land,				Plant and machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
	wet berthage and buildings	Improvements to premises	Quays and dry docks	Infrastructure							
Note	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
<b>Group</b>											
<b>Cost / Valuation</b>											
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)	(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
<b>Accumulated Depreciation and Impairment Losses</b>											
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
<b>Carrying Amount</b>											
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)

	Leasehold and freehold land, wet berthage and buildings				Furniture, fittings and office equipment			Capital work-in-progress	Total
	Improvements to premises	Quays and dry docks	Plant and machinery	Motor vehicles	Motor vehicles	Capital work-in-progress			
Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Company</b>									
<b>Cost</b>									
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)	–	(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	
<b>Accumulated Depreciation and Impairment Losses</b>									
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)	–	(417)	(475)	–	–	(927)	
Balance at December 31, 2014	6,679	4,872	2,833	246,878	12,504	1,255	–	275,021	
<b>Carrying Amount</b>									
At December 31, 2014	12,887	3,033	5,393	574,239	4,441	533	5,719	606,245	
<b>Cost</b>									
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)	–	(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	
<b>Accumulated Depreciation and Impairment Losses</b>									
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)	–	(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	
<b>Carrying Amount</b>									
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
<b>Group</b>						
(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

	Note	Group	
		2014 S\$'000	2013 S\$'000
<b>Cost</b>			
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
<b>Accumulated Depreciation and Impairment Losses</b>			
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
<b>Carrying Amount</b>			
At December 31		23,579	20,954

The following amounts are recognised in profit or loss:

	Group	
	2014 S\$'000	2013 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 S\$'000	2013 S\$'000
<b>At cost and carrying value:</b>		
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

	Note	Group	
		2014	2013
		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
		<b>2,074,394</b>	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	<b>9,335</b>	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	<b>1,017,361</b>	985,223
Profit for the year	<b>80,532</b>	73,758
Other comprehensive income	<b>16,890</b>	28,588
Total comprehensive income	<b>97,422</b>	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 S\$'000	2013 S\$'000
Carrying amount	<b>1,057,033</b>	867,026
Profit for the year	<b>77,729</b>	81,266
Other comprehensive income	<b>19,242</b>	(2,153)
Total comprehensive income	<b>96,971</b>	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 fulfilling 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 S\$'000	2013 S\$'000
<b>a. Non-current Assets</b>		
Available-for-sale financial assets:		
– Equity shares	<b>242,199</b>	275,877
– Unit trusts and funds	<b>12,600</b>	5,550
	<b>254,799</b>	281,427
Financial assets at fair value through profit or loss, on initial recognition:		
– Equity shares	<b>52,432</b>	56,388
– Unit trusts and funds	<b>1,957</b>	1,510
	<b>54,389</b>	57,898
Cash flow hedges:		
– Forward foreign exchange contracts	<b>2,592</b>	1,173
– Fuel oil swaps	<b>30</b>	710
– Interest rate swaps	<b>3,123</b>	2,973
	<b>5,745</b>	4,856
	<b>314,933</b>	344,181
<b>b. Current Assets</b>		
Financial assets at fair value through profit or loss, on initial recognition:		
– Forward foreign exchange contracts	<b>15,180</b>	–
– Foreign exchange swap contracts	<b>120</b>	1,248
	<b>15,300</b>	1,248
Hedge of net investment in foreign operations:		
– Forward foreign exchange contracts	<b>122</b>	–
Cash flow hedges:		
– Forward foreign exchange contracts	<b>14,616</b>	3,877
– Fuel oil swaps	<b>787</b>	4,456
	<b>15,403</b>	8,333
	<b>30,825</b>	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

	Note	Group		Company	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 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

	Note	Group		Company	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 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		Joint ventures		Related companies		Total	
		2014	2013	2014	2013	2014	2013	2014	2013
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>									
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		Subsidiaries		Associates		Joint ventures		Related companies		Total	
		2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>													
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	Service concession		Long-term	Intellectual property			Total
		Goodwill	arrangements	revenue contract	rights	Water rights	Others	
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>								
<b>Cost</b>								
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
<b>Accumulated Amortisation and Impairment Losses</b>								
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
<b>Carrying Amount</b>								
At December 31, 2014								
		163,890	115,026	39,775	46,435	10,168	15,272	390,566

## 11. Intangible Assets (cont'd)

	Note	Service concession		Intellectual property			Total
		Goodwill	arrangements	rights	Water rights	Others	
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>							
<b>Cost</b>							
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
<b>Accumulated Amortisation and Impairment Losses</b>							
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
<b>Carrying Amount</b>							
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
<b>Company</b>				
<b>Cost</b>				
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
<b>Accumulated Amortisation and Impairment Losses</b>				
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
<b>Carrying Amount</b>				
At December 31, 2014		18,946	2,911	21,857
<b>Company</b>				
<b>Cost</b>				
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
<b>Accumulated Amortisation and Impairment Losses</b>				
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
<b>Carrying Amount</b>				
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:

	Note	Group	
		2014	2013
		US\$'000	US\$'000
<b>Cash-generating Unit (CGU)</b>			
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
		<b>163,890</b>	<b>135,759</b>

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:

	Recognised in profit or loss	Recognised in equity	Disposal of subsidiary	Acquisition of subsidiary	Translation		
At Jan 1	(Note 32)	(Note 29)	(Note 37)	(Note 38)	adjustments	At Dec 31	
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	
<b>Group</b>							
<b>2014</b>							
<b>Deferred tax liabilities</b>							
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
<b>Deferred tax assets</b>							
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)
<b>Group</b>							
<b>2013</b>							
<b>Deferred tax liabilities</b>							
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
<b>Deferred tax assets</b>							
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	Recognised in	Recognised	At	Recognised in	Recognised	At
	Jan 1, 2013	profit or loss	in equity	Dec 31, 2013	profit or loss	in equity	Dec 31, 2014
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>							
<b>Deferred tax liabilities</b>							
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
<b>Deferred tax assets</b>							
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		Company	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	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	2013
	S\$'000	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:

- 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
- 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		Company	
		2014	2013	2014	2013
		S\$'000	S\$'000	S\$'000	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

	Note	Group		Company	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 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
		<b>1,200,336</b>	<b>1,140,173</b>	<b>157,075</b>	<b>104,885</b>

## 15. Other Receivables and Deposits

	Note	Group		Company	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 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	–
		<b>390,714</b>	<b>475,075</b>	<b>57,302</b>	<b>57,827</b>
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

	Note	Assets held for sale		Investments held for sale		Total
		2014 S\$'000	2013 S\$'000	2013 S\$'000	2013 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)	
		<b>24,437</b>	<b>24,437</b>	<b>12,080</b>	<b>36,517</b>	
Less: Non-controlling interest		–	–	(4,830)	(4,830)	
		<b>24,437</b>	<b>24,437</b>	<b>7,250</b>	<b>31,687</b>	

*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

	Note	Group		Company	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 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

	Note	Group		Company	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 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	Onerous contracts		Restoration costs		Warranty S\$'000	Others S\$'000	Total S\$'000
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000			
<b>Group</b>								
<b>2014</b>								
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	
<b>2013</b>								
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)

	Restoration		Total
	Claims	costs	
	S\$'000	S\$'000	
<b>Company</b>			
<b>2014</b>			
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
<b>2013</b>			
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		Joint ventures		Related companies		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>								
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		Joint ventures		Related companies		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>								
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

- The amounts due to related parties are unsecured, interest-free and repayable on demand.
- 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		Company	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	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

Note	Group		Company	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Current Liabilities</b>				
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**

	Note	Group	
		2014	2013
		S\$'000	S\$'000
Provision for retirement gratuities	(a)	2,121	1,585
Defined benefit obligations	(b)	13,537	29,325
		<b>15,658</b>	30,910
Non-current		<b>15,658</b>	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	<b>2,121</b>	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	<b>405,596</b>	375,101
Fair value of plan assets	<b>(399,207)</b>	(345,776)
Deficit in scheme	<b>6,389</b>	29,325

The amounts included in the balance sheet are as follows:

	Note	Group	
		2014	2013
		S\$'000	S\$'000
Defined benefit obligations		<b>13,537</b>	29,325
Defined benefit assets	8	<b>(7,148)</b>	–
		<b>6,389</b>	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	<b>133,205</b>	95,228
Debt instruments	<b>229,605</b>	210,092
Other assets	<b>36,397</b>	40,456
	<b>399,207</b>	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
<b>Group</b>						
Balance at January 1	375,101	324,665	(345,776)	(321,055)	29,325	3,610
<b>Included in income statement</b>						
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
<b>Included in other comprehensive income</b>						
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
<b>Other</b>						
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)
<b>Balance at December 31</b>	<b>405,596</b>	<b>375,101</b>	<b>(399,207)</b>	<b>(345,776)</b>	<b>6,389</b>	<b>29,325</b>

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		Company	
		2014	2013	2014	2013
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Current Liabilities</b>					
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
<b>Non-current Liabilities</b>					
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	<b>0.82 – 13.75</b>	0.33 – 9.49	–	–
Fixed rate loans	<b>0.72 – 14.00</b>	0.85 – 12.33	–	–
Bonds & notes	<b>0.87 – 4.25</b>	0.88 – 5.00	–	–

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

**a. Secured Term Loans**

The secured term loans are collateralised by the following assets:

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

**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	Interest	Principal	Payments	Interest	Principal
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>						
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	Interest	Principal	Payments	Interest	Principal
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>						
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**

	Note	Group		Company	
		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		Company	
		2014 S\$'000	2013 S\$'000	2014 S\$'000	2013 S\$'000
<b>Distributable</b>					
Reserve for own shares	(a)	(15,041)	(13,877)	(15,041)	(13,877)
<b>Non-distributable</b>					
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 uncanceled 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			Group 2013		
	Before tax S\$'000	Tax expense S\$'000	Net of tax S\$'000	Before tax S\$'000	Tax expense S\$'000	Net of tax S\$'000
Foreign currency translation differences for foreign operations	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)
<b>Other comprehensive income</b>	<b>(49,477)</b>	<b>22,629</b>	<b>(26,848)</b>	<b>(33,188)</b>	<b>12,554</b>	<b>(20,634)</b>

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

	Group	
	2014	2013
	S\$'000	S\$'000
<b>a. Cash flow hedges:</b>		
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	2013
	S\$'000	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	2013
	S\$'000	S\$'000
<b>Finance income</b>		
– associates and joint ventures	3,474	4,554
– bank and others	15,957	12,497
	19,431	17,051
<b>Finance costs</b>		
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	2013
	S\$'000	S\$'000
<b>Current tax expense</b>		
Current year	148,852	158,032
Over provided in prior years	(12,434)	(28,817)
	136,418	129,215
<b>Deferred tax expense</b>		
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
<b>Reconciliation of effective tax rate</b>		
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	2013 S\$'000
<b>a. Expenses</b>			
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
<b>Staff costs</b>			
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	2013 S\$'000
<b>b. Other income</b>		
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	–
<b>c. Other expenses (net)</b>		
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	2013 S\$'000
<b>a. Basic earnings per share</b>		
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>b. Diluted earnings per share</b>		
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
<b>Dividend paid</b>		
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:

- 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.
- 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.
- In 2014 and 2013, all options were settled by the issuance of treasury shares.
- 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	Exercise price	Options outstanding		Options cancelled / lapsed /		Options outstanding		Options exercisable		Exercise period
		at	exercised	not accepted	at	at	at			
of options	per share	Jan 1, 2014	exercised	not accepted	Dec 31, 2014	Jan 1, 2014	Dec 31, 2014			
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		
		<b>1,222,424</b>	<b>(493,750)</b>	<b>(57,375)</b>	<b>671,299</b>	<b>1,222,424</b>	<b>671,299</b>			

**Sembcorp Industries Ltd**  
**Ordinary shares**  
**2013**

Date of grant	Exercise price	Options outstanding		Options cancelled / lapsed /		Options outstanding		Options exercisable		Exercise period
		at	exercised	not accepted	at	at	at			
of options	per share	Jan 1, 2013	exercised	not accepted	Dec 31, 2013	Jan 1, 2013	Dec 31, 2013			
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		
		<b>2,023,824</b>	<b>(736,400)</b>	<b>(65,000)</b>	<b>1,222,424</b>	<b>2,023,824</b>	<b>1,222,424</b>			

**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		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Exercise period
		at Jan 1, 2014	exercised	at Dec 31, 2014	at Jan 1, 2014	at Dec 31, 2014		
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
		<b>2,160,179</b>	<b>(412,877)</b>	<b>(70,800)</b>	<b>1,676,502</b>	<b>2,160,179</b>	<b>1,676,502</b>	

**Sembcorp Marine Ltd  
Ordinary shares  
2013**

Date of grant of options	Exercise price per share	Options outstanding		Options cancelled / lapsed / not accepted		Options outstanding exercisable		Exercise period
		at Jan 1, 2013	exercised	at Dec 31, 2013	at Jan 1, 2013	at Dec 31, 2013		
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
		<b>2,516,257</b>	<b>(281,723)</b>	<b>(74,355)</b>	<b>2,160,179</b>	<b>2,516,257</b>	<b>2,160,179</b>	

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.

**36. Share-based Incentive Plans** (cont'd)**b. Performance Share Plan** (cont'd)Fair value of performance shares

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

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

	Fair value of Sembcorp Industries Ltd performance shares granted on May 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
<b>Assumptions under the Monte Carlo model</b>				
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 (calculated 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
<b>Assumptions under the Monte Carlo model</b>				
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.

		Group 2013
	Note	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:

		At fair value S\$'000
<b>a. Effect on cash flows of the Group</b>		
Cash paid		–
Less: Cash and cash equivalents in subsidiary acquired		61,741
Cash inflow on acquisition		61,741
<b>b. Identifiable assets acquired and liabilities assumed</b>		
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)	<ul style="list-style-type: none"> <li>Contract revenue are based on the contracted tariffs stipulated in the long-term power purchase agreement.</li> <li>Constant gross profit margin assumed on the understanding that any volatility in fuel cost incurred will be passed on to customer.</li> <li>Discounted rates of 18%.</li> </ul>

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

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

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

**40. Related Parties****a. Related party transactions**

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

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>S\$'000</b>	<b>S\$'000</b>
<b>Related Corporations</b>		
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
<b>Associates and Joint Ventures</b>		
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:

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Directors' fees and remuneration	7,772	9,078
Other key management personnel remuneration	10,110	10,260
	<b>17,882</b>	<b>19,338</b>
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	100 bp Decrease	100 bp Increase	100 bp Decrease
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
<b>December 31, 2014</b>				
Variable rate financial instruments	10,464	(10,464)	3,867	(3,867)
<b>December 31, 2013</b>				
Variable rate financial instruments	15,752	(15,752)	4,459	(4,459)
<b>Company</b>				
<b>December 31, 2014</b>				
Variable rate financial instruments	924	(924)	–	–
<b>December 31, 2013</b>				
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
<b>Group</b>					
<b>2014</b>					
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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
<b>Cash flow hedges for future dated transactions</b>					
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
<b>Group</b>					
<b>2013</b>					
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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)
<b>Cash flow hedges for future dated transactions</b>					
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	EURO	GBP	Others
	SS'000	SS'000	SS'000	SS'000
<b>Company</b>				
<b>2014</b>				
<b>Financial assets</b>				
Cash and cash equivalents	11,134	–	–	–
Trade and other receivables	89,088	136	–	–
Long-term trade receivables	7,543	–	–	–
	107,765	136	–	–
<b>Financial liabilities</b>				
Trade and other payables	30,091	226	1	517
Net financial assets / (liabilities)	77,674	(90)	(1)	(517)
<b>Cash flow hedges for future dated transactions</b>				
Foreign exchange forward contracts	(25,329)	–	–	–
<b>2013</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4,086	–	388	–
Trade and other receivables	20,208	5,444	1	–
	24,294	5,444	389	–
<b>Financial liabilities</b>				
Trade and other payables	24,550	3	–	59
Net financial (liabilities) / assets	(256)	5,441	389	(59)
<b>Cash flow hedges for future dated transactions</b>				
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	Profit	Equity	Profit
	SS'000	SS'000	SS'000	SS'000
<b>2014</b>				
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)
<b>2013</b>				
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	2013
	SS'000	SS'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 S\$'000	Notional amount 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:

	Note	Group		Company	
		2014	2013	2014	2013
		S\$'000	S\$'000	S\$'000	S\$'000
<b>By business activity</b>					
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
<b>Loans and receivables</b>					
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	Impairment	Gross	Impairment
	2014	2014	2013	2013
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>				
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
	<b>1,161,370</b>	<b>35,286</b>	1,117,647	37,077
<b>Company</b>				
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
	<b>154,624</b>	<b>1,603</b>	100,803	250

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

	Group		Company	
	2014	2013	2014	2013
	S\$'000	S\$'000	S\$'000	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	<b>36,423</b>	38,158	<b>1,603</b>	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	Contractual	Less than	Between	Over
	amount	cash flow	1 year	1 and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>					
<b>2014</b>					
<b>Derivatives</b>					
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)	–
<b>Non-derivative financial liabilities</b>					
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)
	<b>7,777,714</b>	<b>(9,347,049)</b>	<b>(4,109,999)</b>	<b>(2,240,612)</b>	<b>(2,996,438)</b>
<b>2013</b>					
<b>Derivatives</b>					
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)	–
<b>Non-derivative financial liabilities</b>					
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)
	<b>4,692,731</b>	<b>(5,210,296)</b>	<b>(3,105,730)</b>	<b>(962,731)</b>	<b>(1,141,835)</b>

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

**41. Financial Instruments (cont'd)****c. Liquidity risk (cont'd)**

	Cash Flows				
	Carrying	Contractual	Less than	Between	Over
	amount	cash flow	1 year	1 and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company</b>					
<b>2014</b>					
<b>Derivatives</b>					
Derivative financial liabilities	1,558				
– inflow		25,329	25,329	–	–
– outflow		(26,887)	(26,887)	–	–
<b>Non-derivative financial liabilities</b>					
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)
<b>2013</b>					
<b>Derivatives</b>					
Derivative financial liabilities	–				
– inflow		–	–	–	–
– outflow		–	–	–	–
<b>Non-derivative financial liabilities</b>					
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.

	Cash Flows				
	Carrying	Contractual	Less than	Between	Over
	amount	cash flow	1 year	1 and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Group</b>					
<b>2014</b>					
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)
<b>2013</b>					
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)
<b>Company</b>					
<b>2014</b>					
Derivative financial liabilities	1,558				
– inflow		25,329	25,329	–	–
– outflow		(26,887)	(26,887)	–	–
	1,558	(1,558)	(1,558)	–	–
<b>2013</b>					
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
<b>Group</b>				
<b>At December 31, 2014</b>				
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
<b>At December 31, 2013</b>				
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
<b>Company</b>				
<b>At December 31, 2014</b>				
Derivative financial liabilities	–	1,558	–	1,558
	–	1,558	–	1,558
<b>At December 31, 2013</b>				
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
<b>Group</b>	
<b>At January 1, 2014</b>	23,264
Additions	1,924
Net change in fair value recognised in other comprehensive income	2,880
<b>At December 31, 2014</b>	28,068
<b>At January 1, 2013</b>	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)
<b>At December 31, 2013</b>	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
<b>Group</b>	
<b>At January 1, 2014</b>	56,385
Currency translation adjustments	3,147
Total loss recognised in profit or loss	(7,101)
<b>At December 31, 2014</b>	52,431
<b>At January 1, 2013</b>	45,036
Total gain recognised in profit or loss	11,349
<b>At December 31, 2013</b>	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
<b>Group</b>		
<b>December 31, 2014</b>		
Fair value through profit or loss	4,392	(4,614)
<b>December 31, 2013</b>		
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
<b>Group</b>				
<b>At December 31, 2014</b>				
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)
<b>At December 31, 2013</b>				
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)
<b>Company</b>				
<b>At December 31, 2014</b>				
Long-term trade receivables	–	7,253	–	7,253
<b>At December 31, 2013</b>				
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	Fair value –		Available- for-sale	Loans and receivables	Other financial	Other financial	Total carrying amount	Fair value
		Designated at fair value	hedging instruments			liabilities	liabilities		
						within the scope of FRS 39	outside the scope of FRS 39		
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000		
<b>Group</b>									
<b>December 31, 2014</b>									
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	Fair value –		Available- for-sale	Loans and receivables	Other financial	Other financial	Total carrying amount	Fair value
		Designated at fair value	hedging instruments			liabilities	liabilities		
						within the scope of FRS 39	outside the scope of FRS 39		
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	
<b>Group</b>									
<b>December 31, 2014</b>									
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	Fair value –		Available- for-sale	Loans and receivables	Other financial	Other financial	Total carrying amount	Fair value
		Designated at fair value	hedging instruments			liabilities	liabilities		
						within the scope of FRS 39	outside the scope of FRS 39		
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000				
<b>Group</b>									
<b>December 31, 2013</b>									
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	Fair value –		Available- for-sale	Loans and receivables	Other financial	Other financial	Total carrying amount	Fair value
		Designated at fair value	hedging instruments			liabilities	liabilities		
						within the scope of FRS 39	outside the scope of FRS 39		
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Group</b>									
<b>December 31, 2013</b>									
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 –		Other financial	Other financial	Total	Fair
		hedging	Loans and	liabilities	liabilities		
				within the	outside the		
instruments	receivables	scope of	scope of	carrying	Fair		
		FRS 39	FRS 39	amount	value		
		S\$'000	S\$'000	S\$'000	S\$'000		
<b>Company</b>							
<b>December 31, 2014</b>							
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
<b>December 31, 2013</b>							
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 Waive 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.
- 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**

- 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
	<b>1,227,993</b>	<b>888,217</b>

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
	<b>673,005</b>	<b>667,238</b>	<b>96,997</b>	<b>103,356</b>

**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
	<b>232,818</b>	<b>280,049</b>

**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:

- 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.
- The Marine segment focuses principally on providing integrated solutions in the repair, building and conversion of ships and rigs, and offshore engineering and construction.
- 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.
- 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:

	Urban			Others /		Total
	Utilities	Marine	Development	Corporate	Elimination	
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
<b>2014</b>						
<b>Turnover</b>						
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)	–
<b>Total</b>	<b>4,890,894</b>	<b>5,832,595</b>	<b>10,737</b>	<b>218,437</b>	<b>(58,003)</b>	<b>10,894,660</b>
<b>Results</b>						
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)
Share of results of associates and joint ventures, net of tax	393,704	696,717	(1,972)	(272)	–	1,088,177
Tax (expense) / credit	89,026	9,859	47,800	11,576	–	158,261
Non-controlling interests	482,730	706,576	45,828	11,304	–	1,246,438
<b>Profit for the year</b>	<b>(53,326)</b>	<b>(105,506)</b>	<b>319</b>	<b>(3,643)</b>	<b>–</b>	<b>(162,156)</b>
<b>Assets</b>						
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
<b>Total assets</b>	<b>8,136,804</b>	<b>8,255,333</b>	<b>913,407</b>	<b>1,843,707</b>	<b>(1,972,859)</b>	<b>17,176,392</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>4,758,159</b>	<b>5,104,252</b>	<b>170,905</b>	<b>1,883,661</b>	<b>(1,972,859)</b>	<b>9,944,118</b>
<b>Capital expenditure</b>	<b>503,595</b>	<b>798,499</b>	<b>3,336</b>	<b>2,411</b>	<b>–</b>	<b>1,307,841</b>
<b>Significant non-cash items</b>						
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)

	Urban			Others /		Total
	Utilities	Marine	Development	Corporate	Elimination	
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
<b>2013</b>						
<b>Turnover</b>						
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)	–
<b>Total</b>	<b>5,137,613</b>	<b>5,525,882</b>	<b>12,510</b>	<b>199,961</b>	<b>(78,344)</b>	<b>10,797,622</b>
<b>Results</b>						
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)
Share of results of associates and joint ventures, net of tax	441,100	648,944	(5,895)	(24,814)	–	1,059,335
Tax (expense) / credit	80,675	11,166	49,833	13,350	–	155,024
Non-controlling interests	521,775	660,110	43,938	(11,464)	–	1,214,359
<b>Profit for the year</b>	<b>(47,437)</b>	<b>(72,054)</b>	<b>7,520</b>	<b>(5,183)</b>	<b>–</b>	<b>(117,154)</b>
<b>Assets</b>						
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
<b>Total assets</b>	<b>5,777,295</b>	<b>7,267,441</b>	<b>791,782</b>	<b>1,850,524</b>	<b>(1,933,156)</b>	<b>13,753,886</b>
<b>Liabilities</b>						
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
<b>Total liabilities</b>	<b>3,028,429</b>	<b>4,438,670</b>	<b>167,894</b>	<b>1,522,055</b>	<b>(1,933,156)</b>	<b>7,223,892</b>
<b>Capital expenditure</b>	<b>334,846</b>	<b>814,978</b>	<b>214</b>	<b>6,233</b>	<b>–</b>	<b>1,156,271</b>
<b>Significant non-cash items</b>						
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.

	Rest of					UK	Rest of				Total
	Singapore	ASEAN & Australia	China	India	Middle East & Africa		Europe	Brazil	U.S.A	Others	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>2014</b>											
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
<b>2013</b>											
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 (\$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:

**Applicable for the Group's 2015 financial statements**

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	<i>Property, Plant and Equipment</i> and	
FRS 38	<i>Intangible Assets</i>	– Restatement of accumulated depreciation on revaluation
FRS 24	<i>Related Party Disclosures</i>	– Definition of related party
FRS 102	<i>Share-based Payment</i>	– Definition of vesting condition
FRS 103	<i>Business Combinations</i>	– Classification and measurement of contingent consideration in a business combination
FRS 108	<i>Operating Segments</i>	– 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	<i>Business Combinations</i>	– Scope exceptions for joint ventures
FRS 113	<i>Fair Value Measurements</i>	– Scope of portfolio exception
FRS 40	<i>Investment Property</i>	– 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
		%	%
<b>Utilities</b>			
Sembcorp Utilities Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Cogen Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Gas Pte Ltd <sup>1</sup>	Singapore	70.00	70.00
Sembcorp Utilities (UK) Limited <sup>2</sup>	United Kingdom	100	100
Sembcorp Utilities (Netherlands) N.V. <sup>2</sup>	The Netherlands	100	100
Sembcorp Bournemouth Water Limited <sup>2</sup>	United Kingdom	100	100
Sembcorp Environment Pte. Ltd. <sup>1</sup>	Singapore	100	100
SembWaste Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Yangcheng Power Co Pte Ltd <sup>1</sup>	Cayman Islands	100	100
Thermal Powertech Corporation India Limited <sup>2 #</sup>	India	65.00	49.00
<b>Marine</b>			
Sembcorp Marine Ltd <sup>1</sup>	Singapore	60.99	60.60
Jurong Shipyard Pte Ltd <sup>1</sup>	Singapore	60.99	60.60
PPL Shipyard Pte Ltd <sup>1</sup>	Singapore	51.84	51.51
Sembawang Shipyard Pte Ltd <sup>1</sup>	Singapore	60.99	60.60
SMOE Pte Ltd <sup>1</sup>	Singapore	60.99	60.60
<b>Urban Development</b>			
Sembcorp Development Ltd <sup>1</sup>	Singapore	100	100
Vietnam Singapore Industrial Park Pte Ltd <sup>1</sup>	Singapore	92.88	92.88
Singapore Technologies Industrial Corp Ltd <sup>1</sup>	Singapore	100	100
<b>Others</b>			
Sembcorp Design and Construction Pte Ltd <sup>1</sup>	Singapore	100	100
Singapore Precision Industries Pte Ltd <sup>1</sup>	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	2013
		%	%
<b>Utilities</b>			
* SembSita Pacific Pte Ltd	Singapore	40.00	40.00
^^ Sembcorp Salalah Power and Water Company SAOG	Oman	40.00	40.00
<b>Marine</b>			
## COSCO Shipyard Group Co Ltd <sup>1</sup>	People's Republic of China	18.30	18.18
<b>Urban Development</b>			
^^ 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	2013
		%	%
<b>Utilities</b>			
^ Phu My 3 BOT Power Company Ltd. <sup>2</sup>	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 <sup>3</sup>	India	49.00	-
<b>Urban Development</b>			
^^ 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	Fair value of share-based compensation						
	Salary <sup>1</sup> S\$'000	Bonus granted for			Directors' fees		Brought forward bonus bank <sup>2</sup> S\$'000
		earned S\$'000	the year <sup>3</sup> S\$'000	Cash-based <sup>4</sup> S\$'000	Share-based <sup>5</sup> S\$'000		
<b>Payable by Company</b>							
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 <sup>4</sup>	–	–	–	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 <sup>4</sup>	–	–	–	55	24	–	
<b>Payable by Subsidiaries</b>							
Goh Geok Ling	–	–	–	216	–	–	
Tan Sri Mohd Hassan Marican	–	–	–	348	149	–	
Tang Kin Fei <sup>4</sup>	–	–	–	276	68	–	
Ajaib Haridass	–	–	–	180	77	–	

Name of Key Executive	Fair value of share-based compensation						
	Salary <sup>1</sup> S\$'000	Bonus granted for			Directors' fees		Brought forward bonus bank <sup>2</sup> S\$'000
		earned S\$'000	the year <sup>3</sup> S\$'000	Cash-based <sup>4</sup> S\$'000	Share-based <sup>5</sup> S\$'000		
Tan Cheng Guan <sup>4</sup>	650	816	587	38	–	1,621	
Koh Chiap Khiong <sup>4</sup>	549	952	587	118	50	1,435	
Ng Meng Poh <sup>4</sup>	599	842	587	14	–	1,884	
Wong Weng Sun	915	2,425	978	–	–	7,929	
Kelvin Teo	392	221	237	–	–	340	

(Under SGX-ST Listing Manual requirements)

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

Notes:

- The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
- 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.
- 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.
- 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 SCL.
- 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:

<b>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)</b>	
2014	S\$'000
<b>Sale of goods and services</b>	
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
<b>Purchase of goods and services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Singapore Power Limited and its Associates	4,520
– Temasek Capital (Private) Limited and its Associates <sup>1</sup>	976,494
	981,014
Singapore Technologies Engineering Ltd and its Associates	451
	981,465
<b>Management and support services</b>	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates	1,595
<b>Total interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>	<b>1,013,762</b>
<b>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)</b>	
<b>Purchase of Goods and Services</b>	
Temasek Holdings (Private) Limited and its Associates	
– MediaCorp Pte Ltd and its Associates	202
<b>Total interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to rule 920)</b>	<b>202</b>

## Note:

- 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

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

## Notes:

- Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to profit or loss upon disposal of the assets.
- 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.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- 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	2013
	S\$'000	S\$'000
<b>Major Capital Components:</b>		
Property, plant and equipment	<b>6,660,189</b>	5,781,039
Investments	<b>2,386,455</b>	1,984,473
Other long-term assets	<b>692,849</b>	715,400
Net working capital and long-term liabilities	<b>1,344,242</b>	1,224,708
Average capital employed	<b>11,083,735</b>	9,705,620

- The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
  - Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2013: 5.0%);
  - Risk-free rate of 2.12% (2013: 2.30%) based on yield-to-maturity of Singapore Government 10-year Bonds;
  - Ungeared beta ranging from 0.5 to 1.0 (2013: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
  - Cost of Debt rate at 2.47% (2013: 1.78%).
- 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 <sup>o</sup>

## 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

<sup>o</sup> 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 Shares Held			
	No. of Ordinary Shareholders	%	(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	<p>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.</p> <p>b. In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	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.
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Guideline	Questions	How has Sembcorp complied?
<b>MEMBERS OF THE BOARD</b>		
Guideline 2.6	<p>a. What is the board's policy with regard to diversity in identifying director nominees?</p> <p>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.</p> <p>c. What steps has the board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>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.</p> <p>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 &amp; gas and real estate industries to the accounting, finance and legal sectors.</p> <p>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.</p>

Guideline	Questions	How has Sembcorp complied?
<b>MEMBERS OF THE BOARD</b>		
Guideline 4.6	<p>Please describe the board nomination process for the company in the last financial year for:</p> <p>a. Selecting and appointing new directors and</p> <p>b. Re-electing incumbent directors</p>	<p>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.</p> <p>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.</p>

Guideline	Questions	How has Sembcorp complied?
<b>MEMBERS OF THE BOARD</b>		
Guideline 1.6	<p>a. Are new directors given formal training? If not, please explain why.</p> <p>b. What are the types of information and training provided to</p> <p>i. new directors and</p> <p>ii. existing directors</p> <p>to keep them up to date?</p>	<p>a. Yes, the company conducts orientation programmes for new directors.</p> <p>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.</p> <p>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 &amp; 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.</p> <p>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.</p>

Guideline	Questions	How has Sembcorp complied?
<b>MEMBERS OF THE BOARD</b>		
Guideline 4.4	<p>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?</p> <p>b. If a maximum number has not been determined, what are the reasons?</p> <p>c. What are the specific considerations in deciding on the capacity of directors?</p>	<p>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.</p> <p>b. Not applicable.</p> <p>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.</p>

**BOARD EVALUATION**

Guideline 5.1	<p>a. What was the process upon which the board reached the conclusion on its performance for the financial year?</p> <p>b. Has the board met its performance objectives?</p>	<p>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.</p> <p>b. Yes. The board believes that board performance is ultimately reflected in the long-term performance of the Group.</p>
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**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.
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Guideline	Questions	How has Sembcorp complied?
<b>INDEPENDENCE OF DIRECTORS</b>		
Guideline 2.3	<p>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.</p> <p>b. What are the board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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.	<p>Yes. Goh Geok Ling and Evert Henkes have served on our board since their appointments in 2000 and 2004 respectively.</p> <p>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).</p>

Guideline	Questions	How has Sembcorp complied?
<b>DISCLOSURE ON REMUNERATION</b>		
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?	<b>Yes. Information on each director's and the Group President &amp; CEO's remuneration may be found under the related item in the Supplementary Information section of the Financial Statements in this annual report.</b>
Guideline 9.3	<p>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?</p> <p>b. Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>a. <b>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></p> <p>b. <b>The aggregate remuneration paid in FY2014 to the top five key management personnel, excluding our Group President &amp; CEO, amounted to approximately S\$11 million, comprising salary, bonuses and fair value of share based compensation granted for the year.</b></p>

Guideline	Questions	How has Sembcorp complied?
<b>DISCLOSURE ON REMUNERATION</b>		
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.	<b>No, in 2014 the company had no employees who were immediate family members of a director or the Group President &amp; CEO.</b>
Guideline 9.6	<p>a. Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>b. What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>c. Were all of these performance conditions met? If not, what were the reasons?</p>	<p>a. <b>With exception of our Group President &amp; 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.</b></p> <p><b>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.</b></p> <p><b>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></p> <p>b. <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.</b></p> <p>c. <b>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.</b></p>

Guideline	Questions	How has Sembcorp complied?
<b>RISK MANAGEMENT AND INTERNAL CONTROLS</b>		
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?	<p>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.</p> <p>On a quarterly basis, financial highlights of the Group's performance and key developments are presented at board meetings.</p> <p>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.</p> <p>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.</p>
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?
<b>RISK MANAGEMENT AND INTERNAL CONTROLS</b>		
Guideline 11.3	<p>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.</p> <p>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:</p> <p>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</p> <p>ii. the company's risk management and internal control systems are effective</p> <p>If not, how does the board assure itself of points i. and ii. above?</p>	<p>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.</p> <p>The ERM framework is complemented by a governance assurance framework and a risk-based control self-assessment programme.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>b. Yes. For FY2014, the board has been assured by the Group President &amp; 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.</p>

Guideline	Questions	How has Sembcorp complied?																		
<b>RISK MANAGEMENT AND INTERNAL CONTROLS</b>																				
Guideline 12.6	<p>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.</p> <p>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.</p>	<p>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:</p> <table border="1"> <tbody> <tr> <td></td> <td style="text-align: right;"><b>S\$'000</b></td> </tr> <tr> <td colspan="2"><b>Audit fees paid / payable</b></td> </tr> <tr> <td>– To auditors of the company</td> <td style="text-align: right;">1,430</td> </tr> <tr> <td>– To overseas affiliates of the auditors of the company</td> <td style="text-align: right;">1,182</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>2,612</b></td> </tr> <tr> <td colspan="2"><b>Non-audit fees paid / payable</b></td> </tr> <tr> <td>– To auditors of the company</td> <td style="text-align: right;">731</td> </tr> <tr> <td>– To overseas affiliates of the auditors of the company</td> <td style="text-align: right;">352</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>1,083</b></td> </tr> </tbody> </table> <p>b. Non-audit fees amount to only 41% of the total annual audit fees, and are not deemed substantial.</p>		<b>S\$'000</b>	<b>Audit fees paid / payable</b>		– To auditors of the company	1,430	– To overseas affiliates of the auditors of the company	1,182		<b>2,612</b>	<b>Non-audit fees paid / payable</b>		– To auditors of the company	731	– To overseas affiliates of the auditors of the company	352		<b>1,083</b>
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Guideline	Questions	How has Sembcorp complied?
<b>COMMUNICATION WITH SHAREHOLDERS</b>		
Guideline 15.4	<p>a. Does the company regularly communicate with shareholders and attend to their questions? How often does the company meet with institutional and retail investors?</p> <p>b. Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>c. How does the company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>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.</p> <p>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.</p> <p>b. Yes, Sembcorp has a dedicated investor relations team which communicates with investors.</p> <p>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.</p>
Guideline 15.5	If the company is not paying any dividends for the financial year, please explain why.	<p>Not applicable.</p> <p>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.</p>

# 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

- 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**
- To declare a final ordinary one-tier tax exempt dividend of 11 cents per share for the year ended December 31, 2014. **Resolution 2**
- 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:
  - Bobby Chin Yoke Choong (*Independent Chairman of Audit Committee*) **Resolution 3**
  - Dr Teh Kok Peng (*Independent Member of Audit Committee*) **Resolution 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:
  - Ajaib Haridass **Resolution 5**
  - Neil McGregor **Resolution 6**
- 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**
- 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. **Resolution 8**
- 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**
- 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:

- 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.

**Resolution 10****Special Business** (cont'd)

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

- 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.

**Resolution 11**

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.

# Proxy Form

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

**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.

## 17<sup>th</sup> 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 17<sup>th</sup> Annual General Meeting ("17<sup>th</sup> 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 17<sup>th</sup> 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 17<sup>th</sup> 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 17<sup>th</sup> AGM.)*

	Resolutions	For	Against
<b>ORDINARY BUSINESS</b>			
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		
<b>SPECIAL BUSINESS</b>			
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

*This page is intentionally left blank.*

Give and seal along the edge

Give 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



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

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For posting in  
Singapore only.

**Sembcorp Industries Financial Calendar 2015**

February 17, 2015	Announcement of full year results for the year ended December 31, 2014
April 21, 2015	17 <sup>th</sup> 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](http://www.sembcorp.com).



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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.

3rd FOLD

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Co Regn No. 199802418D