

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on February 23, 2017.

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, joint ventures and joint operations.

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 and water to industrial, commercial and municipal customers. Key activities in the energy sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering, and procurement services;

ii. Marine

The Marine segment focuses principally on providing integrated solutions for the offshore and marine industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialised shipbuilding;

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

2. Summary of Significant Accounting Policies

a. Basis of Preparation

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

The financial statements are presented in Singapore dollar which is the Company's functional currency. 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 40.

With effect from January 1, 2016, the Group adopted the new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS did not have any significant impact on the financial statements.

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

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 unwinding of any interest element of deferred consideration is recognised in profit or loss.

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 and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

b. Consolidation (cont'd)

i. Business Combinations (cont'd)

Acquisitions between January 1, 2004 and December 31, 2009

For acquisitions between January 1, 2004 and December 31, 2009, business combinations are accounted for using the purchase method, upon the adoption of FRS 103. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition.

Acquisitions prior to January 1, 2004

Prior to January 1, 2004, business combinations were accounted for either by the purchase method, or if they were between entities under common control, by the historical cost method similar to the pooling-of-interest method.

ii. Put Option with Non-controlling Interests

When an entity within the Group writes a put option with the non-controlling shareholders as part of the acquisition of a subsidiary for settlement in cash or in another financial asset, a put liability is recognised for the present value of the exercise price of the option. This creates an obligation or potential obligation for the entity to purchase its subsidiary's equity instruments (constitutes the Group's own equity in the consolidated financial statements) for cash or another financial asset.

When the non-controlling shareholders still have present access to the returns associated with the underlying ownership interests, the Group has chosen an accounting policy that the non-controlling shareholders continue to be recognised. Therefore, the present value of the option is recognised in equity. Subsequent to initial recognition of the financial liability, changes in the carrying amount of the financial liability is recognised within equity.

If the put option expires unexercised, then the charge to equity will be reversed and the financial liability will be derecognised. If the put option is exercised, then the charge to equity will be reversed and the financial liability will be derecognised and the acquisition accounting will be applied.

At the entity's level, the put option shall be accounted as embedded derivatives.

iii. Non-controlling Interests

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, unless another measurement basis is required by FRSs.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their own capacity as owners and therefore no adjustments are made to goodwill 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

b. Consolidation (cont'd)

iv. 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.

v. 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.

vi. 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.

vii. 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 yet available for the purpose of statutory filing, the share of results is arrived at from management financial statements made up mainly to the end of the accounting year to December 31.

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

b. Consolidation (cont'd)

viii. Joint Arrangements

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 yet available for the purpose of statutory filing, the share of results is arrived at from management financial statements made up mainly to the end of the accounting year to December 31.

Joint Operations

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

ix. 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.

x. Accounting for Subsidiaries, Associates and Joint Ventures

Investments in subsidiaries, associates and joint ventures are measured in the Company's balance sheet at cost less accumulated impairment losses.

c. Foreign Currencies

i. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

c. Foreign Currencies (cont'd)

i. Foreign Currency Transactions and Balances (cont'd)

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.

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.

On disposal, accumulated foreign currency translation differences are recognised in the consolidated income statement as part of the gain or loss on disposal.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (currency 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.

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

c. Foreign Currencies (cont'd)

iii. Net Investment in a Foreign Operation

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such exchange differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

d. Property, Plant and Equipment

i. Owned Assets

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

The cost of self-constructed asset includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 is recognised in 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. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when 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. Leasehold Lands

Operating leasehold lands have been capitalised as part of property, plant and equipment and is depreciated over the lease period or over a period in which the future economic benefits embodied in the assets are expected to be consumed.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

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

v. Finance Lease Assets

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. 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 or the lease term.

vi. Provision for Restoration Costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

vii. Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. 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 residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal.

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	3 to 75 years
Improvements to premises	3 to 30 years
Quays and dry docks	6 to 60 years
Infrastructure	8 to 80 years
Plant and machinery	3 to 40 years
Marine vessels	7 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.

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

e. Investment Properties

Investment properties are properties held for long-term rental yields or for capital appreciation, or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

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 properties.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions when it increases the future economic benefits, embodied in the specific asset to which it relates, and its costs can be measured reliably. The carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised as an expense when incurred.

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

f. Intangible Assets

i. Goodwill

Goodwill represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a negative goodwill 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

f. Intangible Assets (cont'd)

iii. Intellectual Property Rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in 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 by reference to the fair value of the services provided. 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 the public for the usage of the infrastructure to the end of the concession period.

Amortisation is recognised in 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 10 to 30 years. Amortisation is recognised in profit or loss on a straight-line basis over the contractual period.

vi. Water Rights

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

vii. Other Intangible Assets

Other intangible assets with a finite life are measured at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill is recognised in profit or loss as an expense as incurred. Other intangible assets are amortised on a straight-line basis from the date the asset is available for use and over its estimated useful lives ranging from 3 to 30 years.

viii. Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and its costs can be measured reliably. All other expenditures are 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.

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

g. Financial Assets

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

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

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

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

i. Financial Assets at Fair Value Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein which takes into account any dividend income 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date for which they are classified as non-current assets. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Receivables with a short duration are not discounted. Loans and receivables are included in trade and other receivables in the balance sheet.

Loans and receivables comprise cash and cash equivalents, work-in-progress due from customers on construction contracts, trade and other receivables, including service concession receivables and excluding prepayments and advances to suppliers.

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

g. Financial Assets (cont'd)

iii. Loans and Receivables (cont'd)

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)).

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 (including quoted mutual 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.

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

g. Financial Assets (cont'd)

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

Impairment (cont'd)

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.

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

Derivatives are used to manage exposures to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value are recognised immediately in profit or loss. A derivative is classified as an equity instrument if it can be settled only by the Group or Group entities receiving or delivering a fixed number of its own equity instruments for a fixed amount of cash or another financial asset, with no subsequent re-measurement. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 2(i).

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

i. Hedging Activities

At inception or upon reassessment of the arrangement, 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 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 changes recognised in profit or loss.

ii. Cash Flow Hedges

Where a derivative 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 that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair values of the derivative 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 reclassified 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 changes in fair value 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 is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any changes in fair value 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. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

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

j. Inventories and Work-in-Progress

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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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 represent the gross unbilled amount expected to be collected from customers for contract work performed to date and 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. Work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work completed to date. This comprises mainly uncompleted ship and rig repair, building and conversion jobs and infrastructure construction contracts. It is measured at cost plus profit recognised to date less progress billings and recognised losses. The amount due from customers on construction contracts are classified as financial assets.

Long-term contract costs includes the cost of direct materials, direct labour, sub-contractors' costs and an appropriate allocation of fixed and variable production overheads. Allowance is made for anticipated losses, if any, on work-in-progress when the possibility of loss is ascertained. 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".

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

j. Inventories and Work-in-Progress (cont'd)

iii. Development Properties

Development properties are those properties which are held with the intention of development and sale in the ordinary course of business. They are stated at the lower of cost and net realisable value.

The cost of properties under development comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

The aggregated costs incurred are presented as development properties while progress billings are presented separately as deferred income within "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 then recognised in profit or loss as "Other Income" 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.

l. Impairment – Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then, to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment occur.

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

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

i. Calculation of Recoverable Amount

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

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

ii. Reversals of Impairment

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

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

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

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 less 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) and put liability to acquire non-controlling interests.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

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 fair value of the construction services provided and the fair value of the financial asset received. The fair value of the construction services provided is estimated as the value of construction services at an arm's length transaction between willing parties. The fair value of the financial asset received is estimated as the present value of the minimum guaranteed sum receivable from the grantor of the service concession which is discounted at the imputed rate of interest i.e. the prevailing rate of interest for a similar instrument of the grantor. On completion of the construction services, the deferred income in a service concession arrangement is amortised over the estimated useful life. Subsequent to initial recognition, the deferred income is measured at cost less accumulated amortisation.

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. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the prepayment will lead to, for example, a reduction in future payment or a cash refund.

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.

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

o. Employee Benefits (cont'd)

ii. Defined Benefit Plans (cont'd)

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. Long-term employee benefits are 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

o. Employee Benefits (cont'd)

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

Performance Share Plan

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

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. 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.

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.

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

o. Employee Benefits (cont'd)

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.

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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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 preference share capital classified as equity are accounted for as movements in revenue reserve.

u. Revenue Recognition

i. Income on Goods Sold and Services Rendered

Revenue from goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from the provision of consultancy services is recognised using the percentage of completion method. The stage of completion is measured by reference to the percentage of cost incurred to-date to the estimated total costs for each project. Revenue on other service work is recognised when the work is completed. Revenue excludes goods and services or other sales taxes and is after deduction of any trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

u. Revenue Recognition (cont'd)

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, infrastructure construction and marine and civil construction contracts is recognised based on percentage of completion method. 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. An expected loss on a contract is recognised immediately in profit or loss when it is foreseeable.

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. Charter Hire and Rental Income

Charter hire and 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.

Contingent rentals are recognised as income in the accounting period in which they are earned.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

w. Leases

The Group determines whether an arrangement is or contains a lease at inception.

At the inception or upon reassessment of the agreement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

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, unwinding of the discounts on provision, 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 Group and 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

3. Property, Plant and Equipment

Group	Note	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							
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Cost / Valuation												
Balance at January 1, 2016		1,717,117	55,480	886,212	93,036	7,005,171	287,169	59,557	157,060	77,501	1,365,999	11,704,302
Translation adjustments		30,868	162	22,063	9,196	(25,273)	4,924	24	742	492	103,281	146,479
Additions		40,173	770	4,317	30,608	42,597	336	1,257	9,105	7,174	871,893	1,008,230
Reclassification		(219,952)	1,890	316,217	34,588	1,325,517	1,035	1,710	29,632	6,607	(1,497,244)	–
Transfer (to) / from intangible assets	10	–	–	–	–	(3,007)	–	–	–	–	3,740	733
Disposals / Write-offs		(285)	(102)	(21)	(554)	(16,196)	(171)	(2,127)	(1,654)	(3,314)	(115)	(24,539)
Acquisition of subsidiaries	34	31,758	15	–	–	31,119	–	–	1,059	198	1,672,784	1,736,933
Balance at December 31, 2016		1,599,679	58,215	1,228,788	166,874	8,359,928	293,293	60,421	195,944	88,658	2,520,338	14,572,138
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2016		423,743	40,766	221,045	15,972	2,074,626	38,682	49,871	118,613	35,802	–	3,019,120
Translation adjustments		621	(52)	692	1,589	(65,126)	744	12	307	238	–	(60,975)
Depreciation for the year	(v), 28(a)	51,211	4,556	23,385	8,182	288,858	11,628	4,699	15,455	7,223	–	415,197
Reclassification		(11,486)	383	9,573	1,609	(2,879)	–	(387)	(927)	4,114	–	–
Disposals / Write-offs		(118)	(74)	(2)	(21)	(13,767)	(162)	(2,123)	(1,010)	(3,137)	–	(20,414)
Reversal of impairment	(viii), 28(a)	–	–	–	–	(6,707)	–	–	–	–	–	(6,707)
Balance at December 31, 2016		463,971	45,579	254,693	27,331	2,275,005	50,892	52,072	132,438	44,240	–	3,346,221
Carrying Amounts												
At January 1, 2016		1,293,374	14,714	665,167	77,064	4,930,545	248,487	9,686	38,447	41,699	1,365,999	8,685,182
At December 31, 2016		1,135,708	12,636	974,095	139,543	6,084,923	242,401	8,349	63,506	44,418	2,520,338	11,225,917

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

Group	Note	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							
		\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	
Cost / Valuation												
Balance at January 1, 2015		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
Translation adjustments		(36,558)	163	14	(1,444)	(56,442)	17,093	69	(545)	(1,185)	(182,209)	(261,044)
Additions		108,939	894	25,319	11,395	56,020	1,555	2,540	18,107	5,839	1,208,797	1,439,405
Reclassification		473,615	360	824	24,845	2,201,157	10,390	1,468	2,834	262	(2,715,755)	-
Transfer to intangible assets	10	-	-	-	-	-	-	-	(8)	-	(3,482)	(3,490)
Transfer to investment properties	4	-	-	-	-	-	-	-	-	-	(834)	(834)
Disposals / Write-offs		(13,759)	(2,787)	(51,599)	(16)	(55,216)	-	(650)	(3,682)	(2,169)	(4,254)	(134,132)
Transfer to assets held for sale	13	-	(113)	-	-	(55,976)	-	-	(574)	-	-	(56,663)
Acquisition of subsidiaries	34	16,957	-	-	-	630,007	-	-	66	-	64,975	712,005
Disposal of subsidiaries	33	(97,359)	(5,954)	-	(232,177)	(99,164)	-	-	(7,573)	(2,726)	(12,980)	(457,933)
Balance at December 31, 2015		1,717,117	55,480	886,212	93,036	7,005,171	287,169	59,557	157,060	77,501	1,365,999	11,704,302
Accumulated Depreciation and Impairment Losses												
Balance at January 1, 2015		395,899	38,036	251,852	16,343	1,823,488	25,053	46,114	112,600	32,180	-	2,741,565
Translation adjustments		3,736	27	142	(2,198)	15,879	1,077	70	1,571	(525)	-	19,779
Depreciation for the year	(v), 28(a)	41,247	4,144	20,648	4,605	276,617	11,152	4,335	15,095	6,979	-	384,822
Impairment losses	(vii), 28(a)	-	19	-	-	68,998	1,400	-	35	-	-	70,452
Transfer to intangible assets	10	-	-	-	-	-	-	-	(3)	-	-	(3)
Disposals / Write-offs		(10,107)	(240)	(51,597)	(16)	(21,835)	-	(648)	(3,505)	(1,678)	-	(89,626)
Transfer to assets held for sale	13	-	(86)	-	-	(50,481)	-	-	(540)	-	-	(51,107)
Disposal of subsidiaries	33	(7,032)	(1,134)	-	(2,762)	(38,040)	-	-	(6,640)	(1,154)	-	(56,762)
Balance at December 31, 2015		423,743	40,766	221,045	15,972	2,074,626	38,682	49,871	118,613	35,802	-	3,019,120
Carrying Amounts												
At January 1, 2015		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
At December 31, 2015		1,293,374	14,714	665,167	77,064	4,930,545	248,487	9,686	38,447	41,699	1,365,999	8,685,182

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

Company	Note	Leasehold and freehold land,				Furniture, fittings and office equipment		Capital	Total
		wet berthage and buildings	Improvements to premises	Quays and dry docks	Plant and machinery	Motor vehicles	work-in-progress		
		\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	
Cost									
Balance at January 1, 2016		19,557	8,477	8,226	802,310	17,661	1,923	4,046	862,200
Additions		89	106	–	15,145	463	351	2,460	18,614
Reclassification		–	–	–	3,069	614	–	(3,683)	–
Transfer from / (to) intangible assets	10	–	–	–	–	122	–	(290)	(168)
Disposals / Write-offs		(26)	(62)	–	(1,489)	(261)	(324)	–	(2,162)
Balance at December 31, 2016		19,620	8,521	8,226	819,035	18,599	1,950	2,533	878,484
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2016		7,726	6,035	3,238	299,940	14,129	1,441	–	332,509
Depreciation for the year		1,053	1,035	404	44,538	2,111	202	–	49,343
Disposals / Write-offs		(16)	(62)	–	(1,106)	(245)	(324)	–	(1,753)
Balance at December 31, 2016		8,763	7,008	3,642	343,372	15,995	1,319	–	380,099
Carrying Amounts									
At January 1, 2016		11,831	2,442	4,988	502,370	3,532	482	4,046	529,691
At December 31, 2016		10,857	1,513	4,584	475,663	2,604	631	2,533	498,385
Cost									
Balance at January 1, 2015		19,566	7,905	8,226	821,117	16,945	1,788	5,719	881,266
Additions		–	663	–	13,082	1,046	135	3,802	18,728
Reclassification		–	–	–	4,828	279	–	(5,107)	–
Transfer to intangible assets	10	–	–	–	–	–	–	(368)	(368)
Disposals / Write-offs		(9)	–	–	(3,019)	(344)	–	–	(3,372)
Transfer to assets held for sale	13	–	(91)	–	(33,698)	(265)	–	–	(34,054)
Balance at December 31, 2015		19,557	8,477	8,226	802,310	17,661	1,923	4,046	862,200
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2015		6,679	4,872	2,833	246,878	12,504	1,255	–	275,021
Depreciation for the year		1,050	1,208	405	48,553	2,184	186	–	53,586
Disposals / Write-offs		(3)	–	–	(2,613)	(341)	–	–	(2,957)
Transfer to assets held for sale	13	–	(64)	–	(28,203)	(231)	–	–	(28,498)
Impairment losses	(i)	–	19	–	35,325	13	–	–	35,357
Balance at December 31, 2015		7,726	6,035	3,238	299,940	14,129	1,441	–	332,509
Carrying Amounts									
At January 1, 2015		12,887	3,033	5,393	574,239	4,441	533	5,719	606,245
At December 31, 2015		11,831	2,442	4,988	502,370	3,532	482	4,046	529,691

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

Group

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

	Group		
	2016	2015	
	Note	SS'000	SS'000
Freehold land and buildings	88,457	50,644	
Leasehold land and buildings	41,416	37,914	
Plant and machinery	3,908,631	2,698,739	
Capital work-in-progress	879,950	89,162	
Other assets	54,030	27,041	
	20(b)	4,972,484	2,903,500

- ii. Assets with net book value of S\$828,000 (2015: S\$620,000) 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 (2015: 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 (2015: S\$25,152,000) which was measured at Directors' valuation. These revaluations were done on a one-off basis prior to January 1, 1997. If the revalued assets of the Group and Company had been included in the financial statements at cost less accumulated depreciation, they would have been fully written down.
- iv. During the year, interest and direct staff costs amounting to S\$248,327,000 (2015: S\$146,952,000) and S\$26,459,000 (2015: S\$22,644,000), respectively were capitalised as capital work-in-progress. Included in these amount are capitalised interest costs calculated using a capitalisation rate from 1.20% to 13.80% (2015: 0.06% to 14.00%).
- v. During the year, depreciation amounting to S\$285,000 and S\$102,000 amortisation (2015: S\$1,262,000 and no amortisation) of intangible assets were capitalised as work-in-progress.
- vi. Property, plant and equipment arising from the acquisition of subsidiary was at fair value.
- vii. In 2015, due to changes in its operating environment with the closures of certain customers' facilities and its estimated future ongoing operating costs, management has decided to retire these wastewater treatment plants and boilers. Based on value-in-use method, the carrying amount of the above assets amounting to S\$69,052,000 was fully impaired and the impairment losses was recognised in cost of sales.

Owing to the sluggish market developments in the offshore marine sector, there was an indication that the Group's marine accommodation vessel might be impaired. The Group used the discounted cash flow projections which took into account: (i) the existing charter rates over the remaining contractual period through 2018; and (ii) the renewal rates, which were adjusted assuming a certain level of discount from the current contractual rates as well as 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budgets and adjusted for inflation at 2% per annum throughout the cash flow periods. The utilisation rate is assumed to be at 95%; and the terminal value is based on expected scrap value at the end of the economic useful life of the vessel. These cash flows have been discounted using the weighted average cost of capital at 9.55% (2015: 9.55%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel, no additional impairment loss (2015: S\$1,400,000) was recognised in the current year's profit or loss.

- viii. In 2016, a reversal of impairment was made to certain plant and machinery of a subsidiary in the UK due to the extension of certain customers' significant contracts. The estimated recoverable amount of S\$38,000,000 was determined based on value-in-use (VIU) calculations. A pre-tax discount rate of 5.4% was used. A reversal of impairment of S\$6,707,000 has been recognised in the cost of sales.

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

Group (cont'd)

- ix. During the year, property, plant and equipment included provision for restoration costs amounting to S\$13,568,000 (2015: S\$6,020,000) (Note 17).
- x. In 2015, construction-in-progress of a subsidiary in the Group's China water treatment business had ceased, pending the receipt of the Environmental Protection Bureau's approval. In 2016, the approval was obtained and construction has resumed.
- xi. A subsidiary in India has entered into an agreement to convert an existing leasehold land upon which its property, plant and equipment reside, to freehold land. The subsidiary has fully paid for the conversion of the leasehold land based on the freehold rate. As at December 31, 2016, the land has not been transferred to the subsidiary. Pursuant to the current lease agreement, it is provided that in the event that the land is not transferred, the lessor is obliged to renew the lease for a further period on mutually agreed terms and conditions. No impairment, revision of useful life or provision for restoration cost has been recorded nor assessment of impact to the tax benefit availed under the Mega Power Status amounting to S\$166,400,000 (2015: S\$164,600,000) as at December 31, 2016, as the alienation of this leasehold land is in progress (approved by the Chief Minister and awaiting final approval of the Group of Ministers).
- xii. In August 2014, Sembcorp Lianyungang (SLYG) purchased assets from Lianyungang Shenghai (a state owned enterprise) to develop the wastewater treatment project in Lianyungang, Jiangsu. As at December 31, 2016, the requisite land title has not been transferred to SLYG. No impairment, revision of useful life or provision for restoration cost has been recorded.

Company

- i. In 2015, due to change in operating environment with the closures of certain customers' facilities and estimated ongoing operating costs to be incurred, management has decided to retire certain wastewater treatment plants, boilers and other assets. Management has estimated the recoverable amount based on the value-in-use method, to be zero due to no incoming cash flows being estimated for the foreseeable future. Accordingly, an impairment loss of S\$35,357,000 was recognised in cost of sales.
- ii. During the year, property, plant and equipment included provision for restoration costs amounting to S\$5,396,000 (2015: S\$nil) (Note 17).

Change in estimates

During the year, the Group revised its estimates for the useful lives and residual values of certain assets in the UK after conducting an operational review of their useful lives and residual values. The Group and the Company also conducted external valuations on the estimated restoration cost and residual values of the respective plants which is an exercise undertaken on a regular basis. As a result, there was a change in the expected useful lives and residual values of these assets. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2016	2017	2018	2019	2020	Later
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
Group						
(Decrease) / Increase in depreciation expense and (increase) / decrease in profit before tax	(5,899)	(7,728)	(1,123)	2,513	2,512	9,908

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

4. Investment Properties

	Group		
	Investment properties	work-in-progress	Total
Note	S\$'000	S\$'000	S\$'000
Cost			
Balance at January 1, 2016	36,393	–	36,393
Translation adjustments	(1,187)	(139)	(1,326)
Additions	1,822	40,823	42,645
Balance at December 31, 2016	37,028	40,684	77,712
Accumulated Depreciation and Impairment Losses			
Balance at January 1, 2016	15,312	–	15,312
Translation adjustments	9	–	9
Depreciation for the year	28(a) 1,127	–	1,127
Balance at December 31, 2016	16,448	–	16,448
Carrying Amount			
At January 1, 2016	21,081	–	21,081
At December 31, 2016	20,580	40,684	61,264
Cost			
Balance at January 1, 2015	44,061	–	44,061
Translation adjustments	391	–	391
Additions	4,323	–	4,323
Transfer from property, plant and equipment	3 834	–	834
Disposals	(13,216)	–	(13,216)
Balance at December 31, 2015	36,393	–	36,393
Accumulated Depreciation and Impairment Losses			
Balance at January 1, 2015	20,482	–	20,482
Translation adjustments	2	–	2
Depreciation for the year	28(a) 1,044	–	1,044
Disposals	(6,216)	–	(6,216)
Balance at December 31, 2015	15,312	–	15,312
Carrying Amount			
At January 1, 2015	23,579	–	23,579
At December 31, 2015	21,081	–	21,081

4. Investment Properties (cont'd)

The following amounts are recognised in profit or loss:

	Group	
	2016	2015
	S\$'000	S\$'000
Rental income	6,081	6,443
Operating expenses arising from rental of investment properties	4,647	4,552

The fair value of the investment properties as at the balance sheet date is S\$90,793,000 (2015: S\$58,683,000). 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.

Investment properties of S\$39,871,000 (2015: S\$nil) have been pledged to secure loan facilities.

5. Investment in Subsidiaries

	Company	
	2016	2015
	S\$'000	S\$'000
At cost and carrying value:		
Quoted equity shares	739,225	739,225
Unquoted equity shares	1,413,780	1,443,912
Preference shares	287,500	287,500
Share-based payments reserve	3,505	1,547
	2,444,010	2,472,184

The fair value of the equity interest of the listed subsidiary with carrying amount of S\$739,225,000 (2015: S\$739,225,000), amounts to S\$1,758,494,000 (2015: S\$2,229,974,000) based on the last transacted market price as at December 31, 2016 (December 31, 2015).

Details of key subsidiaries are set out in Note 43.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

6. Interests in Associates and Joint Ventures

	Note	Group	
		2016	2015
		S\$'000	S\$'000
Interests in associates and joint ventures		1,697,530	2,292,190
Quasi-equity loan to an associate	(a)	48,219	57,067
		1,745,749	2,349,257

In 2016, the Group received dividends of S\$93,964,000 (2015: S\$58,521,000) from its investments in associates and joint ventures.

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

	Group	
	2016	2015
	S\$'000	S\$'000
Balance at January 1	9,292	9,335
Translation during the year	(199)	(43)
Goodwill derecognised on deemed disposal of a joint venture	(8,735)	–
Goodwill on acquisition	1,523	–
Balance at December 31	1,881	9,292

- a. The quasi-equity loan to an associate is unsecured, bears interest at 11.5% (2015: 3.72%) per annum and the settlement of the amount is neither planned nor likely to occur in the foreseeable future.

Associates

As at the reporting date, the Group has no associate (2015: one) that is material and a number of associates that are individually immaterial to the Group. All are equity accounted. The following information applies to the material associate:

Name of material associate	Principal activity	Country of incorporation	Effective equity held by the Group	
			2016	2015
			%	%
Cosco Shipyard Group Co., Ltd*	Provision of services for repairs of vessels; repairs, construction and conversion of offshore platforms and offshore engineering facilities; and related services	People's Republic of China	–*	18.30

* On November 15, 2016, Sembcorp Marine Ltd (SCM) entered into a conditional sale and purchase agreement with China Ocean Shipping (Group) Company to dispose its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG), for a consideration of RMB 1,059.23 million (approximately S\$220.68 million). As at December 31, 2016, CSG has been re-classified as assets held for sale (Note 13).

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

Associates (cont'd)

The following summarises the financial information of the Group's material associate based on the financial statements prepared in accordance with FRS, as well as summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's consolidated financial statements:

	Cosco Shipyard	Immaterial	Total
	Group Co., Ltd*	associates	
	2016	2016	
	S\$'000	S\$'000	S\$'000
Revenue	2,102,682	–	
Loss from continuing operations	(217,782)	–	
Other comprehensive income	–	–	
Total comprehensive income	(217,782)	–	–
Attributable to non-controlling interests	(115,485)	–	
Attributable to investee's shareholders	(102,297)	–	
Group's interest in net assets of investees at January 1	234,834	497,000	731,834
Group's share of:			
– (Loss) / Profit from continuing operations	(30,689)	23,583	(7,106)
– Other comprehensive income	–	(16,565)	(16,565)
– Total comprehensive income	(30,689)	7,018	(23,671)
Translation	(12,161)	(7,900)	(20,061)
Dividend received / receivables	(9,769)	(22,511)	(32,280)
Impairment of investment in associate	–	(2,120)	(2,120)
Reclassification to assets held for sale	(182,215)	–	(182,215)
Others	–	(321)	(321)
Carrying amount of interest in investees at December 31	–	471,166	471,166

* The profit or loss items are measured from January 1, 2016 to September 30, 2016. With effect from October 1, 2016, the Group ceased equity accounting and reclassified CSG as "Asset held for sale".

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

Associates (cont'd)

	Cosco Shipyard	Immaterial	
	Group Co., Ltd	associates	Total
	2015	2015	2015
	S\$'000	S\$'000	S\$'000
Revenue	3,515,121		
Loss from continuing operations	(900,754)		
Other comprehensive income	–		
Total comprehensive income	(900,754)		
Attributable to non-controlling interests	(329,024)		
Attributable to investee's shareholders	(571,730)		
Non-current assets	2,447,946		
Current assets	7,751,894		
Non-current liabilities	(2,755,377)		
Current liabilities	(6,382,233)		
Net assets	1,062,230		
Attributable to non-controlling interests	247,179		
Attributable to investee's shareholders	815,051		
Group's interest in net assets of investees at January 1	395,094	622,267	1,017,361
Group's share of:			
– (Loss) / Profit from continuing operations	(171,519)	48,798	(122,721)
– Other comprehensive income	–	(12,784)	(12,784)
– Total comprehensive income	(171,519)	36,014	(135,505)
Translation	11,259	784	12,043
Dividend received	–	(21,736)	(21,736)
Divestment of an associate during the year	–	(140,329)	(140,329)
Carrying amount of interest in investees at December 31	234,834	497,000	731,834

The fair value of the equity interest of a listed associate amounts to S\$327,633,000 (2015: S\$341,030,000) based on the last transacted market price as at December 31, 2016 (December 31, 2015).

As at the reporting date, the Group concluded that the carrying amount of an investment in associate, after equity accounting of post-acquisition losses is higher than the recoverable amount, and therefore, recognised an impairment loss of S\$1,778,000 (2015: S\$nil) on this associate.

The Group had independently and separately from the associate, performed an impairment analysis in accordance with FRS 28 *Investments in Associates and Joint Ventures* and FRS 36 *Impairment of Assets*. The recoverable amount of the investment in the associate was estimated based on its value in use calculation. The Group applied the relief from royalty method to value the existing intellectual properties owned by the associate, and discounted the related cash flows at pre-tax discount rates of 20% to 21% (2015: 23% to 55%), depending on the life cycle of each intellectual property. These cash flows cover the projection periods ranging from 12 to 16 years, based on the remaining estimated useful life of the intellectual properties.

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

Joint Ventures

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

	Group	
	2016	2015
	S\$'000	S\$'000
Carrying amount	1,274,583	1,617,423
Profit for the year	132,227	128,920
Other comprehensive income	(18,256)	(12,329)
Total comprehensive income	113,971	116,591

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S\$287,587,000 (2015: S\$303,398,000).

The Group's interest in joint ventures with total carrying amount of S\$55,386,000 (2015: S\$365,260,000) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

2016

On June 28, 2016, Sembcorp Marine's wholly-owned subsidiary, Sembcorp Marine Integrated Yard (SMIY) acquired 50% of the issued and fully paid-up share capital of Aragon AS (formerly known as KANFA Aragon AS) for a cash consideration of NOK20,000,000 (equivalent to S\$3,258,000). Following the acquisition, Aragon AS became a joint venture of the Group. At the acquisition date, based on provisionally determined fair values of the identifiable assets acquired and liabilities assumed of Aragon AS, a provisional goodwill of NOK9,347,000 (equivalent to S\$1,523,000) was recognised.

In March 2016, the Group increased its stake in Sembcorp Gayatri Power Limited (SGPL) (formerly known as NCC Power Projects Limited) from 49% to 65% and it became a subsidiary of the Group (Note 34). Subsequently, the Group increased its stake in SGPL further to 88%. In 2015, the Group paid S\$215,509,000 for Fully and Compulsory Convertible Debentures (FCCDs) of SGPL, which was converted into equity after SGPL became a subsidiary.

2015

In December 2015, the Group formed a joint venture with Chongqing Energy Investment Group's subsidiary, Chongqing Songzao Coal and Power LLC, in Chongqing, China. The Group holds 49% interest in the joint venture, ChongQing SongZao Sembcorp Electric Power Co., Ltd. The total cash consideration amounted to S\$201,801,000.

In 2015, the Group classified its 30% interest in a joint venture, Sakra Island Carbon Dioxide Pte Ltd (SICD), as assets held for sale (Note 13). SICD was subsequently divested in 2016.

Details of the key associates and joint ventures are set out in Note 44.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

7. Other Financial Assets

	Note	Group	
		2016 S\$'000	2015 S\$'000
Non-current Assets			
Available-for-sale financial assets:			
– Equity shares	(a)	151,151	244,155
– Unit trusts and funds	(b)	10,319	12,137
		161,470	256,292
Financial assets at fair value through profit or loss, on initial recognition:			
– Cross currency swaps		10,533	11,155
– Interest rate swaps		52	–
		10,585	11,155
Hedge of net investment in foreign operations:			
– Cross currency swaps		13,284	–
Cash flow hedges:			
– Forward foreign exchange contracts		12,994	3,189
– Fuel oil swaps		1,693	83
– Interest rate swaps		879	12,839
		15,566	16,111
		200,905	283,558

7. Other Financial Assets (cont'd)

	Note	Group	
		2016 S\$'000	2015 S\$'000
Current Assets			
Available-for-sale financial assets:			
– Unit trusts and funds	(b)	32,338	25,855
Financial assets at fair value through profit or loss, on initial recognition:			
– Equity shares	(c)	–	51,033
– Forward foreign exchange contracts		18,829	56,253
– Foreign exchange swap contracts		228	77
– Electricity future market contract		40	–
		19,097	107,363
Hedge of net investment in foreign operations:			
– Forward foreign exchange contracts		–	122
Cash flow hedges:			
– Forward foreign exchange contracts		34,037	16,217
– Fuel oil swaps		28,236	49
– Interest rate swaps		1,602	–
		63,875	16,266
Fair value hedges:			
– Forward foreign exchange contracts		4,146	–
		119,456	149,606

- a. During the year, impairment losses on available-for-sale financial assets amounting to S\$78,938,000 (2015: S\$51,569,000) were recognised in profit or loss through reclassifying the losses accumulated in the fair value reserve in equity and costs in available-for-sale financial assets.
- b. Included in unit trusts and funds are amounts of S\$32,348,000 (2015: S\$26,219,000) pledged to secure loan facilities.
- c. The non-derivative financial assets designated at fair value through profit or loss relate to investment in equity shares of Yangcheng International Power Generating Company Limited (YIPCG), which owns, operates and manages a coal-fired power plant in the People's Republic of China. The co-operative joint venture agreement expired in October 2016. Following the expiration of this agreement, the Group is in the process of transferring all its rights and interest to other shareholders.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

8. Trade and Other Receivables

	Note	Group						Company					
		2016			2015			2016			2015		
		Non-current S\$'000	Current S\$'000	Total S\$'000	Non-current S\$'000	Current S\$'000	Total S\$'000	Non-current S\$'000	Current S\$'000	Total S\$'000	Non-current S\$'000	Current S\$'000	Total S\$'000
Trade receivables		2,922	1,153,122	1,156,044	6,000	1,037,208	1,043,208	–	98,430	98,430	2,484	99,205	101,689
Service concession receivables	(a)	460,646	12,268	472,914	228,271	11,764	240,035	–	–	–	–	–	–
Amounts due from related parties	9	141,956	46,105	188,061	127,809	57,972	185,781	200,000	5,355	205,355	135,000	13,741	148,741
Amount due from non-controlling interests		–	–	–	–	75,414	75,414	–	–	–	–	–	–
Staff loans		–	338	338	34	27	61	–	1	1	–	–	–
Deposits		59,381	16,492	75,873	23,769	21,864	45,633	–	1,609	1,609	–	1,664	1,664
Sundry receivables	(b)	8,110	142,381	150,491	17,620	94,936	112,556	–	262	262	–	495	495
Unbilled receivables	(c)	–	381,384	381,384	–	271,291	271,291	–	80,525	80,525	–	38,626	38,626
Loan receivables		–	3,781	3,781	–	3,803	3,803	–	–	–	–	–	–
Recoverables		1,039	29,524	30,563	1,105	7,901	9,006	–	1,353	1,353	–	1,068	1,068
Interest receivables		–	8,134	8,134	–	1,992	1,992	–	122	122	–	61	61
Dividend receivables	(d)	–	110,084	110,084	–	–	–	–	–	–	–	–	–
		674,054	1,903,613	2,577,667	404,608	1,584,172	1,988,780	200,000	187,657	387,657	137,484	154,860	292,344
Allowance for doubtful trade and other receivables		(9,358)	(226,057)	(235,415)	(18,837)	(208,036)	(226,873)	–	(20,686)	(20,686)	–	(20,686)	(20,686)
Loan and receivables	36(b)	664,696	1,677,556	2,342,252	385,771	1,376,136	1,761,907	200,000	166,971	366,971	137,484	134,174	271,658
Prepayments	(f)	69,427	76,687	146,114	64,777	59,479	124,256	5,843	3,813	9,656	6,273	2,590	8,863
Advance to suppliers		–	203,787	203,787	–	131,942	131,942	–	244	244	–	313	313
		734,123	1,958,030	2,692,153	450,548	1,567,557	2,018,105	205,843	171,028	376,871	143,757	137,077	280,834

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

8. Trade and Other Receivables (cont'd)

a. Service concession receivables

The subsidiaries in Singapore, Chile and Panama each have entered into service concession arrangements with the local governments. Under these arrangements, the subsidiaries are to supply treated water to the local governments for periods ranging from 25 years to 30 years. In 2016, the subsidiary in Myanmar has entered into service concession arrangement with the local government to supply electricity to the local Government for a period of 22 years. During the year, the Group recorded construction revenue and profit of S\$162,200,000 and S\$11,069,000 accordingly for the service concession arrangement in Myanmar. 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 3.62% to 17.0%;
- ii. Under the arrangements, the operator is required to design, construct, operate, manage and maintain the assets; and
- iii. Upon expiry of the concession arrangements, the assets are to be transferred to the local governments between 2024 to 2039. Any extension will be based on mutual agreement.

b. Sundry receivables

Sundry receivables represent mainly other receivables, GST receivables and sales consideration receivable from the divestment of a joint venture (Note 33(i)).

c. Unbilled receivables

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\$44.6 million (2015: S\$5.4 million) due from related companies.

d. Dividend receivables

Dividend receivables represent the dividends declared to the Group from an investment in equity shares of a company in the People's Republic of China (Note 7(c)).

e. Trade and other receivables

Trade and other receivables of S\$721,388,000 (2015: S\$428,195,000) have been pledged to secure loan facilities.

8. Trade and Other Receivables (cont'd)

f. Prepayments

Prepayments are charged to profit or loss on a straight-line basis over the period of prepayments. They relate 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\$30,229,000 (2015: S\$32,208,000);
- ii. Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank; and
- iii. Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

Company

- i. Connection and capacity charges prepaid for the use of pipelines and piperacks.

The impairment losses on loans and receivables are as follow:

		Gross	Impairment	Net	Gross	Impairment	Net
		2016	2016	2016	2015	2015	2015
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group							
Trade receivables		1,156,044	(204,844)	951,200	1,043,208	(192,575)	850,633
Amounts due from related parties	9	188,061	(6,280)	181,781	185,781	(2,422)	183,359
Other receivables		1,233,562	(24,291)	1,209,271	759,791	(31,876)	727,915
	36(b)	2,577,667	(235,415)	2,342,252	1,988,780	(226,873)	1,761,907
Company							
Trade receivables		98,430	(20,686)	77,744	101,689	(20,686)	81,003
Amounts due from related parties	9	205,355	–	205,355	148,741	–	148,741
Other receivables		83,872	–	83,872	41,914	–	41,914
	36(b)	387,657	(20,686)	366,971	292,344	(20,686)	271,658

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

9. Amounts Due from Related Parties

	Note	Associates		Joint ventures		Related companies		Total	
		2016	2015	2016	2015	2016	2015	2016	2015
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group									
Amounts due from:									
Trade		3,416	17,444	10,610	7,111	6,569	2,750	20,595	27,305
Non-trade		3,145	3,764	7,106	1,300	–	–	10,251	5,064
Loans		–	–	145,440	141,637	11,775	11,775	157,215	153,412
	8	6,561	21,208	163,156	150,048	18,344	14,525	188,061	185,781
Allowance for doubtful receivables		(578)	(620)	(5,702)	(1,802)	–	–	(6,280)	(2,422)
		5,983	20,588	157,454	148,246	18,344	14,525	181,781	183,359
Amount due within 1 year		(5,983)	(20,588)	(16,746)	(21,654)	(18,344)	(14,525)	(41,073)	(56,767)
		–	–	140,708	126,592	–	–	140,708	126,592

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

The loans to joint ventures of S\$140,708,000 (2015: S\$126,592,000) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 0.67% to 2.99% (2015: 0.46% to 2.38%) per annum. The remaining balance is repayable in the next 12 months.

	Note	Subsidiaries		Associates		Joint ventures		Related companies		Total	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company											
Amounts due from related parties	8	205,238	148,586	50	21	–	110	67	24	205,355	148,741
Amount due within 1 year	8	(5,238)	(13,586)	(50)	(21)	–	(110)	(67)	(24)	(5,355)	(13,741)
	8	200,000	135,000	–	–	–	–	–	–	200,000	135,000

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

The loan to a related party of S\$200,000,000 (2015: S\$135,000,000) is unsecured, not expected to be repaid in the next 12 months and bears interest rate of 4.75% (2015: 4.75%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

10. Intangible Assets

	Note	Service		Long-term	Intellectual	Water		Total
		concession	arrangements	revenue	property	rights	Others	
		Goodwill		contract	rights	rights	Others	Total
		SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
Group Cost								
Balance at								
January 1, 2016		173,207	134,554	93,605	60,072	9,677	37,812	508,927
Translation adjustments		2,233	5,282	836	1	968	(556)	8,764
Additions		-	7,262	-	-	143	8,114	15,519
Acquisition of subsidiaries	34	49,292	-	647	168,652	-	106	218,697
Transfer from / (to) property, plant and equipment	3	-	5,361	-	-	-	(6,094)	(733)
Disposals		-	(11)	-	-	-	(80)	(91)
Write-offs	28(a)	-	(190)	-	-	-	(8,303)	(8,493)
Balance at								
December 31, 2016		224,732	152,258	95,088	228,725	10,788	30,999	742,590
Accumulated Amortisation and Impairment Losses								
Balance at								
January 1, 2016		-	32,291	3,198	19,644	-	10,838	65,971
Translation adjustments		-	1,896	150	-	-	(4)	2,042
Amortisation charge for the year	28(a)	-	11,647	3,850	17,218	9	5,052	37,776
Disposals		-	(10)	-	-	-	(28)	(38)
Write-offs	28(a)	-	(161)	-	-	-	3	(158)
Balance at								
December 31, 2016		-	45,663	7,198	36,862	9	15,861	105,593
Carrying Amount								
At January 1, 2016		173,207	102,263	90,407	40,428	9,677	26,974	442,956
At December 31, 2016		224,732	106,595	87,890	191,863	10,779	15,138	636,997

10. Intangible Assets (cont'd)

	Note	Service		Long-term	Intellectual	Water		Total
		concession	arrangements	revenue	property	rights	Others	
		Goodwill		contract	rights	rights	Others	Total
		SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
Group Cost								
Balance at								
January 1, 2015		165,791	143,987	39,775	60,072	10,168	33,635	453,428
Translation adjustments		(645)	(9,515)	(2,360)	-	(491)	(2,128)	(15,139)
Additions		-	1,159	-	-	-	7,713	8,872
Acquisition of subsidiaries	34	43,107	-	56,190	-	-	10,645	109,942
Disposal of subsidiaries	33	(33,145)	-	-	-	-	(15,511)	(48,656)
Transfer from property, plant and equipment	3	-	-	-	-	-	3,490	3,490
Transfer to assets held for sale		(1,901)	-	-	-	-	(17)	(1,918)
Disposals		-	(101)	-	-	-	(6)	(107)
Write-offs	28(a)	-	(976)	-	-	-	(9)	(985)
Balance at								
December 31, 2015		173,207	134,554	93,605	60,072	9,677	37,812	508,927
Accumulated Amortisation and Impairment Losses								
Balance at								
January 1, 2015		1,901	28,961	-	13,637	-	18,363	62,862
Translation adjustments		-	(3,540)	(55)	-	-	(494)	(4,089)
Amortisation charge for the year	28(a)	-	7,591	3,253	6,007	-	3,509	20,360
Impairment losses		-	-	-	-	-	19	19
Disposal of subsidiaries	33	-	-	-	-	-	(10,543)	(10,543)
Transfer from property, plant and equipment	3	-	-	-	-	-	3	3
Transfer to assets held for sale		(1,901)	-	-	-	-	(17)	(1,918)
Disposals		-	(90)	-	-	-	(2)	(92)
Write-offs	28(a)	-	(631)	-	-	-	-	(631)
Balance at								
December 31, 2015		-	32,291	3,198	19,644	-	10,838	65,971
Carrying Amount								
At January 1, 2015		163,890	115,026	39,775	46,435	10,168	15,272	390,566
At December 31, 2015		173,207	102,263	90,407	40,428	9,677	26,974	442,956

Intangible assets of S\$1,468,000 (2015: S\$487,000) have been pledged to secure loan facilities.

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Year ended December 31, 2016

10. Intangible Assets (cont'd)

	Note	Goodwill S\$'000	Others S\$'000	Total S\$'000
Company				
Cost				
Balance at January 1, 2016		18,946	8,373	27,319
Additions		–	3,046	3,046
Disposals / Write-offs		–	(46)	(46)
Transfer from property, plant and equipment	3	–	168	168
Balance at December 31, 2016		18,946	11,541	30,487
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2016		–	5,095	5,095
Amortisation charge for the year		–	2,299	2,299
Disposals / Write-offs		–	(10)	(10)
Balance at December 31, 2016		–	7,384	7,384
Carrying Amount				
At January 1, 2016		18,946	3,278	22,224
At December 31, 2016		18,946	4,157	23,103
Company				
Cost				
Balance at January 1, 2015		18,946	6,095	25,041
Additions		–	1,910	1,910
Transfer from property, plant and equipment	3	–	368	368
Balance at December 31, 2015		18,946	8,373	27,319
Accumulated Amortisation and Impairment Losses				
Balance at January 1, 2015		–	3,184	3,184
Amortisation charge for the year		–	1,911	1,911
Balance at December 31, 2015		–	5,095	5,095
Carrying Amount				
At January 1, 2015		18,946	2,911	21,857
At December 31, 2015		18,946	3,278	22,224

10. Intangible Assets (cont'd)

Amortisation

The amortisation of intangible assets is analysed as follows:

	Group	
	2016 S\$'000	2015 S\$'000
Cost of sales	34,416	17,256
Administrative expenses	3,258	3,104
Capitalised as capital work-in-progress	102	–
Total	37,776	20,360

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. Any extension will be based on mutual agreement.
- 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.

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10. Intangible Assets (cont'd)

Long-term revenue contract

The subsidiaries in India, have long-term power purchase agreements (PPAs) with the local Electricity Board and commercial customers.

The significant terms of the above PPAs are as follows:

- A 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.
- In 2015, the acquired subsidiaries in the renewables sector in India have long-term contracts with India's State Electricity Boards in Gujarat, Karnataka, Maharashtra, Rajasthan and Tamil Nadu, with tenures ranging from 10 to 30 years. These subsidiaries also sell electricity to commercial customers with tenures ranging from 10 to 25 years.

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs and re-deployable modularised LNG and LPG solutions.

Water rights

The water rights mainly 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.

In 2016, water rights were acquired by a subsidiary in China to extract and supply water to end customers for a period of 5 years.

Other intangible assets

Other intangible assets comprise carbon allowances, software, development rights and golf club membership.

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	
		2016 S\$'000	2015 S\$'000
Cash-generating Unit (CGU)			
SUT Division	(a)	18,946	18,946
Sembcorp Cogen Pte Ltd	(b)	26,378	26,378
Sembcorp Gas Pte Ltd	(c)	41,986	41,986
Thermal Powertech Corporation India Limited	(d)	26,813	26,586
Sembcorp Green Infra Limited and its subsidiaries	(e)	41,795	41,441
Sembcorp Gayatri Power Limited	(f)	45,387	–
Multiple units with insignificant goodwill		23,427	17,870
		224,732	173,207

10. Intangible Assets (cont'd)

Goodwill (cont'd)

Group (cont'd)

Impairment Testing for Goodwill (cont'd)

The recoverable amounts for SUT Division, Sembcorp Cogen Pte Ltd, Sembcorp Gas Pte Ltd, Thermal Powertech Corporation India Limited, Sembcorp Green Infra Limited and its subsidiaries, and Sembcorp Gayatri Power Limited were determined using value-in-use calculations. Cash flow projections used in the value-in-use calculations were prepared based on 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 4.7% to 12.0% (2015: 4.7% to 5.8%) had been used.

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

a. SUT Division

- Use cash flow projections over the remaining useful life of the plants of up to 22 years (2015: up to 23 years). No terminal value is considered;
- Revenue and margins are projected based on contracts secured with customers along with likely contract renewals and forecasted demand for industrial utilities and services as well as forecasted margins;
- Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and
- Inflation rate of 0.2% to 1.9% (2015: 0.8% to 2.1%) has been used to project overheads and other general expenses.

b. Sembcorp Cogen Pte Ltd

- Use cash flow projections over the remaining useful life of the plants of up to 24 years (2015: up to 25 years). No terminal value is considered;
- Revenue and margins are projected based on the estimated electricity and steam demand at forecasted margins which are based on market supply and demand conditions;
- Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and
- Inflation rate assumption ranging from 0.2% to 1.9% (2015: 0.8% to 2.1%) has been used to project overheads and other general expenses.

c. Sembcorp Gas Pte Ltd

- Use cash flow projections based on estimation of sales and purchases of gas quantities derived from the contractual period of existing contracts. No terminal value is considered;
- Forward USD / SGD exchange rate and High Sulphur Fuel Oil (HSFO) prices against current financial year were assumed in the forecast performance;
- Expected capital expenditure to service the pipelines has been included in the projections in accordance with plant maintenance programme; and
- Inflation rate assumption ranging from 0.2% to 1.9% (2015: 0.8% to 2.1%) has been used to project overheads and other general expenses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

10. Intangible Assets (cont'd)

Goodwill (cont'd)

Group (cont'd)

d. Thermal Powertech Corporation India Limited

- Use of cash flow projections over the remaining useful life of the plant of 24 years (2015: 25 years) with residual value of 5% of asset value;
- Revenues are projected primarily based on long-term contracts secured with customers at contracted tariffs as well as short-term supply at market tariffs. Contract renewals are assumed based on estimated demand and supply as well as margin;
- Scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme;
- Inflation rate of 5% (2015: 5%) has been used to project overheads and other general expenses; and
- Cash flows are estimated based on the premise that the conversion of the leasehold land, which the subsidiary has already paid in full, will be converted to freehold (Note 3(xi)).

e. Sembcorp Green Infra Limited and its subsidiaries

- Use of cash flow projections over the remaining useful lives of individual plants of up to 30 years (2015: 25 years). No terminal value is considered;
- Revenues are projected based on long-term contracts secured with customers at contracted tariffs. New contracts and contract renewals are assumed based on estimated demand and supply as well as margin;
- Expected capital expenditure for replenishment of parts and scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and
- Inflation rate of 5% (2015: 5%) has been used to project overheads and other general expenses.

f. Sembcorp Gayatri Power Limited

- Use of cash flow projections over the remaining useful life of the plant of 25 years. The plant is still under construction as at December 31, 2016;
- Revenues are projected primarily based on the forecasted combination of long-term and short-term contracts with reference to estimated demand and supply of electricity as well as margin;
- Scheduled maintenance related costs have been included in the projections in accordance with plant maintenance programme; and
- Inflation rate of 5% (2015: 5%) has been used to project overheads and other general expenses.

Company

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

11. Deferred Tax Assets and Liabilities

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	Recognised						At Dec 31
	in profit	Recognised	Disposal of	Acquisition	Translation		
	or loss	in equity	subsidiary	of subsidiary			
At Jan 1	(Note 27)	(Note 24)	(Note 33)	(Note 34)	adjustments	At Dec 31	
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group							
2016							
Deferred tax liabilities							
Property, plant and equipment	448,303	24,708	–	–	136	(1,051)	472,096
Interests in associates	1,708	(1,534)	–	–	–	–	174
Other financial assets	26,213	(1,684)	10,646	–	–	(36)	35,139
Trade and other receivables	9,874	3,814	–	–	–	21	13,709
Intangible assets	29,902	(2,233)	–	–	42,152	166	69,987
Other items	9,394	731	–	–	–	(1,250)	8,875
Total	525,394	23,802	10,646	–	42,288	(2,150)	599,980
Deferred tax assets							
Property, plant and equipment	(79,838)	(18,434)	–	–	(69)	(233)	(98,574)
Inventories	(875)	145	–	–	–	–	(730)
Trade receivables	(127)	(304)	–	–	–	–	(431)
Trade and other payables	(14,223)	(3,382)	–	–	–	(156)	(17,761)
Tax losses	(111,567)	33,850	–	–	–	(1,503)	(79,220)
Provisions	(18,884)	(5,450)	–	–	–	(171)	(24,505)
Other financial liabilities	(42,920)	108	17,163	–	–	(9)	(25,658)
Retirement benefit obligations	(3,163)	876	97	–	–	1,460	(730)
Other items	(2,475)	851	–	–	–	164	(1,460)
Total	(274,072)	8,260	17,260	–	(69)	(448)	(249,069)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

11. Deferred Tax Assets and Liabilities (cont'd)

	Recognised		Disposal of	Acquisition	Translation	At Dec 31	
	in profit	Recognised					
	or loss	in equity	subsidiary	of subsidiary	adjustments		
At Jan 1	(Note 27)	(Note 24)	(Note 33)	(Note 34)		At Dec 31	
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group							
2015							
Deferred tax liabilities							
Property, plant and equipment	471,387	(39,473)	–	(44,836)	65,300	(4,075)	448,303
Interests in associates	10,284	(8,576)	–	–	–	–	1,708
Other financial assets	22,659	666	1,616	–	1,336	(64)	26,213
Trade and other receivables	9,471	583	–	–	–	(180)	9,874
Intangible assets	11,442	(573)	–	–	19,830	(797)	29,902
Other items	9,907	792	(1,540)	–	–	235	9,394
Total	535,150	(46,581)	76	(44,836)	86,466	(4,881)	525,394
Deferred tax assets							
Property, plant and equipment	(77,257)	(2,933)	–	19	–	333	(79,838)
Inventories	(508)	(367)	–	–	–	–	(875)
Trade receivables	(361)	232	–	–	–	2	(127)
Trade and other payables	(8,932)	(1,464)	–	–	(3,734)	(93)	(14,223)
Tax losses	(4,991)	(61,455)	–	–	(47,088)	1,967	(111,567)
Provisions	(25,727)	6,823	–	–	–	20	(18,884)
Other financial liabilities	(48,793)	124	5,886	–	–	(137)	(42,920)
Retirement benefit obligations	(3,255)	(41)	230	223	–	(320)	(3,163)
Other items	(1,352)	61	–	–	(1,238)	54	(2,475)
Total	(171,176)	(59,020)	6,116	242	(52,060)	1,826	(274,072)

	Recognised		Recognised	At Dec 31,	Recognised		At Dec 31,
	At Jan 1,	in profit			in equity	in profit	
	2015	or loss	2015	2015	or loss	2015	2016
S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company							
Deferred tax liabilities							
Property, plant and equipment	57,838	(3,851)	–	53,987	11,814	–	65,801
Derivative assets	(265)	–	265	–	–	–	–
Total	57,573	(3,851)	265	53,987	11,814	–	65,801
Deferred tax assets							
Trade and other payables	(1,059)	1,059	–	–	–	–	–
Provisions	(3,216)	3,216	–	–	(5,245)	–	(5,245)
Derivative liabilities	–	–	–	–	–	(55)	(55)
Total	(4,275)	4,275	–	–	(5,245)	(55)	(5,300)

11. Deferred Tax Assets and Liabilities (cont'd)

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

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Deferred tax liabilities	402,431	319,605	60,501	53,987
Deferred tax assets	(51,520)	(68,283)	–	–
	350,911	251,322	60,501	53,987

As at December 31, a deferred tax liability of S\$23,652,000 (2015: S\$17,018,000) 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	
	2016	2015
	S\$'000	S\$'000
Deductible temporary differences	19,973	12,348
Tax losses	407,856	243,893
Capital allowances	110,668	28,925
	538,497	285,166

Tax losses of the Group amounting to S\$68,265,000 (2015: S\$47,847,000) will expire between 2017 and 2024 (2015: 2016 and 2023). The remaining tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

12. Inventories and Work-In-Progress

	Note	Group		Company	
		2016	2015	2016	2015
		S\$'000	S\$'000	S\$'000	S\$'000
Raw materials		170,417	160,871	3,062	3,338
Finished goods		151,055	153,947	8,903	8,538
		321,472	314,818	11,965	11,876
Allowance for inventory obsolescence		(26,065)	(24,754)	(2,789)	–
		295,407	290,064	9,176	11,876
Work-in-progress	(a)	3,080,548	3,829,050	1,439	465
Properties under development		90,325	113,395	–	–
		3,466,280	4,232,509	10,615	12,341

In 2016, raw materials and changes in finished goods included as cost of sales amounted to S\$467,702,000 (2015: S\$316,261,000).

In 2016, the net write-down of inventories to net realisable value by the Group amounted to S\$3,080,000 (2015: S\$2,492,000) and is included in cost of sales.

Inventories of S\$88,543,000 (2015: S\$63,663,000) and properties under development of S\$66,834,000 (2015: S\$nil) have been pledged to secure loan facilities.

	Note	Group		Company	
		2016	2015	2016	2015
		S\$'000	S\$'000	S\$'000	S\$'000
(a) Work-in-progress:					
Costs and attributable profits less allowance for foreseeable losses		9,665,706	10,623,888	1,439	465
Progress billings		(6,808,231)	(7,114,989)	–	–
		2,857,475	3,508,899	1,439	465
Comprising:					
Due from customers on construction contracts	36	2,242,882	3,325,798	–	–
Work-in-progress		837,666	503,252	1,439	465
		3,080,548	3,829,050	1,439	465
Excess of progress billings over work-in-progress		(223,073)	(320,151)	–	–
		2,857,475	3,508,899	1,439	465

The Group conducted a review of all work-in-progress to have their carrying values to reflect the lower of cost or net realisable value. In the previous year, a net realisable value write-down of S\$85,518,000 was recognised in the profit or loss. Based on the Group's re-evaluation as at the reporting date, no additional write-down or reversal of previously recognised write-down is required.

The Group conducted a review of all of its long-term construction contracts. In the previous year, the Group concluded that certain contracts with a few customers were loss-making, resulting in an allowance of S\$277,961,000. Such losses took into account the expected contract price adjustments from modifications to the original contract terms and deterioration in credit risk assessment on these customers. Other considerations include the total costs to complete these construction contracts where the costs are expected to exceed the revised contract revenue. Based on the Group's re-evaluation as at the reporting date, no additional allowance is required. A portion of the allowance was utilised during the year, resulting in the allowance as at the reporting date amounting to S\$189,806,000.

13. Assets Held for Sale

	Note	Assets	Investment	Assets	Total
		held for sale	held for sale	held for sale	
		2016	2015	2015	
		S\$'000	S\$'000	S\$'000	S\$'000
Group					
Property, plant and equipment	3	–	–	5,556	5,556
Inventories and work-in-progress		–	–	337	337
Interest in associate	6	182,215	–	–	–
Interest in joint venture	6	–	452	–	452
Trade and other receivables		–	29,209	–	29,209
Cash and cash equivalents		–	6,249	–	6,249
Assets held for sale		182,215	35,910	5,893	41,803
Trade and other payables		–	3,783	–	3,783
Current tax payable		–	1,647	–	1,647
Liabilities held for sale		–	5,430	–	5,430

	Note	Assets	Assets
		held for sale	held for sale
		2016	2015
		S\$'000	S\$'000
Company			
Property, plant and equipment	3	–	5,556
Inventories and work-in-progress		–	337
Assets held for sale		–	5,893

2016

On November 15, 2016, the Group's subsidiary, Sembcorp Marine Ltd, has entered into a sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest (effective equity held by the Group 18.3%) in Cosco Shipyard Group Co., Ltd (CSG), which was previously accounted for as an investment in associate. The interest in CSG was classified as asset held for sale and measured at its carrying amount as at December 31, 2016. The sale was completed on January 19, 2017.

The Group's share of the cumulative translation reserve of approximately S\$12.3 million relating to CSG was recognised in other comprehensive income.

2015

As at December 31, 2015, the assets and liabilities related to Sembcorp Air Products (Hyco) Pte Ltd (SembAP) had been classified as assets and liabilities held for sale given the Group's plan to divest the entire stake in SembAP and SembAP's 50% owned joint venture, Sakra Island Carbon Dioxide Pte Ltd (SICD). The disposal was completed on January 28, 2016 and a gain of S\$3,820,000 was recognised in "Other Income".

There were no other items in other comprehensive income relating to the disposal of investment.

The Group's and the Company's carrying value of the plant and machinery and inventories of S\$5,893,000 reflected the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

14. Cash and Cash Equivalents

	Note	Group		Company	
		2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Fixed deposits with banks		487,377	419,074	–	–
Cash and bank balances		1,395,170	1,187,414	389,905	325,831
Cash and cash equivalents in the balance sheets		1,882,547	1,606,488	389,905	325,831
Restricted bank balances		(11,049)	–	–	–
Bank overdrafts	20	(16,785)	(2,023)	–	–
Cash and cash equivalents in the consolidated statement of cash flows		1,854,713	1,604,465	389,905	325,831

Fixed deposits with banks of the Group earn interest at rates ranging from 0.01% to 14.14% (2015: 0.01% to 14.14%) per annum.

Included in the cash and bank balances are amounts of S\$601,444,000 (2015: S\$298,385,000) placed with a related corporation.

Included in the Group's cash and cash equivalents in the balance sheet is an amount of S\$216,942,000 (2015: S\$104,497,000) which banks have a first charge in the event that the subsidiaries do not meet the debt servicing requirement. Included in this balance is restricted cash of S\$11,049,000 (2015: S\$nil).

Included in the Company's cash and cash equivalents at the balance sheet date are amounts of S\$385.0 million (2015: S\$325.1 million) placed with a subsidiary and amounts of S\$4.9 million (2015: S\$0.7 million) placed with a related corporation.

15. Trade and Other Payables

	Note	Group		Company	
		2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Current liabilities					
Trade payables		2,305,645	2,668,166	8,790	4,318
Advance payments from customers		42,056	36,843	1,605	1,377
Amounts due to related parties	16	12,436	8,073	4,319	24,854
Amounts due to non-controlling interests		279	989	–	–
Accrued capital and operating expenditure	(a)	855,800	510,706	116,845	96,229
Deposits		29,637	28,745	446	342
Accrued interest payable		44,834	44,495	–	–
Retirement benefit obligations	19	330	259	–	–
Other creditors	(b)	106,998	89,645	6,052	3,953
		3,398,015	3,387,921	138,057	131,073
Non-current liabilities					
Deferred income	(c)	106,749	110,181	14,133	15,928
Deferred grants	(d)	1,987	2,802	–	–
Amounts due to related parties	16	–	–	245,000	246,000
Other payables	(e)	149,330	134,526	22,777	21,644
Other long-term payables		258,066	247,509	281,910	283,572

- a. Included in the Company's accrued operating expenses are amounts of S\$40.8 million (2015: S\$25.2 million) due to related companies.
- b. Included in the Group's other creditors are payables arising from the acquisitions of subsidiaries during the year, amounting to S\$7,977,000 (2015: S\$nil).
- c. 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.
- d. Deferred grants relate to government grants for capital assets.
- e. Other long-term payables include retention monies of subsidiaries, long-term employee benefits and accrued operating and maintenance services which will be billed only after the initial payment-free period, which is more than one year.

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Year ended December 31, 2016

16. Amounts Due to Related Parties

	Associates		Joint ventures		Related companies		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group									
Amounts due to:									
Trade		1,623	23	3,872	3,605	3,923	728	9,418	4,356
Non-trade		357	300	44	9	1	–	402	309
Advance payment – trade		–	–	2,616	3,408	–	–	2,616	3,408
	15	1,980	323	6,532	7,022	3,924	728	12,436	8,073

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

	Subsidiaries		Joint ventures		Related companies		Total		
	2016	2015	2016	2015	2016	2015	2016	2015	
	Note	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Company									
Amounts due to:									
Trade	(i)	2,730	21,574	2	–	6	95	2,738	21,669
Non-trade		1,581	2,185	–	–	–	–	1,581	2,185
Loans from a related party	(ii)	245,000	247,000	–	–	–	–	245,000	247,000
		249,311	270,759	2	–	6	95	249,319	270,854
Amounts due after 1 year		(245,000)	(246,000)	–	–	–	–	(245,000)	(246,000)
	15	4,311	24,759	2	–	6	95	4,319	24,854

- i. The amounts due to related parties are unsecured, interest-free and repayable on demand.
- ii. The loans from a related party of S\$245,000,000 (2015: S\$247,000,000) bear interest rates ranging from 3.72% to 3.82% (2015: 1.84% to 3.82%) per annum and were unsecured.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

17. Provisions

	Note	Restoration				Total
		Claims	costs	Warranty	Others	
		\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
Group						
2016						
Balance at January 1		28,966	65,289	17,257	5,894	117,406
Translation adjustments		(447)	122	(106)	77	(354)
Provisions made / (written back)						
during the year, net		(4,836)	14,118	10,849	1,810	21,941
Provisions utilised during the year		(516)	(5)	(9,700)	(867)	(11,088)
Acquisition of subsidiaries		–	–	84	–	84
Unwind of discount on restoration costs	26	–	6,977	–	–	6,977
Balance at December 31		23,167	86,501	18,384	6,914	134,966
Provisions due:						
– within 1 year		23,027	7,837	8,384	3,171	42,419
– after 1 year but within 5 years		140	10,730	–	1,588	12,458
– after 5 years		–	67,934	10,000	2,155	80,089
		23,167	86,501	18,384	6,914	134,966
2015						
Balance at January 1		54,814	62,338	54,649	7,336	179,137
Translation adjustments		256	(84)	401	221	794
Provisions made / (written back)						
during the year, net		(9,362)	2,752	(37,464)	(85)	(44,159)
Provisions utilised during the year		(20,087)	(3,246)	(329)	(1,578)	(25,240)
Acquisition of subsidiaries	34	–	3,268	–	–	3,268
Disposal of subsidiaries	33	3,345	–	–	–	3,345
Unwind of discount on restoration costs	26	–	261	–	–	261
Balance at December 31		28,966	65,289	17,257	5,894	117,406
Provisions due:						
– within 1 year		28,826	10,129	17,257	2,452	58,664
– after 1 year but within 5 years		140	1,882	–	1,755	3,777
– after 5 years		–	53,278	–	1,687	54,965
		28,966	65,289	17,257	5,894	117,406

17. Provisions (cont'd)

	Restoration		
	Claims	costs	Total
	\$S'000	\$S'000	\$S'000
Company			
2016			
Balance at January 1	22,486	593	23,079
(Written back) / provisions made during the year, net	(7,092)	5,396	(1,696)
Provisions utilised during the year	(520)	–	(520)
Unwind of discount on restoration costs	–	4,672	4,672
Balance at December 31	14,874	10,661	25,535
Provisions due:			
– within 1 year	14,874	–	14,874
– after 5 years	–	10,661	10,661
	14,874	10,661	25,535
2015			
Balance at January 1	13,416	593	14,009
Provisions made during the year, net	9,137	–	9,137
Provisions utilised during the year	(67)	–	(67)
Balance at December 31	22,486	593	23,079
Provisions due:			
– within 1 year	22,486	–	22,486
– after 5 years	–	593	593
	22,486	593	23,079

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.

Restoration Costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the agreements. The liability is expected to be incurred upon fulfilment of restoration obligation or termination of the lease.

Warranty

Provision for warranties relate to contracts with contractual warranty terms. 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.

The non-current portion of the provision for warranty is for contracts with contractual warranty periods that will lapse within 2 to 3 years from the reporting date.

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. The provisions are measured at the best estimate of the expenditure required and timing of outflows, to settle the present obligation at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

18. Other Financial Liabilities

	Note	Group		Company	
		2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Current Liabilities					
Financial liabilities at fair value through profit or loss, on initial recognition:					
– Forward foreign exchange contracts		17,475	298	–	–
– Foreign exchange swap contracts		5,161	1,318	–	–
– Electricity future market contract		83	–	–	–
Hedge of net investment in foreign operations:					
– Foreign exchange swap contracts		–	596	–	–
Cash flow hedges:					
– Interest rate swaps		350	477	–	–
– Forward foreign exchange contracts		8,716	106,040	326	–
– Fuel oil swaps		5,148	72,742	–	–
– Electricity future market contract		43	–	–	–
		36,976	181,471	326	–
Non-current Liabilities					
Financial liabilities at fair value through profit or loss, on initial recognition:					
– Forward foreign exchange contracts		–	575	–	–
– Interest rate swaps		63	157	–	–
– Electricity future market contract		154	–	–	–
– Foreign exchange option contracts		314	–	–	–
– Cross currency swaps		1,044	–	–	–
Hedge of net investment in foreign operations:					
– Cross currency swaps		–	46,526	–	–
Cash flow hedges:					
– Interest rate swaps		4,068	2,198	–	–
– Forward foreign exchange contracts		23,310	2,399	–	–
– Fuel oil swaps		3,599	13,912	–	–
– Cross currency swaps		8,217	–	–	–
– Put liability to acquire non-controlling interests (a)		215,885	193,113	–	–
		256,654	258,880	–	–

a. This represents the fair value of the put liability to acquire the non-controlling interests as part of the share purchase agreement of a subsidiary. Under the agreement, the Group entered into put and call options with the existing shareholders (i.e. non-controlling shareholders upon the Group's acquisition of 60% in SGI) of SGI (Note 34) as follows:

- Put option – Non-controlling shareholder has the right to sell to the Group its entire shares during the option period (February 11, 2015 to July 31, 2018) at the put option consideration.
- Call option – The Group has the right to buy the entire shares of the non-controlling shareholder during the option period (January 1, 2018 to July 31, 2018) at the call option consideration.
- IPO call option – The Group has the right to buy the entire shares of the non-controlling shareholder during the option period (within 20 days from the final determination of the valuation of the shares for IPO prospects) at 90% of the valuation to be determined.

19. Retirement Benefit Obligations

	Note	Group	
		2016 S\$'000	2015 S\$'000
Provision for retirement gratuities	(a)	3,791	3,284
Defined benefit obligations	(b)	3,104	5,866
		6,895	9,150
Current	15	330	259
Non-current		6,565	8,891

a. Provision for Retirement Gratuities

	Group	
	2016 S\$'000	2015 S\$'000
Balance at January 1	3,284	2,624
Translation adjustments	65	144
Provision made during the year	627	816
Less: Amount paid	(185)	(300)
Balance at December 31	3,791	3,284

Certain subsidiaries provide end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employee's length of service and the completion of a minimum service period.

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 in order to assess the liabilities of the schemes at December 31, 2016 and December 31, 2015.

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	
	2016 S\$'000	2015 S\$'000
Present value of funded defined benefit obligations	238,826	236,339
Fair value of plan assets	(235,722)	(230,473)
Deficit in scheme	3,104	5,866

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

19. Retirement Benefit Obligations (cont'd)

b. Defined Benefit Obligations (cont'd)

The amounts included in the balance sheet are as follows:

	Group	
	2016	2015
	\$S'000	\$S'000
Defined benefit obligations	3,104	5,866
Defined benefit assets	–	–
	3,104	5,866

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

	Group	
	2016	2015
	\$S'000	\$S'000
Equity instruments	79,551	78,466
Debt instruments	133,941	125,722
Other assets	22,230	26,285
	235,722	230,473

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.

19. 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)	
	2016	2015	2016	2015	2016	2015
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
Group						
Balance at January 1	236,339	405,596	(230,473)	(399,207)	5,866	6,389
Included in income statement						
Service cost	172	(3,427)	–	–	172	(3,427)
Interest cost / (income)	7,658	8,756	(7,480)	(8,292)	178	464
Administrative expenses	–	–	–	(9)	–	(9)
	7,830	5,329	(7,480)	(8,301)	350	(2,972)
Included in other comprehensive income						
Re-measurements loss / (gain):						
– Actuarial loss / (gain) arising from:						
– demographic assumptions	–	(1,893)	–	–	–	(1,893)
– financial assumptions	43,120	10,849	–	–	43,120	10,849
– experience adjustment	(2,142)	(3,752)	–	–	(2,142)	(3,752)
– Return on plan assets						
– excluding interest income	–	–	(40,999)	2,335	(40,999)	2,335
Effect of movements in exchange rates	(38,680)	3,510	37,495	(3,453)	(1,185)	57
	2,298	8,714	(3,504)	(1,118)	(1,206)	7,596
Other						
Contributions paid by employer	–	–	(2,052)	(2,412)	(2,052)	(2,412)
Benefits paid	(7,828)	(7,907)	7,787	7,874	(41)	(33)
Disposal of subsidiaries (see Note 33)	–	(175,697)	–	172,860	–	(2,837)
Acquisition of subsidiaries (see Note 34)	187	304	–	(169)	187	135
	(7,641)	(183,300)	5,735	178,153	(1,906)	(5,147)
Balance at December 31	238,826	236,339	(235,722)	(230,473)	3,104	5,866

The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 (2015: 19) years.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

19. 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 were as follows:

	Group	
	2016	2015
	%	%
Discount rate at December 31	2.7	3.8
Future rate of pension increases	1.9 – 3.0	1.9 – 3.1

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 21 (2015: 21) for male and 25 (2015: 24) for female.

A 1% increase / decrease in discount rate would have decreased / increased the defined benefit obligations by 16.5% / 21.4% (2015: 15.5% / 19.8%). A 1% increase / decrease in future rate of pension increases would have increased / decreased the defined benefit obligations by 15.2% / 13.6% (2015: 14.2% / 12.8%).

20. Interest-bearing Borrowings

	Note	Group		Company	
		2016	2015	2016	2015
		S\$'000	S\$'000	S\$'000	S\$'000
Current Liabilities					
Secured term loans	(b)	548,509	794,434	–	–
Unsecured term loans	(c)	1,559,793	1,003,863	–	–
Bank overdrafts	14	16,785	2,023	–	–
Finance lease liabilities	(d)	500	287	–	3
		2,125,587	1,800,607	–	3
Non-current Liabilities					
Non-convertible debentures	(a)	10,613	10,523	–	–
Secured term loans	(b)	3,209,950	1,451,860	–	–
Unsecured term loans	(c)	3,872,806	3,569,483	–	–
Finance lease liabilities	(d)	2,348	476	–	–
		7,095,717	5,032,342	–	–
		9,221,304	6,832,949	–	3

Included in interest-bearing borrowings are S\$1,000,178,000 (2015: S\$1,181,325,000) of loans taken with a related corporation.

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

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

	Group		Company	
	2016	2015	2016	2015
	%	%	%	%
Floating rate loans	1.59 – 16.05	0.68 – 15.15	–	–
Fixed rate loans	1.55 – 16.09	1.10 – 14.90	–	–
Bonds & notes	2.94 – 4.25	2.22 – 4.25	–	–
Debentures	12.00	12.00	–	–
	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Within 1 year	2,125,087	1,800,320	–	–
After 1 year but within 5 years	4,041,847	2,956,551	–	–
After 5 years	3,051,522	2,075,315	–	–
Total borrowings	9,218,456	6,832,186	–	–

a. Non-convertible Debentures

In 2015, a subsidiary had issued non-convertible debentures of INR 500 million at interest rate of 12.0% per annum and repayable from 2020 to 2023.

b. Secured Term Loans

The secured term loans are collateralised by the following assets:

	Note	Group	
		Net Book Value	
		2016	2015
		S\$'000	S\$'000
Property, plant and equipment	3(i)	4,972,484	2,903,500
Investment properties	4	39,871	–
Unit trusts and funds	7	32,348	26,219
Trade and other receivables	8	721,388	428,195
Intangible assets	10	1,468	487
Inventories	12	88,543	63,663
Properties under development	12	66,834	–
Cash and cash equivalents	14	216,942	104,497
Equity shares of a subsidiary		723,548	402,431

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

20. Interest-bearing Borrowings (cont'd)

c. 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, increased its Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme") limit from S\$2 billion to S\$2.5 billion on November 25, 2016. Under the Programme, 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, 2016 and 2015, 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	6 month SOR + 0.55%	2010	2017	100,000
S\$ medium term notes	3.7325%	2010	2020	300,000
S\$ medium term notes	4.25%	2010	2025	100,000
S\$ medium term notes	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\$800 million outstanding perpetual securities of which S\$200 million was issued in 2013 and another S\$600 million in 2015 under the Programme. The perpetual securities are accounted as equity of the Group.

As at December 31, an amount of S\$165,000,000 (2015: S\$140,000,000) medium term notes was held 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, Sembcorp Marine Repairs & Upgrades Pte Ltd and Sembcorp Marine Offshore Platforms Pte Ltd (formerly known as 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.

20. Interest-bearing Borrowings (cont'd)

c. Unsecured Term Loans (cont'd)

As at December 31, 2016 and 2015, Jurong Shipyard Pte Ltd, a subsidiary of SCM, has the following outstanding 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, 2016, an amount of S\$167,500,000 (2015: S\$167,500,000) medium term notes was held by a related corporation.

d. Finance Lease Liabilities

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

	2016			2015		
	Payments S\$'000	Interest S\$'000	Principal S\$'000	Payments S\$'000	Interest S\$'000	Principal S\$'000
Group						
Within 1 year	772	272	500	336	49	287
After 1 year but within 5 years	1,913	755	1,158	524	48	476
After 5 years	1,849	659	1,190	–	–	–
Total	4,534	1,686	2,848	860	97	763

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 1.75% to 14.70% (2015: 1.60% to 13.92%) per annum.

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

	2016			2015		
	Payments S\$'000	Interest S\$'000	Principal S\$'000	Payments S\$'000	Interest S\$'000	Principal S\$'000
Company						
Within 1 year	–	–	–	3	–	3
After 1 year but within 5 years	–	–	–	–	–	–
Total	–	–	–	3	–	3

Under the terms of the lease agreements, no contingent rents are payable. The effective interest rate is nil% (2015: 8.4%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

21. Share Capital

	Group and Company	
	No. of ordinary shares	
	2016	2015
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.

22. Other Reserves

	Note	Group		Company	
		2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Distributable					
Reserve for own shares	(a)	(5,490)	(8,645)	(5,490)	(8,645)
Non-distributable					
Currency translation reserve	(b)	(113,534)	(84,321)	–	–
Capital reserve	(c)	109,103	114,766	(131,503)	(121,709)
Merger reserve	(d)	29,201	29,201	–	–
Share-based payments reserve	(e)	(13,712)	(18,050)	130,479	116,694
Fair value reserve	(f)	20,773	27,398	–	–
Hedging reserve	(g)	(78,488)	(203,287)	(207)	–
		(52,147)	(142,938)	(6,721)	(13,660)

- a. Reserve for Own Shares
At December 31, 2016, the Company held 1,990,038 (2015: 2,371,253) of its own uncanceled shares as treasury shares.
- b. Currency Translation Reserve
The currency translation reserve comprises:
- 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;
 - Exchange differences on monetary items which form part of the Group's net investment in foreign operations; and
 - Gains or losses on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges.

22. Other Reserves (cont'd)

- 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.

In 2016, capital reserve also comprises the recognition of call options issued to non-controlling interests of subsidiaries, as these options are regarded as equity instruments, when they are settled by the delivery of a fixed number of equity shares for a fixed amount of cash.

In 2015, capital reserve also comprises the charge of the present value of a put liability in relation to put options entered into with the non-controlling shareholders on their equity interests in a subsidiary. Subsequent changes in the carrying value of the put liability are also recognised within capital reserve.

- 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. The amount in the share-based payments reserve is retained when the options are exercised or expire.
- 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.

23. Perpetual Securities

On May 20, 2015, the Company issued subordinated perpetual securities (the "perpetual securities") with an aggregate principal amount of S\$600,000,000. Incremental costs incurred amounting to S\$3,449,000 were recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 4.75% 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\$39,013,000 (2015: S\$27,939,000) were accrued to perpetual security holders.

As at December 31, 2016, an amount of S\$17,000,000 (2015: S\$17,000,000) perpetual securities was held by a related corporation.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

24. Other Comprehensive Income

Tax effects relating to each component of other comprehensive income:

	Group			Group		
	2016			2015		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
Foreign currency translation differences for foreign operations	(41,597)	–	(41,597)	116,765	–	116,765
Exchange differences on monetary items forming part of net investment in a foreign operation	9,893	–	9,893	765	–	765
Share of other comprehensive income of associates and joint ventures	18,376	–	18,376	(23,835)	–	(23,835)
Cash flow hedges: net movement in hedging reserves (Note (a))	155,893	(27,901)	127,992	43,628	(7,520)	36,108
Available-for-sale financial assets: net movement in fair value reserve (Note (b))	(11,083)	92	(10,991)	48,611	18	48,629
Defined benefit plan actuarial gains and losses	(102)	(97)	(199)	(7,539)	1,310	(6,229)
Other comprehensive income	131,380	(27,906)	103,474	178,395	(6,192)	172,203

	Group	
	2016	2015
	\$S'000	\$S'000
a. Cash flow hedges:		
Net change in fair value of hedging instruments	105,282	(92,754)
Amount reclassified to profit or loss	50,611	136,382
Tax expense	(27,901)	(7,520)
Net movement in the hedging reserve during the year recognised in other comprehensive income	127,992	36,108
b. Available-for-sale financial assets:		
Changes in fair value	(19,420)	(2,958)
Amount reclassified to profit or loss	8,337	51,569
Tax expense	92	18
Net changes in fair value during the year recognised in other comprehensive income	(10,991)	48,629

25. Turnover

	Group	
	2016	2015
	\$S'000	\$S'000
Sale of gas, water, electricity and related services	3,763,025	4,099,551
Ship and rig repair, building, conversion, charter hire and related services	3,521,650	4,944,732
Construction and engineering related activities	210,090	303,092
Service concession revenue	278,092	47,173
Others	134,191	150,073
	7,907,048	9,544,621

Included in the service concession revenue is deemed finance income of \$S13.3 million (2015: \$S5.7 million).

26. Finance Income and Finance Costs

	Group	
	2016	2015
	\$S'000	\$S'000
Finance income		
– associates and joint ventures	5,726	4,988
– bank and others	24,692	27,868
	30,418	32,856

The finance income arose from loan and receivables.

	Group	
	2016	2015
	\$S'000	\$S'000
Finance costs		
Interest paid and payable to, measured at amortised cost:		
– banks and others	385,973	232,118
Amortisation of capitalised transaction costs	9,605	6,928
Unwind of discount on restoration costs	6,977	261
Interest rate swap:		
– termination of interest rate swaps	(403)	(1,122)
– changes in fair value through profit or loss	(143)	(201)
	402,009	237,984

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

27. Tax Expense / (Credit)

	Group	
	2016	2015
	S\$'000	S\$'000
Current tax expense		
Current year	98,564	104,989
Over provided in prior years	(35,470)	(29,664)
Foreign withholding tax	5,128	2,224
	68,222	77,549
Deferred tax expense		
Movements in temporary differences	21,045	(100,825)
Under / (Over) provided in prior years	13,530	(4,776)
Effect of changes in tax rates	(2,513)	–
	32,062	(105,601)
Tax expense / (credit)	100,284	(28,052)
	Group	
	2016	2015
	S\$'000	S\$'000
Reconciliation of effective tax rate		
Profit for the year	437,154	454,402
Total tax expense / (credit)	100,284	(28,052)
Share of results of associates and joint ventures, net of tax	(125,121)	(6,199)
Profit before share of results of associates and joint ventures, and tax expense	412,317	420,151
Tax using Singapore tax rate of 17%	70,094	71,426
Effect of changes in tax rates	(2,513)	–
Effect of different tax rates in foreign jurisdictions	(16,361)	410
Tax incentives and income not subject to tax	(40,740)	(131,503)
Expenses not deductible for tax purposes	36,557	47,988
Utilisation of deferred tax benefits not previously recognised	(607)	(2,073)
Over provided in prior years	(21,940)	(34,440)
Deferred tax benefits not recognised	69,563	28,705
Foreign withholding tax	5,128	2,224
Tax adjustment on changes in undistributed profits from foreign entities	(1,534)	(8,576)
Others	2,637	(2,213)
Tax expense / (credit)	100,284	(28,052)

28. Profit for the Year

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

	Note	Group	
		2016	2015
		S\$'000	S\$'000
a. Expenses			
(Write back) / allowance made for impairment losses (net)			
– property, plant and equipment	3	(6,707)	70,452
– associates		2,120	–
– joint venture		(1,134)	–
– receivables	36(b)	1,735	198,223
– inventory obsolescence	12	3,080	2,492
Amortisation of intangible assets	10	37,674	20,360
Audit fees paid / payable			
– auditors of the Company		1,996	1,955
– overseas affiliates of the auditors of the Company		1,242	822
– other auditors		470	717
Non-audit fees paid / payable			
– auditors of the Company		823	826
– overseas affiliates of the auditors of the Company		204	253
– other auditors		828	445
Depreciation			
– property, plant and equipment	3	414,912	383,557
– investment properties	4	1,127	1,044
Professional fee paid to directors or a firm in which a director is a member		2	1
Operating lease expenses		26,337	31,994
Property, plant and equipment written off		3,489	1,317
Intangible assets written off	10	8,335	354
Bad debts written off		2,936	3,247
Net change in fair value of cash flow hedges		48,563	119,788
Work-in-progress written-down		–	85,518
Provision for foreseeable losses on construction work-in-progress		–	277,961
Staff costs		834,549	863,954
Staff costs			
Included in staff costs are:			
Equity-settled share-based payments		18,807	22,894
Cash-settled share-based payments		(131)	(827)
Contributions to:			
– defined benefit plan		172	(3,427)
– defined contribution plan		47,247	46,661

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

28. Profit for the Year (cont'd)

	Note	Group	
		2016 S\$'000	2015 S\$'000
b. Other income			
Grants received			
– income related		8,488	7,741
Gross dividend income from available-for-sale financial assets		275	1,026
Gain on disposal of			
– property, plant and equipment		73	661
– investment properties		–	2,983
– subsidiaries		–	72,409
– joint venture / associate		34,758	353,157
– other financial assets		2,796	2,453
– assets held for sale		3,820	–
Fair value gain on re-measurement of pre-existing equity interest in joint venture and available-for-sale financial assets, which became subsidiaries		7,734	–
Negative goodwill	34	2,858	–
Settlement amounts from customers		–	24,150
c. Other expenses (net)			
Net exchange gain / (loss)		9,228	(14,728)
Net change in fair value of cash flow hedges		2,567	(34,691)
Net change in fair value of fair value hedges		4,146	–
Net change in fair value of financial assets measured at fair value through profit or loss		(37,783)	(9,088)
Impairment losses on available-for-sale financial assets	7	(78,938)	(51,569)

29. Non-controlling Interests

The following subsidiary has material non-controlling interests:

Name of company	Country of incorporation	Operating Segment	Ownership interests held by non-controlling interests	
			2016 %	2015 %
Sembcorp Marine Group	Singapore	Marine	39.0	39.0

29. Non-controlling Interests (cont'd)

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
2016	
Revenue	3,544,816
Profit for the year	75,160
Other comprehensive income	51,668
Total comprehensive income	126,828
Attributable to non-controlling interests:	
Profit for the year	27,116
Other comprehensive income	17,467
Total comprehensive income	44,583
Non-current assets	4,396,528
Current assets	5,018,305
Non-current liabilities	(3,058,930)
Current liabilities	(3,748,282)
Net assets	2,607,621
Net assets attributable to non-controlling interests	1,040,215
Cash flows from operating activities	568,513
Cash flows used in investing activities	(490,485)
Cash flows from financing activities	534,374
Net increase in cash and cash equivalents	612,402
Dividends paid to non-controlling interests	(29,089)
2015	
Revenue	4,968,132
Loss for the year	(299,966)
Other comprehensive income	99,429
Total comprehensive income	(200,537)
Attributable to non-controlling interests:	
Loss for the year	(123,237)
Other comprehensive income	45,391
Total comprehensive income	(77,846)
Non-current assets	4,084,086
Current assets	5,117,036
Non-current liabilities	(2,639,797)
Current liabilities	(3,897,046)
Net assets	2,664,279
Net assets attributable to non-controlling interests	1,127,277
Cash flows used in operating activities	(989,099)
Cash flows used in investing activities	(932,197)
Cash flows from financing activities	1,467,085
Net decrease in cash and cash equivalents	(454,211)
Dividends paid to non-controlling interests	(103,410)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

30. Earnings Per Share

	Group	
	2016	2015
	S\$'000	S\$'000
a. Basic earnings per share		
Basic earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	394,889	548,855
Less: Profit attributable to perpetual security holders of the Company	(39,013)	(27,939)
Profit attributable to owners of the Company	355,876	520,916
	No. of shares	No. of shares
	'000	'000
ii. Weighted average number of ordinary shares:		
Issued ordinary shares at January 1	1,785,176	1,784,228
Effect of share options exercised, performance shares and restricted shares released	2,408	2,356
Effect of own shares held	(1,028)	(819)
Weighted average number of ordinary shares at December 31	1,786,556	1,785,765
	Group	
	2016	2015
	S\$'000	S\$'000
b. Diluted earnings per share		
Diluted earnings per share is based on:		
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	394,889	548,855
Less: Profit attributable to perpetual security holders of the Company	(39,013)	(27,939)
Profit attributable to owners of the Company	355,876	520,916
	No. of shares	No. of shares
	'000	'000
ii. Weighted average number of shares issued used in the calculation of basic earnings per share	1,786,556	1,785,765
Weighted average number of unissued ordinary shares from:		
– share options	9	187
– performance shares	3,266	2,787
– restricted shares	12,371	10,659
Weighted average number of ordinary shares	1,802,202	1,799,398

30. Earnings Per Share (cont'd)

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 (ie. average market price) 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.

31. 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 4.0 cents per share (2015: one-tier tax exempt dividend of 6.0 cents per share) amounting to an estimated net dividend of S\$71,422,000 (2015: S\$107,111,000) in respect of the year ended December 31, 2016, based on the number of issued shares as at December 31, 2016.

The proposed dividend of 4.0 (2015: 6.0) cents per share has not been included as a liability in the financial statements.

	Group and Company	
	2016	2015
	S\$'000	S\$'000
Dividend paid		
Interim one-tier tax exempt dividend of 4.0 cents per share		
in respect of year 2016 (2015: 5.0 cents per share in respect of year 2015)	71,478	89,338
Final one-tier tax exempt dividend of 6.0 cents per share		
in respect of year 2016 (2015: 11.0 cents per share in respect of year 2015)	107,246	196,528
	178,724	285,866

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

32. 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)
Margaret Lui
Tan Sri Mohd Hassan Marican
Dr Teh Kok Peng

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

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

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

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

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

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

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.

32. Share-based Incentive Plans (cont'd)

Other information regarding the 2010 Share Plans and Share Option Plan 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 2016 and 2015, all options were settled by the issuance of treasury shares.
- iv. The options granted expire after 5 years for non-executive directors and associated company's employees, and 10 years for the employees of the Group. There are no outstanding share options for non-executive directors.
- v. All options have expired on June 9, 2016.

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 2016

Date of grant	Exercise price	Options		Options		Options		Exercise period
		outstanding	cancelled / lapsed / not exercised	outstanding	exercisable	exercisable		
of options	per share	Jan 1, 2016	at Dec 31, 2016	at Dec 31, 2016	at Dec 31, 2016	at Dec 31, 2016	at Dec 31, 2016	
09/06/2006	S\$2.52	319,549	(169,250)	(150,299)	–	319,549	–	–
		319,549	(169,250)	(150,299)	–	319,549	–	

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

32. Share-based Incentive Plans (cont'd)

a. Share Option Plan (cont'd)

Sembcorp Industries Ltd Ordinary shares 2015

Date of grant of options	Exercise price per share	Options							Exercise period
		Options outstanding at Jan 1, 2015	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2015	Options exercisable at Jan 1, 2015	Options exercisable at Dec 31, 2015		
01/07/2005	S\$2.37	121,250	(71,000)	(50,250)	–	121,250	–	02/07/2006 to 01/07/2015	
21/11/2005	S\$2.36	176,750	(94,000)	(82,750)	–	176,750	–	22/11/2006 to 21/11/2015	
09/06/2006	S\$2.52	373,299	(53,750)	–	319,549	373,299	319,549	10/06/2007 to 09/06/2016	
		671,299	(218,750)	(133,000)	319,549	671,299	319,549		

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 2016

Date of grant of options	Exercise price per share	Options							Exercise period
		Options outstanding at Jan 1, 2016	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2016	Options exercisable at Jan 1, 2016	Options exercisable at Dec 31, 2016		
02/10/2006	S\$2.38	973,312	–	(973,312)	–	973,312	–	–	
		973,312	–	(973,312)	–	973,312	–		

2015

Date of grant of options	Exercise price per share	Options							Exercise period
		Options outstanding at Jan 1, 2015	Options exercised	Options cancelled / lapsed / not accepted	Options outstanding at Dec 31, 2015	Options exercisable at Jan 1, 2015	Options exercisable at Dec 31, 2015		
11/08/2005	S\$2.11	667,190	(392,000)	(275,190)	–	667,190	–	12/08/2006 to 11/08/2015	
02/10/2006	S\$2.38	1,009,312	(22,000)	(14,000)	973,312	1,009,312	973,312	03/10/2007 to 02/10/2016	
		1,676,502	(414,000)	(289,190)	973,312	1,676,502	973,312		

32. Share-based Incentive Plans (cont'd)

a. Share Option Plan (cont'd)

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Sembcorp Industries Ltd's options exercised in 2016 and 2015 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\$2.74 (2015: S\$3.81).

Sembcorp Marine Ltd's options were not exercised in 2016. In 2015, the options exercised in 2015 resulted in 414,000 ordinary shares being issued at a weighted average price of S\$3.09. Sembcorp Marine Ltd's options were exercised on a regular basis throughout 2015. The weighted average share price during the year was S\$1.48 (2015: S\$2.68).

Fair value of share options

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

b. Performance Share Plan

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

The performance levels were calibrated based on Wealth Added and Total Shareholder Return. 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 2016 to 2018 will be vested to the senior management participants only if the restricted shares for the performance period 2017 to 2018 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.

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Year ended December 31, 2016

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

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

i. Sembcorp Industries Ltd Performance Shares

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

	2016	2015
At January 1	2,081,250	2,004,861
Conditional performance shares awarded	987,000	831,250
Conditional performance shares lapsed	(25,000)	–
Performance shares lapsed arising from targets not met	(625,000)	(754,861)
At December 31	2,418,250	2,081,250

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2013 to 2015 (2015: performance period 2012 to 2014), no performance shares were released via the issuance of treasury shares (2015: nil).

In 2016, 625,000 (2015: 754,861) performance shares were lapsed for under-achievement of the performance targets for the performance period 2013 to 2015 (2015: 2012 to 2014).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2016, was 2,418,250 (2015: 2,081,250). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 3,627,375 (2015: 3,121,875) performance shares.

ii. Performance shares of a listed subsidiary

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

	2016	2015
At January 1	3,200,000	2,810,000
Conditional performance shares awarded	1,918,000	1,215,000
Conditional performance shares lapsed	–	(150,000)
Performance shares lapsed arising from targets not met	(605,000)	(675,000)
At December 31	4,513,000	3,200,000

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 2013 to 2015 (2015: performance period 2012 to 2014), no performance shares were released via the issuance of treasury shares (2015: nil).

In 2016, 605,000 (2015: 675,000) performance shares were lapsed for under-achievement of the performance targets for the performance period 2013 to 2015 (2015: 2012 to 2014).

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, 2016, was 4,513,000 (2015: 3,200,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 6,769,500 (2015: 4,800,000) performance shares.

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

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

ii. Performance shares of a listed subsidiary *(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 10, 2016	Fair value of Sembcorp Industries Ltd performance shares granted on May 11, 2015	Fair value of Sembcorp Marine Ltd performance shares granted on May 27, 2016	Fair value of Sembcorp Marine Ltd performance shares granted on May 27, 2015
Fair value at measurement date	\$S1.40	\$S2.44	\$S0.85	\$S1.40
Assumptions under the Monte Carlo model				
Share price	\$S2.69	\$S4.29	\$S1.56	\$S2.99
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	27.1%	18.0%	29.2%	18.3%
Morgan Stanley Capital International (MSCI) AC Asia Pacific excluding Japan Industrials Index	13.9%	11.8%	13.4%	11.6%
Correlation with MSCI	42.6%	32.9%	43.2%	39.5%
Risk-free interest rate	1.11%	1.23%	1.2%	1.2%
Expected dividend	5.95%	4.35%	2.9%	4.3%

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 \$S3,576,000 (2015: \$S3,513,000) to the profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

c. Restricted Share Plan

Under the Restricted Share Plan (SCI RSP 2010), the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. The performance criteria for the restricted shares are calibrated based on Return on Total Assets (excluding Sembcorp Marine Ltd) and Group Profit from Operations (excluding Sembcorp Marine Ltd) for awards granted in 2016.

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.

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Year ended December 31, 2016

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

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

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the two-year performance cycle, with no further vesting conditions.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

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 Tang Kin Fei, who is the Group President & CEO, and who does not receive any directors' fees). In 2016 and 2015, 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.

32. 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:

	2016	2015
At January 1	7,829,129	7,332,929
Conditional restricted shares awarded	3,980,832	3,225,075
Conditional restricted shares lapsed	(416,046)	(238,043)
Additional restricted shares awarded arising from targets met	536,350	291,760
Conditional restricted shares released	(2,834,537)	(2,782,592)
At December 31	9,095,728	7,829,129

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015, a total of 910,442 restricted shares were released in 2016. For awards in relation to the performance period 2013 to 2014, a total of 734,804 (2015: 802,901) were released in 2016. For awards in relation to the performance period 2012 to 2013, a total of 966,691 (2015: 1,033,746) restricted shares were released in 2016. For awards in relation to the performance period 2011 to 2012, no restricted shares were released in 2016 (2015: 823,882). In 2016, there were 218,100 (2015: 119,000) shares released to non-executive directors. In 2016, there were additional 4,500 (2015: 3,063) shares released to employees due to sale of a subsidiary. Of the restricted shares released, 32,572 (2015: 53,354) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

In 2016, additional 536,350 (2015: 291,760) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2014 to 2015 (2015: performance period 2013 to 2014).

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2016, was 9,095,728 (2015: 7,829,129). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 6,686,507 (2015: 5,267,075). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 10,029,760 (2015: 7,900,613) 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 2014 to 2015 (2015: performance period 2013 to 2014), a total of S\$1,239,046, equivalent to 401,914 (2015: S\$1,792,563, equivalent to 375,838) notional restricted shares, were paid. A total of 566,000 (2015: 440,000) notional restricted shares of Sembcorp Industries Ltd's shares were awarded in 2016 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 2016, was 1,002,012 (2015: 890,000). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 1,503,018 (2015: 1,335,000).

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Year ended December 31, 2016

32. 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:

	2016	2015
At January 1	10,101,585	8,262,801
Conditional restricted shares awarded	8,232,700	5,130,501
Conditional restricted shares lapsed	(474,378)	(420,956)
Additional restricted shares awarded arising from targets met	–	198,159
Restricted shares lapsed arising from targets not met	(1,471,967)	–
Conditional restricted shares released	(2,671,798)	(3,068,920)
At December 31	13,716,142	10,101,585

With the Sembcorp Marine Ltd's committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2014 to 2015, a total of 461,541 restricted shares were released. For awards in relation to the performance period 2013 to 2014, a total of 845,290 (2015: 1,013,899) restricted shares were released. For awards in relation to the performance period 2012 to 2013, a total of 848,667 (2015: 950,779) restricted shares were released. For awards in relation to the performance period 2011 to 2012, no restricted shares were released (2015: 945,042). In 2016, 516,300 (2015: 159,200) restricted shares were released to non-executive directors. The restricted shares were released via the issuance of treasury shares.

In 2016, 1,471,967 Sembcorp Marine Ltd's restricted shares were lapsed for under-achievement of the performance targets for the performance period 2014 to 2015. (2015: additional 198,159 restricted shares were awarded for the over-achievement of the performance targets for the performance period 2013 to 2014).

The total number of Sembcorp Marine Ltd's restricted shares outstanding, including awards achieved but not released, as at December 31, 2016, was 13,716,142 (2015: 10,101,585). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 12,239,840 (2015: 7,623,701). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 18,359,760 (2015: 11,435,552) 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 2014 to 2015 (2015: performance period 2013 to 2014), a total of S\$766,416 (2015: S\$2,849,108), equivalent to 456,064 (2015: 942,290) notional restricted shares, were paid.

A total of 3,387,850 (2015: 2,140,509) notional restricted shares were awarded on May 27, 2016 (2015: May 27, 2015) 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, 2016, was 4,827,393 (2015: 3,070,668). 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 7,241,090 (2015: 4,606,002).

32. Share-based Incentive Plans (cont'd)

c. Restricted Share Plan (cont'd)

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

Fair value of restricted shares

The fair values of the restricted shares are estimated using a Monte Carlo simulation methodology at the grant dates.

The fair values of restricted shares granted during the year are as follows:

	Fair value of Sembcorp Industries Ltd restricted shares granted on May 10, 2016	Fair value of Sembcorp Industries Ltd restricted shares granted on May 11, 2015	Fair value of Sembcorp Marine Ltd restricted shares granted on May 27, 2016	Fair value of Sembcorp Marine Ltd restricted shares granted on May 27, 2015
Fair value at measurement date	S\$2.26	S\$3.79	S\$1.40	S\$2.65
Assumptions under the Monte Carlo model				
Share price	S\$2.69	S\$4.29	S\$1.56	S\$2.99
Expected volatility:				
Sembcorp Industries Ltd / Sembcorp Marine Ltd	27.1%	18.0%	29.2%	18.3%
Risk-free interest rate	0.94%–1.28%	1.06%–1.41%	1.0%–1.4%	1.0%–1.4%
Expected dividend	5.95%	4.35%	2.9%	4.3%

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\$15,231,000 (2015: S\$18,492,000) 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 wrote back charges of S\$131,000 (2015: wrote back charges of S\$827,000) 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.

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Year ended December 31, 2016

33. Disposal of significant subsidiaries and Joint Venture 2016

- i. In December 2016, the Group's wholly-owned subsidiary, China Water Company (Yancheng) Limited has completed the sale of its entire 49% stake in Yancheng China Water Co. Ltd (joint venture) to Yancheng City Municipal Utilities Investment Company Ltd for RMB260 million (approximately S\$54.9 million). The gain on disposal of S\$34.7 million was recognised in "Other Income".

2015

- i. On April 16, 2015, the Group's wholly-owned UK subsidiary, Sembcorp Holdings Limited, completed the sale of its 100% stake in Sembcorp Bournemouth Water Investment (SBWI) to the Pennon group PLC (Pennon) for an enterprise value of £191.5 million (approximately S\$393 million), with cash proceeds from the sale of £104.5 million (approximately S\$214 million). The gain on disposal of S\$54.7 million was recognised in "Other Income".
- ii. On August 24, 2015, the Group's wholly-owned subsidiary, China Water Company (Zhumadian) Limited has completed the sale of its entire 51% stake in Zhumadian China Water Company Limited to Beijing Enfei Environmental Protection Co for RMB90 million (approximately S\$19.5 million). The gain on disposal of S\$17.7 million was recognised in "Other Income".

	Group 2015	2016
	Note	S\$'000
Property, plant and equipment	3	401,171
Long-term receivables		10,026
Intangible assets	10	38,113
Deferred tax assets	11	19
Inventories and work-in-progress		1,191
Trade and other receivables		32,919
Cash and cash equivalents		28,841
Trade and other payables		(44,383)
Current tax payable		(472)
Deferred tax liabilities	11	(44,613)
Provisions	17	3,345
Retirement benefit obligations		(2,837)
Interest bearing borrowings		(209,986)
Other long-term payables		(71,595)
Net assets derecognised		141,739
Non-controlling interests		8,460
Realisation of currency translation reserve upon disposal		10,406
		160,605
Gain on disposal of subsidiaries	28(b)	72,409
Consideration received, satisfied in cash		233,014
Less: Cash and cash equivalents disposed of due to de-consolidation		(28,841)
Net cash inflow		204,173

- iii. In 2015, the Group's wholly-owned subsidiary, Sembcorp Environment has disposed its 40% interest in SembSita Pacific Pte Ltd (SembSita) to its 60% joint venture partner, Suez Environnement Asia (Suez), for a consideration of S\$487.9 million and a gain of S\$353.2 million has been recognised in "Other Income".

34. Acquisition of Significant Subsidiaries and Non-controlling Interests 2016

Acquisition of Significant Subsidiaries

- i. On March 9, 2016, Sembcorp Marine acquired an additional 44% equity stake in Gravifloat AS (Gravifloat), a marine engineering and naval architecture company, to 56% and Gravifloat became a subsidiary of the Group. Consequently, financial statements of Gravifloat were consolidated into the Group's financial statements.

The principal activity of Gravifloat is to design and hold patents for re-deployable modularised LNG and LPG solutions.

Revenue and profit contribution

The revenue and profit contribution from the new acquisition were not material.

Had the acquired businesses been consolidated from January 1, 2016, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2016, would not have been significant.

Consideration transferred

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

	2016
	S\$'000
<i>a. Effect on cash flows of the Group</i>	
Cash paid	47,258
Less: Cash and cash equivalents in subsidiaries acquired	(7)
Cash outflow on acquisition	47,251
	At fair value
	Note
	S\$'000
<i>b. Identifiable assets acquired and liabilities assumed</i>	
Intangible assets	10 134,575
Other receivables	8
Cash and cash equivalents	7
Total assets	134,590
Deferred tax liabilities	11 33,633
Total liabilities	33,633
Total net identifiable assets	100,957
Less: Non-controlling interests	(44,421)
Add: Goodwill	10 5,219
Less: Amount previously accounted for as available-for-sale financial asset	(5,004)
Less: Gain on deemed disposal of available-for-sale financial asset	28 (4,243)
Consideration transferred for the businesses	52,508
Amount reflected as other payables	15(b) (5,250)
Cash paid	47,258

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 (cont'd)

Acquisition of Significant Subsidiaries (cont'd)

i. 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
Intangible assets	Relief-from-royalty method	<ul style="list-style-type: none"> Royalty rates based on existing patents Useful life of 10 years Discount rate of 24.5%

Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) of Gravifloat at fair value at the date of acquisition, which amounted to S\$44,421,000.

Goodwill

The goodwill of S\$5,219,000 recognised on acquisition is primarily attributed to the control premium to acquire a controlling stake in Gravifloat. This goodwill recognised is not expected to be deductible for tax purpose.

The re-measurement to fair value of the Group's previously held 12% interest in Gravifloat resulted in a gain of S\$4,243,000 in profit or loss on deemed disposal. This amount has been recognised in "Other Income" (see Note 28).

Acquisition-related costs

The acquisition-related costs incurred in relation to the acquisition were immaterial and charged to profit or loss.

- ii. On March 11, 2016, Sembcorp's interest in Sembcorp Gayatri Power Limited (SGPL), a thermal power plant in India, was increased from 49% to 65% with the acquisition of shares from the other shareholder and became a subsidiary of the Group. Consequently, the financial statements of SGPL were consolidated into the Group's financial statements from the acquisition date.

The principal activities of SGPL 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 businesses contributed revenue of S\$40,828,000 and loss for the year of S\$32,400,000 to the Group's results for the period from March 11, 2016 to December 31, 2016.

Had the acquired businesses been consolidated from January 1, 2016, the Group's consolidated revenue and consolidated profit for the year ended December 31, 2016 would have been S\$7,907,048,000 and S\$436,277,000 respectively.

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 (cont'd)

Acquisition of Significant Subsidiaries (cont'd)

ii. Consideration transferred

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

	2016	
	S\$'000	
<i>a. Effect on cash flows of the Group</i>		
Cash paid		72,575
Less: Cash and cash equivalents in subsidiaries acquired *		(67,408)
Cash outflow on acquisition		5,167
		At fair value
	Note	S\$'000
<i>b. Identifiable assets acquired and liabilities assumed</i>		
Property, plant and equipment	3	1,704,742
Intangible assets	10	106
Trade and other receivables		98,414
Inventories		95
Cash and cash equivalents		78,457
Total assets		1,881,814
Trade and other payables		144,359
Current tax payable		7,146
Borrowings		1,175,099
Total liabilities		1,326,604
Total net identifiable assets		555,210
Less: Non-controlling interests		(102,640)
Add: Goodwill	10	44,073
Less: Amount previously accounted for as joint venture		(418,187)
Less: Foreign currency translation reserve realised when the joint venture became a subsidiary		(2,390)
Less: Fair value gain on step-up acquisition of a joint venture	28	(3,491)
Consideration transferred for the businesses		72,575

* Excluded restricted cash of S\$11,049,000

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Year ended December 31, 2016

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 (cont'd)

Acquisition of Significant Subsidiaries (cont'd)

ii. 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	Land valuation based on prevailing market rates of similar agricultural lands from certified land valuer.

Acquired receivables

Included in trade and other receivables are trade receivables stated at fair value of S\$68,088,000. SGPL has not commenced operations at the date of acquisition. Receivables mainly pertain to advances to suppliers.

Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) based on their proportionate interest of the acquired business' net identifiable assets as recognised by the Group, which amounted to S\$102,640,000.

Goodwill

The goodwill of S\$44,073,000 recognised on acquisition is primarily attributed to the control premium to acquire a controlling stake in SGPL. None of the goodwill recognised is expected to be deductible for tax purpose.

The re-measurement to fair value of the Group's existing 49% interest in SGPL resulted in a gain of S\$3,491,000 in profit or loss. This amount has been recognised in "Other Income" in the income statements (see Note 28).

None of the goodwill recognised is expected to be deductible for tax purpose.

Acquisition-related costs

Acquisition-related costs were not material and were borne by the Company.

- iii. On August 26, 2016, Sembcorp Marine's wholly-owned subsidiary, Sembcorp Marine Integrated Yard (SMIY) acquired a 100% stake in LMG Marin AS (LMG). Consequently, the financial statements of LMG were consolidated into the Group's financial statements. LMG is a naval architecture as well as ship design and engineering house headquartered in Bergen, Norway, with offices in Poland and France.

In August 2016, a subsidiary in India acquired a 74% stake in Mulanur Renewable Energy Private Limited (Mulanur) for a consideration of INR1,125,000 (approximately S\$23,000). This acquisition is consistent with the Group's plan to expand its renewable energy market.

Revenue and profit contribution

The revenue and profit contribution from these new acquisitions were not immaterial.

Had the acquired businesses been consolidated from January 1, 2016, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2016, would not have been significant.

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 (cont'd)

Acquisition of Significant Subsidiaries (cont'd)

iii. Consideration transferred

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

	2016	
	S\$'000	
<i>a. Effect on cash flows of the Group</i>		
Cash paid		24,564
Less: Cash and cash equivalents in subsidiaries acquired		(5,462)
Cash outflow on acquisition		19,102
<i>b. Identifiable assets acquired and liabilities assumed</i>		
		At fair value
	Note	S\$'000
Property, plant and equipment	3	32,191
Intangible assets	10	34,724
Trade and other receivables		7,831
Cash and cash equivalents		5,462
Total assets		80,208
Trade and other payables		40,875
Current tax payable		22
Deferred tax liabilities		8,586
Total liabilities		49,483
Total net identifiable assets		30,725
Less: Non-controlling interests		(576)
Less: Negative Goodwill	28	(2,858)
Consideration transferred for the businesses		27,291
Amount reflected as other payables	15(b)	(2,727)
Cash paid		24,564

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

34. Acquisition of Significant Subsidiaries and Non-controlling Interests

2016 (cont'd)

Acquisition of Significant Subsidiaries (cont'd)

iii. 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 Value Approach	<ul style="list-style-type: none"> Freehold land – Prevailing market rates of similar agricultural lands from certified land valuer. Plant and machinery – Current replacement costs derived from market quotes received from suppliers / manufacturers.
Intangible assets	Relief-from-royalty method	<ul style="list-style-type: none"> Royalty rates based on existing ship design Useful life of 10 years Discount rates range from 26.4% to 34.2%

Acquired receivables

Included in trade and other receivables are trade receivables stated at fair value of S\$5,790,000. The gross contractual amount for trade receivables due is S\$5,638,000, of which S\$168,000 was expected to be uncollectible at the date of acquisition.

Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) based on their proportionate interest of the acquired business' net identifiable assets as recognised by the Group, which amounted to S\$575,000.

Goodwill

The negative goodwill of S\$2,858,000 recognised on acquisitions in Mulanur and LMG were recognised in "Other Income" (see note 28).

Acquisition-related costs

Acquisition-related costs were not material and charged to profit or loss.

2015

On February 13, 2015, Sembcorp acquired a 60% stake in Sembcorp Green Infra Limited (SGI), a renewable energy company in India with a wind and solar portfolio. Consequently, SGI's financials were consolidated into the Group's financial statements.

The principal activity of SGI is to sell power generated under a combination of long-term Power Purchase Agreements in India.

This acquisition marks Sembcorp's entry into India's attractive renewable energy market, and is a major step in the Group's strategy to grow its renewable energy market.

Revenue and profit contribution

The acquired business contributed revenue of S\$115,460,000 and profit for the year of S\$16,132,000 to the Group's results for the period from February 13, 2015 to December 31, 2015.

Had SGI been consolidated from January 1, 2015, the Group's consolidated revenue and consolidated profit for the year ended December 31, 2015 would have been S\$9,549,286,000 and S\$451,176,000 respectively.

34. Acquisition of Significant Subsidiaries and Non-controlling Interests (cont'd)

2015 (cont'd)

Consideration transferred

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

	2015	
	Note	S\$'000
a. Effect on cash flows of the Group		
Cash paid		232,483
Less: Cash and cash equivalents in subsidiary acquired		(18,847)
Cash outflow on acquisition		213,636
b. Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	3	712,005
Other financial assets		38,799
Intangible assets	10	66,835
Trade and other receivables		57,855
Deferred tax assets	11	4,344
Tax recoverable		3,548
Cash and cash equivalents		18,847
Total assets		902,233
Trade and other payables		91,641
Provisions	17	3,268
Other financial liabilities		109
Current tax payable		1,012
Deferred tax liabilities	11	38,750
Retirement benefit obligations	19	135
Borrowings		437,795
Total liabilities		572,710
Total net identifiable assets		329,523
Less: Non-controlling interests		(140,147)
Add: Goodwill	10	43,107
Consideration transferred for the business		232,483

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Year ended December 31, 2016

34. Acquisition of Significant Subsidiaries and Non-controlling Interests (cont'd)

2015 (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	Freehold land – Sales comparison Buildings, Plant and machinery – Depreciated replacement / reproduction cost	<ul style="list-style-type: none"> Freehold land – Prevailing market rates of similar agricultural lands from real estate agent / property brokers. Buildings, Plant and machinery – Current replacement costs were derived from market quotes received from suppliers / manufacturers.
Intangible assets	Multi-period excess earnings method (MEEM)	<ul style="list-style-type: none"> Revenue forecasted based on contracted tariffs as per long-term Power Purchase Agreements. The excess earning is obtained after deducting the Contributory Asset Charges (CACs) which represents the required return on all other assets employed to generate future income. Discount rate of 17%.

Acquired receivables

Included in trade and other receivables are trade receivables stated at fair value of S\$13,031,000. The gross contractual amount for the trade receivables was S\$13,031,000 and expected to be collectible.

Non-controlling interests

The Group has elected to measure the non-controlling interest (NCI) based on their proportionate interest of SGI's net identifiable assets as recognised by the Group, which amounted to S\$140,147,000.

Goodwill

The acquisition will provide a platform to accelerate the Group's growth in the renewable energy sector. It also includes local market knowledge and capability residing in the experienced management team which cannot be separately recognised as intangible asset from goodwill. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs of S\$2,160,000 on legal fees and due diligence costs. These costs have been included in 'General and administrative expenses'.

Acquisition of Significant Non-controlling Interests

- On August 29, 2016, Sembcorp Marine acquired the remaining 15% in the issued and fully paid-up share capital of PPL Shipyard Pte Ltd (PPLS) for an aggregate cash consideration of US\$115,059,000 (equivalent of S\$156,778,000). Following the acquisition, PPLS became a wholly-owned subsidiary of Sembcorp Marine.
- As at December 31, 2015, the Company's effective holding in Thermal Powertech Corporation (TPCIL) was at 67.4%, as the Company had agreed to defer the non-controlling interest (NCI) injection and not to exercise dilution rights and the subscription period remained open till March 31, 2016. In April 2016, the Company increased its shareholding in TPCIL to 86.87%.

34. Acquisition of Significant Subsidiaries and Non-controlling Interests (cont'd)

2015 (cont'd)

Acquisition of Significant Non-controlling Interests (cont'd)

- In July 2015, the Group increased its stake in Sembcorp Green Infra Limited (SGI) from 60% to 64.06% for a consideration amounting to S\$42,912,000. In 2016, the Group increased its stake from 64.06% to 68.74% for a consideration amounting to S\$60,434,000.
- Subsequent to the acquisition in March 2016, the Group increased its stake from 65% to 88% in SGPL as a result of the conversion of Fully and Compulsory Convertible Debenture.

The following summarises the effect of changes in the Group's ownership interest:

	PPL S\$'000	TPCIL S\$'000	SGI S\$'000	SGPL S\$'000
2016				
Group's ownership interest at beginning	866,130	413,032	230,951	452,570
Effect of increase in Group's ownership interest	152,921	116,596	(2,304)	35,630
Share of comprehensive income and capital injection during the year	(61,568)	(30,397)	77,757	(14,640)
Group's ownership interest at December 31, 2016	957,483	499,231	306,404	473,560

	TPCIL S\$'000	SGI S\$'000
2015		
Group's ownership interest at January 1 / February 13, 2015	353,210	189,376
Effect of increase in Group's ownership interest	14,676	(1,953)
Share of comprehensive income and capital injection during the year	45,181	43,528
Group's ownership interest at December 31, 2015	413,067	230,951

35. Related Parties

a. Related party transactions

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

	Outstanding balances		Transactions	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Related Corporations				
Sales	6,569	2,750	46,143	84,067
Purchases including rental	3,923	728	180,760	196,557
Loans due from	11,775	11,775	–	–
Finance income	–	–	1,952	3,536
Finance expense	–	–	23,336	33,591

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Year ended December 31, 2016

35. Related Parties (cont'd)

a. Related party transactions (cont'd)

	Outstanding balances		Transactions	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Associates and Joint Ventures				
Sales	9,365	23,769	68,147	78,890
Purchases including rental	8,111	7,036	14,008	18,740
Payment on behalf	–	–	6,026	5,566
Loans due from	144,399	140,621	–	–

The Group has no financial assistance to non-wholly-owned subsidiary companies. The balances due from related parties arose from the usual trade transactions, reimbursements and for financing of capital expansion.

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 paid is as follows:

	Group	
	2016	2015
	S\$'000	S\$'000
Directors' fees and remuneration	6,221	8,432
Other key management personnel remuneration	7,480	9,606
	13,701	18,038
Fair value of share-based compensation	4,525	4,739

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 increased or decreased by the yearly EVA performance of the Group and its subsidiaries achieved 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.

36. 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 and cross currency swaps to reduce its exposure to interest rate volatility and the duration of such interest rate swaps and cross currency swaps do not exceed the tenor of the underlying debt.

At December 31, 2016, the Group had interest rate swaps and cross currency swaps with an aggregate notional amount of S\$1,677,395,000 (2015: S\$1,197,097,000), of which S\$1,619,167,000 (2015: S\$1,135,153,000) was designated as cash flow hedges. The Group receives a variable interest rate and pays a fixed rate interest ranging from 0.98% to 13.05% (2015: 0.98% to 13.05%) per annum on the notional amount. Interest rate swaps with notional amounts of S\$506,231,000 (2015: S\$326,000,000) are taken with a related corporation.

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Year ended December 31, 2016

36. 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	100 bp	100 bp	100 bp
	Increase	Decrease	Increase	Decrease
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
December 31, 2016				
Variable rate financial instruments	(30,762)	30,762	32,269	(32,603)
December 31, 2015				
Variable rate financial instruments	(5,452)	5,452	27,479	(28,063)
Company				
December 31, 2016				
Variable rate financial instruments	3,850	(3,850)	–	–
December 31, 2015				
Variable rate financial instruments	3,231	(3,231)	–	–

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), Pounds Sterling (GBP), Indian Rupee (INR) and Brazilian Real (BRL). Such risks are hedged either by forward foreign exchange contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount.

The Group's investments in its United Kingdom (UK) subsidiaries are hedged by GBP / SGD Cross Currency Swaps with notional amount of S\$333,758,000 (2015: S\$333,758,000), which mitigates the currency risks arising from the subsidiaries' net assets. The Group's investments in its Middle East (ME) subsidiaries are hedged by a USD / SGD foreign exchange swap contract with a notional amount of S\$26,615,000 (2015: S\$73,024,000). On consolidation, the effective portions of the fair value gain of S\$59,810,000 (2015: Fair value loss of S\$8,859,000), fair value loss of S\$637,000 (2015: S\$2,263,000) arising from the GBP / SGD Cross Currency Swaps, and USD / SGD foreign exchange swap 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, 2016.

Foreign exchange forward contracts and cross currency swaps with notional amounts of S\$334,883,000 (2015: S\$270,275,000) and S\$339,607,000 (2015: S\$239,608,000) respectively are taken with a related corporation.

36. 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 foreign exchange swap contract that are designated as a hedge of the Group's net investments in its subsidiaries in UK and ME) as provided to the management of the Group based on its risk management policy was as follows:

	SGD	USD	EURO	GBP	INR	BRL	Others
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group							
2016							
Financial assets							
Cash and cash equivalents	47,566	434,208	37,387	241,385	–	–	23,873
Trade and other receivables	15,110	1,292,008	27,754	21,159	173,557	–	155,089
Due from customers on							
construction contracts	1,359	1,028,923	8,833	14,026	–	156,030	29,798
Other financial assets	–	23,277	–	–	20,475	–	–
	64,035	2,778,416	73,974	276,570	194,032	156,030	208,760
Financial liabilities							
Trade and other payables	108,561	747,675	58,088	72,266	9	36,690	101,922
Interest-bearing borrowings	–	1,275,228	–	–	–	–	5,640
	108,561	2,022,903	58,088	72,266	9	36,690	107,562
Net financial (liabilities) / assets	(44,526)	755,513	15,886	204,304	194,023	119,340	101,198
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(33,346)	336,546	(363,857)	389,118	–	(79,316)	14,165
Less: Foreign exchange forward contracts	32,208	(581,441)	57,853	(639,516)	(167,548)	–	(175,965)
Net currency exposure	(45,664)	510,618	(290,118)	(46,094)	26,475	40,024	(60,602)
2015							
Financial assets							
Cash and cash equivalents	39,168	358,377	26,467	92,757	–	–	12,368
Trade and other receivables	9,078	1,293,143	18,548	88,893	–	–	74,026
Due from customers on							
construction contracts	118	2,025,446	8,546	–	–	156,030	41,068
Other financial assets	–	27,463	–	–	32,725	–	–
	48,364	3,704,429	53,561	181,650	32,725	156,030	127,462
Financial liabilities							
Trade and other payables	157,324	917,885	107,485	81,905	49	51,284	94,624
Interest-bearing borrowings	–	1,387,029	–	–	–	–	14,037
	157,324	2,304,914	107,485	81,905	49	51,284	108,661
Net financial (liabilities) / assets	(108,960)	1,399,515	(53,924)	99,745	32,676	104,746	18,801
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(24,451)	(94,066)	(111,507)	213,944	(46,734)	(26,897)	(41,011)
Less: Foreign exchange forward contracts	23,209	(232,056)	117,000	(297,127)	46,734	–	(648)
Net currency exposure	(110,202)	1,073,393	(48,431)	16,562	32,676	77,849	(22,858)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. 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
	\$S'000	\$S'000	\$S'000	\$S'000
Company				
2016				
Financial assets				
Cash and cash equivalents	13,984	–	21	–
Trade and other receivables	126,128	–	52	–
Long-term trade receivables	–	–	–	–
	140,112	–	73	–
Financial liabilities				
Trade and other payables	36,080	22	217	285
Net financial assets / (liabilities)	104,032	(22)	(144)	(285)
Net currency exposure	104,032	(22)	(144)	(285)
2015				
Financial assets				
Cash and cash equivalents	19,350	–	20	–
Trade and other receivables	72,384	30	31	–
Long-term trade receivables	2,484	–	–	–
	94,218	30	51	–
Financial liabilities				
Trade and other payables	17,848	110	155	913
Net financial assets / (liabilities)	76,370	(80)	(104)	(913)
Net currency exposure	76,370	(80)	(104)	(913)

36. 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 and ignores any impact of firm commitments and highly probable forecast transactions in foreign currencies. The analysis is performed on the same basis for 2015.

	Group		Company	
	Equity	Profit before tax	Equity	Profit before tax
	\$S'000	\$S'000	\$S'000	\$S'000
2016				
SGD	2,644	(4,452)	–	–
USD	(14,930)	62,244	–	10,403
EURO	3,535	3,160	–	(2)
GBP	(38,718)	8,976	–	(14)
INR	(12,028)	600	–	–
BRL	–	11,934	–	–
Others	27	(4,270)	–	(29)
2015				
SGD	1,512	(10,422)	–	–
USD	(25,620)	126,921	–	7,637
EURO	27,106	(5,391)	–	(8)
GBP	(19,591)	4,984	–	(10)
INR	8,872	(5)	–	–
BRL	–	10,475	–	–
Others	489	1,228	–	(91)

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

a. Market risk (cont'd)

iii. Price risk

Unit trust and funds, and equity securities price risk

The Group is exposed to unit trust and funds, and 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 unit trust and funds, and equity securities increase by 10% with all other variables held constant, the increase in equity and profit before tax will be:

	Group	
	2016	2015
	S\$'000	S\$'000
Equity	19,117	27,450
Profit before tax	–	5,103

A 10% decrease in the underlying unit trust and funds, and equity securities prices would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2015 and assumes that all other variables remain constant.

Commodity risk

The Group hedges against fluctuations in commodity prices that affect revenue and cost. Exposures are managed via swaps and contracts for differences.

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. 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 and Dated Brent.

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	
	2016	2015
	S\$'000	S\$'000
Equity	12,806	8,426

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 2015 and assumes that all other variables remain constant.

36. Financial Instruments (cont'd)

a. Market risk (cont'd)

iii. Price risk (cont'd)

Notional amount

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

	Group	
	2016	2015
	Notional amount	Notional amount
	S\$'000	S\$'000
Fuel oil swap agreements	133,109	188,038

There is no fuel oil swap agreement taken with a related corporation in 2016. In 2015, fuel oil swaps with notional amounts of S\$331,000 are taken with a related corporation.

b. Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

As the Group and the Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each financial asset, including derivatives, 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	
		2016	2015	2016	2015
		S\$'000	S\$'000	S\$'000	S\$'000
By business activity					
Utilities		1,742,770	1,068,235	366,971	271,658
Marine		2,751,652	3,898,236	–	–
Urban Development		7,976	21,795	–	–
Others		82,736	99,439	–	–
		4,585,134	5,087,705	366,971	271,658
Loans and receivables					
Non-current*		664,696	385,771	200,000	137,484
Current		3,920,438	4,701,934	166,971	134,174
	8, 12	4,585,134	5,087,705	366,971	271,658

* Not past due.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

b. Credit risk (cont'd)

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

	Gross	Impairment	Gross	Impairment
	2016	2016	2015	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
Not past due	3,449,492	9,419	4,410,901	9,161
Past due 0 to 3 months	261,231	2,333	214,861	363
Past due 3 to 6 months	97,564	571	42,648	161
Past due 6 to 12 months	65,390	2,716	142,448	103,729
More than 1 year	272,818	211,018	99,112	94,622
	4,146,495	226,057	4,909,970	208,036

	Group		Company	
	2016	2015	2016	2015
	S\$'000	S\$'000	S\$'000	S\$'000
Company				
Not past due	113,109	–	67,718	–
Past due 0 to 3 months	3,309	–	19,755	–
Past due 3 to 6 months	351	–	13,157	–
Past due 6 to 12 months	2,403	–	52,032	19,519
More than 1 year	68,485	20,686	2,198	1,167
	187,657	20,686	154,860	20,686

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

	Group		Company	
	2016	2015	2016	2015
Note	S\$'000	S\$'000	S\$'000	S\$'000
Balance at January 1	226,873	36,423	20,686	1,603
Currency translation difference	9,000	3,249	–	–
Allowance made	9,683	205,128	–	19,172
Allowance utilised	(2,361)	(9,310)	–	(10)
Allowance written back	(7,948)	(6,905)	–	(79)
Acquisition of subsidiary	168	1,036	–	–
Disposal of subsidiary	–	(2,748)	–	–
Balance at December 31	8	235,415	20,686	20,686

In 2015, impairment losses amounting to S\$173,156,000 were related to two customers undergoing financial restructuring. In 2015, impairment losses of S\$24,969,000 related to a receivable that was not past due (based on rescheduled payment arrangement), of which S\$7,492,000 was written back in 2016 (being monies received).

The total net impairment losses of S\$1,735,000 (2015: S\$198,223,000) have been recognised in the general and administrative expenses.

The allowance account in respect of loans and receivables are 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. Apart from the above, no impairment allowance is necessary in respect of outstanding trade receivables.

36. Financial Instruments (cont'd)

c. Liquidity risk

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

The cash flows associated with the cash flow hedges of the Group are expected to occur within 1 year and between 1-5 years. Correspondingly, the cash flows related to the hedging instruments (foreign exchange contracts, fuel oil swaps, interest rate swaps, cross currency swaps and electricity future market contracts) that are designated as cash flows hedges are expected to impact profit and loss within 1 year, between 1-5 years and upon disposal of its investment in subsidiaries.

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

	Carrying amount	Cash Flows			Over 5 years
		Contractual cash flow	Less than 1 year	Between 1 and 5 years	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2016					
Derivatives					
Derivative financial liabilities	77,745				
– inflow		2,093,037	1,093,883	999,154	–
– outflow		(2,197,301)	(1,148,859)	(1,045,098)	(3,344)
Derivative financial assets	(122,407)				
– inflow		1,270,403	743,969	515,393	11,041
– outflow		(1,147,521)	(661,803)	(485,718)	–
Non-derivative financial liabilities					
Trade and other payables*	3,454,853	(3,454,853)	(3,341,692)	(35,208)	(77,953)
Put liability to acquire non-controlling interests	215,885	(215,885)	–	(215,885)	–
Interest-bearing borrowings	9,221,304	(12,491,711)	(2,594,864)	(5,569,862)	(4,326,985)
	12,847,380	(16,143,831)	(5,909,366)	(5,837,224)	(4,397,241)

* Excludes advance payments, deferred income, deferred grants, rental payable, Goods and Services Tax and employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. 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 1	Over
	amount	cash flow	1 year	and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2015					
Derivatives					
Derivative financial liabilities	247,238				
– inflow		2,067,024	1,699,078	367,946	–
– outflow		(2,316,712)	(1,884,455)	(432,195)	(62)
Derivative financial assets	(99,984)				
– inflow		1,273,717	1,175,743	92,439	5,535
– outflow		(1,171,406)	(1,100,535)	(70,871)	–
Non-derivative financial liabilities					
Trade and other payables*	3,362,571	(3,362,571)	(3,340,714)	(19,696)	(2,161)
Put liability to acquire non-controlling interests	193,113	(193,113)	–	(193,113)	–
Interest-bearing borrowings	6,832,949	(8,739,384)	(2,112,435)	(3,882,096)	(2,744,853)
	10,535,887	(12,442,445)	(5,563,318)	(4,137,586)	(2,741,541)
Company					
2016					
Non-derivative financial liabilities					
Trade and other payables*	400,513	(452,962)	(141,951)	(153,042)	(157,969)
Interest-bearing borrowings	–	–	–	–	–
	400,513	(452,962)	(141,951)	(153,042)	(157,969)
2015					
Non-derivative financial liabilities					
Trade and other payables*	394,922	(456,639)	(136,511)	(156,765)	(163,363)
Interest-bearing borrowings	3	(3)	(3)	–	–
	394,925	(456,642)	(136,514)	(156,765)	(163,363)

* Excludes advance payments, deferred income, deferred grants, rental payables, Goods and Services Tax and employee benefits.

36. 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 1	Over
	amount	cash flow	1 year	and 5 years	5 years
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group					
2016					
Derivative financial liabilities	53,451				
– inflow		1,376,080	376,926	999,154	–
– outflow		(1,451,071)	(403,158)	(1,044,944)	(2,969)
Derivative financial assets	(79,441)				
– inflow		691,700	510,472	180,772	456
– outflow		(613,513)	(447,678)	(165,835)	–
	(25,990)	3,196	36,562	(30,853)	(2,513)
2015					
Derivative financial liabilities	197,768				
– inflow		1,257,454	1,227,467	29,987	–
– outflow		(1,456,871)	(1,408,648)	(48,223)	–
Derivative financial assets	(32,377)				
– inflow		554,209	467,390	86,819	–
– outflow		(520,512)	(449,641)	(70,871)	–
	165,391	(165,720)	(163,432)	(2,288)	–
Company					
2016					
Derivative financial liabilities	326				
– inflow		28,038	28,038	–	–
– outflow		(28,364)	(28,364)	–	–
	326	(326)	(326)	–	–
2015					
Derivative financial liabilities					
– inflow		–	–	–	–
– outflow		–	–	–	–
		–	–	–	–

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Year ended December 31, 2016

36. 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. The electricity futures market was launched on April 1, 2015. There have been minimal trades made and the fair values of the electricity futures would need to be adjusted to reflect the illiquidity. The utilisation of valuation techniques involving prices from the electricity future market to compute the fair values of the CFDs will result in a wide range of estimated fair values. As such, it is determined that the fair value of the CFDs cannot be measured reliably. The CFDs are measured at cost at the measurement date. Upon settlement, the gains and losses for CFDs are taken to profit or loss.

Non-derivative non-current financial assets and liabilities

Carrying amount of non-derivative non-current financial assets and liabilities which bear floating interest are assumed to approximate their fair value because of the short period to repricing. Fair values determined for the remaining 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.

Fair value determined for the put liability is calculated based on the present value of the obligation computed based on the expected exercise price.

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

36. 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, 2016. 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.

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Group				
At December 31, 2016				
Available-for-sale financial assets	153,252	537	37,377	191,166
Derivative financial assets	–	126,553	–	126,553
	153,252	127,090	37,377	317,719
Put liability	–	–	(215,885)	(215,885)
Derivative financial liabilities	–	(77,745)	–	(77,745)
	153,252	49,345	(178,508)	24,089
At December 31, 2015				
Available-for-sale financial assets	239,524	500	34,477	274,501
Financial assets at fair value through profit or loss	–	–	51,033	51,033
Derivative financial assets	–	99,984	–	99,984
	239,524	100,484	85,510	425,518
Put liability	–	–	(193,113)	(193,113)
Derivative financial liabilities	–	(247,238)	–	(247,238)
	239,524	(146,754)	(107,603)	(14,833)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

e. Fair value hierarchy (cont'd)

Financial assets and liabilities carried at fair value (cont'd)

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	\$S'000	\$S'000	\$S'000	\$S'000
Company				
At December 31, 2016				
Derivative financial liabilities	–	326	–	326
	–	326	–	326
At December 31, 2015				
Derivative financial liabilities	–	–	–	–
	–	–	–	–

In 2016 and 2015, there have been no transfers between the different levels of the fair value hierarchy.

Level 3 fair values

i. Available-for-sale financial assets

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

	Available-for-sale \$S'000
Group	
At January 1, 2016	
Additions	34,477
Net change in fair value recognised in other comprehensive income	2,661
At December 31, 2016	239
	37,377
At January 1, 2015	
Additions	28,068
Net change in fair value recognised in other comprehensive income	1,652
At December 31, 2015	4,757
	34,477

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).

36. Financial Instruments (cont'd)

e. Fair value hierarchy (cont'd)

Financial assets and liabilities carried at fair value (cont'd)

Level 3 fair values (cont'd)

ii. Fair value through profit or loss financial assets

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

	Fair value through profit or loss \$S'000
Group	
At January 1, 2015	
Currency translation adjustments	52,431
Total loss recognised in profit or loss	1,424
	(2,822)
At December 31, 2015	51,033

As at December 31, 2016, the co-operative joint venture agreement relating to the investment in equity shares of the company has expired. The Group is in the process of transferring all its rights and interest to other shareholders.

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, 2015 included the following:

- Forecast coal prices growth at 10%; and
- Risk-adjusted discount rate at 22%.

Sensitivity analysis

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

	Profit or loss	
	Favourable	(Unfavourable)
	\$S'000	\$S'000
Group		
December 31, 2015		
Fair value through profit or loss	13,347	–

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.

In 2015, there is no unfavourable effect as there is a minimum return guaranteed to be received in 2016, when the co-operative joint venture agreement to the investment expires.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

e. Fair value hierarchy (cont'd)

Financial assets and liabilities carried at fair value (cont'd)

Level 3 fair values (cont'd)

iii. Put liability

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

	Put Liability S\$'000
Group	
At January 1, 2016	193,113
Net changes in present value recognised in capital reserve (Note 22(c))	22,772
At December 31, 2016	215,885

The valuation model considers the present value of the expected payment, discounted using the Company's cost of debt. Key inputs and assumptions used in the model include the Company's cost of debt with tenure of 1 to 2 years (2015: 2 to 3 years) at 7.1% (2015: 8.5%). The expected payment is determined by considering the exercise price on July 31, 2018.

Sensitivity analysis

If the cost of debt increases or decreases by 10% with all other assumptions held constant, the favourable / (unfavourable) impact to the equity statement is as follows:

	Equity	
	Favourable S\$'000	(Unfavourable) S\$'000
Group		
December 31, 2016		
Capital reserve	2,231	(2,269)
December 31, 2015		
Capital reserve	3,854	(3,964)

The estimated present value of put liability to acquire non-controlling interests would increase / (decrease) if the cost of debt decreases / (increases).

36. 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 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
Group				
At December 31, 2016				
Investment properties	–	58,328	32,465	90,793
Interests in an associate	327,633	–	–	327,633
Long-term service concession receivables	–	476,949	–	476,949
Due from customers on construction contracts	–	2,236,715	–	2,236,715
Long-term interest-bearing borrowings	–	(7,006,831)	–	(7,006,831)
At December 31, 2015				
Investment properties	–	21,600	37,083	58,683
Interests in an associate	341,030	–	–	341,030
Long-term service concession receivables	–	232,620	–	232,620
Long-term trade receivables	–	2,305	–	2,305
Due from customers on construction contracts	–	3,320,849	–	3,320,849
Long-term interest-bearing borrowings	–	(4,995,230)	–	(4,995,230)
Company				
At December 31, 2016				
Interest in a subsidiary	1,758,494	–	–	1,758,494
Amounts due from related parties	–	198,276	–	198,276
At December 31, 2015				
Interest in a subsidiary	2,229,974	–	–	2,229,974
Long-term trade receivables	–	2,305	–	2,305
Amounts due from related parties	–	135,879	–	135,879

* 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, frequent pricing and where the effect of discounting is immaterial.

In 2015, there was a transfer of S\$21,600,000 pertaining to an investment property from Level 3 to Level 2 due to a change in the fair value of the investment property from a combination of direct comparison method and investment income method to direct comparison method.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

f. Fair value versus carrying amounts

	Note	Fair value				Other financial	Other financial	Total	Fair value
		Designated at fair value	– hedging instruments	Available- for-sale	Loans and receivables	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	
Group									
December 31, 2016									
Cash and cash equivalents	14	–	–	–	1,882,547	–	–	1,882,547	1,882,547
Trade receivables	8	–	–	–	951,200	–	–	951,200	951,200
Service concession receivables	8	–	–	–	472,914	–	–	472,914	476,949
Other loans and receivables*	8	–	–	–	691,866	–	–	691,866	691,866
Amounts due from related parties	9	–	–	–	181,781	–	–	181,781	181,781
Due from customers on construction contracts	12	–	–	–	2,242,882	–	–	2,242,882	2,236,715
Available-for-sale financial assets:									
– Equity shares	7	–	–	151,151	–	–	–	151,151	148,509
– Unit trusts and funds	7	–	–	42,657	–	–	–	42,657	42,657
Financial assets at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	7	18,829	–	–	–	–	–	18,829	18,829
– Cross currency swaps	7	10,533	–	–	–	–	–	10,533	10,533
– Interest rate swaps	7	52	–	–	–	–	–	52	52
– Foreign exchange swap contracts	7	228	–	–	–	–	–	228	228
– Electricity futures market contracts	7	40	–	–	–	–	–	40	40
Hedge of net investment in foreign operations:									
– Cross currency swaps	7	–	13,284	–	–	–	–	13,284	13,284
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	47,031	–	–	–	–	47,031	47,031
– Fuel oil swaps	7	–	29,929	–	–	–	–	29,929	29,929
– Interest rate swaps	7	–	2,481	–	–	–	–	2,481	2,481
Fair value hedges:									
– Forward foreign exchange contracts	7	–	4,146	–	–	–	–	4,146	4,146
		29,682	96,871	193,808	6,423,190	–	–	6,743,551	6,738,777

* Excludes Goods and Services Tax.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

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

	Note	Fair value				Other financial	Other financial	Total	Fair value
		Designated at fair value	– hedging instruments	Available- for-sale	Loans and receivables	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		
Group									
December 31, 2016									
Trade payables	15	–	–	–	–	2,305,645	–	2,305,645	2,305,645
Amounts due to non-controlling interests**	15	–	–	–	–	279	–	279	279
Other payables**	15	–	–	–	–	1,025,948	–	1,025,948	1,025,948
Other long-term payables**	15	–	–	–	–	23,106	–	23,106	19,112
Amounts due to related parties**	16	–	–	–	–	9,820	–	9,820	9,820
Financial liabilities at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	18	17,475	–	–	–	–	–	17,475	17,475
– Foreign exchange swap contracts	18	5,161	–	–	–	–	–	5,161	5,161
– Interest rate swaps	18	63	–	–	–	–	–	63	63
– Electricity futures market contracts	18	237	–	–	–	–	–	237	237
– Forward foreign option contracts	18	314	–	–	–	–	–	314	314
– Cross currency swaps	18	1,044	–	–	–	–	–	1,044	1,044
Cash flow hedges:									
– Interest rate swaps	18	–	4,418	–	–	–	–	4,418	4,418
– Forward foreign exchange contracts	18	–	32,026	–	–	–	–	32,026	32,026
– Fuel oil swaps	18	–	8,747	–	–	–	–	8,747	8,747
– Cross currency swap	18	–	8,217	–	–	–	–	8,217	8,217
– Electricity futures market contracts	18	–	43	–	–	–	–	43	43
Put liability to acquire non-controlling interests	18	–	–	–	–	215,885	–	215,885	215,885
Interest-bearing borrowings:									
– Short-term borrowings	20	–	–	–	–	2,125,087	–	2,125,087	2,125,087
– Long-term borrowings	20	–	–	–	–	7,093,369	–	7,093,369	7,006,831
– Finance lease liabilities	20	–	–	–	–	–	2,848	2,848	2,848
		24,294	53,451	–	–	12,799,139	2,848	12,879,732	12,789,200

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax, rental payables, and employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

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

	Note	Fair value				Other financial	Other financial	Total	Fair value
		Designated at fair value	– hedging instruments	Available- for-sale	Loans and receivables	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	amount SS'000	SS'000		
Group									
December 31, 2015									
Cash and cash equivalents	14	–	–	–	1,606,488	–	–	1,606,488	1,606,488
Trade receivables	8	–	–	–	850,633	–	–	850,633	850,454
Service concession receivables	8	–	–	–	240,035	–	–	240,035	244,384
Amounts due from non-controlling interests	8	–	–	–	75,414	–	–	75,414	75,414
Other loans and receivables*	8	–	–	–	365,877	–	–	365,877	365,877
Amounts due from related parties	9	–	–	–	183,359	–	–	183,359	181,590
Due from customers on construction contracts	12	–	–	–	3,325,798	–	–	3,325,798	3,320,849
Available-for-sale financial assets:									
– Equity shares	7	–	–	244,155	–	–	–	244,155	236,509
– Unit trusts and funds	7	–	–	37,992	–	–	–	37,992	37,992
Financial assets at fair value through profit or loss, on initial recognition:									
– Equity shares	7	51,033	–	–	–	–	–	51,033	51,033
– Forward foreign exchange contracts	7	56,253	–	–	–	–	–	56,253	56,253
– Foreign exchange swap contracts	7	77	–	–	–	–	–	77	77
– Cross currency swaps	7	11,155	–	–	–	–	–	11,155	11,155
Hedge of net investment in foreign operations:									
– Forward foreign exchange contracts	7	–	122	–	–	–	–	122	122
Cash flow hedges:									
– Forward foreign exchange contracts	7	–	19,406	–	–	–	–	19,406	19,406
– Fuel oil swaps	7	–	132	–	–	–	–	132	132
– Interest rate swaps	7	–	12,839	–	–	–	–	12,839	12,839
		118,518	32,499	282,147	6,647,604	–	–	7,080,768	7,070,574

* Excludes Goods and Services Tax.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

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

	Note	Fair value				Other financial	Other financial	Total carrying amount	Fair value
		Designated at fair value	– hedging instruments	Available-for-sale	Loans and receivables	liabilities within the scope of	liabilities outside the scope of		
						FRS 39	FRS 39		
SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000		
Group									
December 31, 2015									
Trade payables	15	–	–	–	–	2,668,166	–	2,668,166	2,668,166
Amounts due to non-controlling interests**	15	–	–	–	–	989	–	989	989
Other payables**	15	–	–	–	–	666,894	–	666,894	666,894
Other long-term payables**	15	–	–	–	–	21,857	–	21,857	18,810
Amounts due to related parties**	16	–	–	–	–	4,665	–	4,665	4,665
Financial liabilities at fair value through profit or loss, on initial recognition:									
– Forward foreign exchange contracts	18	873	–	–	–	–	–	873	873
– Foreign exchange swap contracts	18	1,318	–	–	–	–	–	1,318	1,318
– Interest rate swaps	18	157	–	–	–	–	–	157	157
Hedge of net investment in foreign operations:									
– Foreign exchange swap contracts	18	–	596	–	–	–	–	596	596
– Cross currency swaps	18	–	46,526	–	–	–	–	46,526	46,526
Cash flow hedges:									
– Forward foreign exchange contracts	18	–	108,439	–	–	–	–	108,439	108,439
– Interest rate swaps	18	–	2,675	–	–	–	–	2,675	2,675
– Fuel oil swaps	18	–	86,654	–	–	–	–	86,654	86,654
Put liability to acquire non-controlling interests	18	–	–	–	–	193,113	–	193,113	193,113
Interest-bearing borrowings:									
– Short-term borrowings	20	–	–	–	–	1,800,320	–	1,800,320	1,800,320
– Long-term borrowings	20	–	–	–	–	5,031,866	–	5,031,866	4,995,230
– Finance lease liabilities	20	–	–	–	–	–	763	763	763
		2,348	244,890	–	–	10,387,870	763	10,635,871	10,596,188

** Excludes advance payments, deferred income, deferred grants, Goods and Services Tax, rental payables, and employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

36. Financial Instruments (cont'd)

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

	Note	Fair value		Other financial liabilities		Total carrying amount	Fair value
		- hedging instruments	Loans and receivables	Other financial liabilities			
				within the scope of			
				FRS 39	FRS 39		
		SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
Company							
December 31, 2016							
Cash and cash equivalents	14	-	389,905	-	-	389,905	389,905
Trade receivables	8	-	77,744	-	-	77,744	77,744
Other loans and receivables*	8	-	83,838	-	-	83,838	83,838
Amounts due from related parties	9	-	205,355	-	-	205,355	203,631
		-	756,842	-	-	756,842	755,118
Trade payables	15	-	-	8,790	-	8,790	8,790
Other payables**	15	-	-	119,627	-	119,627	119,627
Amounts due to related parties	16	-	-	249,319	-	249,319	243,835
Cash flow hedges:							
- Forward foreign exchange contracts	18	326	-	-	-	326	326
		326	-	377,736	-	378,062	372,578
December 31, 2015							
Cash and cash equivalents	14	-	325,831	-	-	325,831	325,831
Trade receivables	8	-	81,003	-	-	81,003	80,824
Other loans and receivables*	8	-	41,914	-	-	41,914	41,914
Amounts due from related parties	9	-	148,741	-	-	148,741	149,620
		-	597,489	-	-	597,489	598,189
Trade payables	15	-	-	4,318	-	4,318	4,318
Other payables**	15	-	-	98,106	-	98,106	98,106
Amounts due to related parties	16	-	-	270,854	-	270,854	269,143
Cash flow hedges:							
- Forward foreign exchange contracts	18	-	-	-	-	-	-
Interest-bearing borrowings:							
- Finance lease liabilities	20	-	-	-	3	3	3
		-	-	373,278	3	373,281	371,570

* Excludes Goods and Services Tax.

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

36. 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's debt-to-capitalisation ratio as at the balance sheet was as follows:

	Group	
	2016	2015
	SS'000	SS'000
Debt	9,221,304	6,832,949
Total equity	8,162,714	8,043,494
Total debt and equity	17,384,018	14,876,443
Debt-to-capitalisation ratio	0.53	0.46

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

Some of its subsidiaries are required to retain certain consolidated net borrowings to its consolidated net assets. These externally imposed capital requirements have been complied with as at the respective reporting dates.

37. Contingent Assets / 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.

Contingent Assets

Group

Two of the Group's entities in India suffered asset damage and coal loss as a result of the cyclone that occurred in November 2015. As at December 31, 2015, these entities have reported losses to be claimed from the respective insurers. As at December 31, 2016, a portion of insurance claims had been received, with the remaining expected to be received after 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

37. Contingent Assets / Liabilities (Unsecured) (cont'd)

Contingent Liabilities

Group

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

	Group	
	2016	2015
	S\$'000	S\$'000
Guarantees given to banks to secure banking facilities provided to:		
– Joint ventures	517,416	1,135,887
– Others	35,139	3,154
Performance guarantees to external parties	518,857	234,492

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

	Group	
	2016	2015
	S\$'000	S\$'000
Less than 1 year	139,151	577,595
Between 1 to 5 years	325,785	264,708
More than 5 years	87,619	296,738
	552,555	1,139,041

- A Wayleave Agreement was entered into between Sembcorp Gas Pte Ltd (SembGas) and the Government of Singapore with respect to certain pipelines where SembGas would indemnify the Government of Singapore against all claims, actions, demands, proceedings, liabilities, damages, costs and expenses arising out of or in connection with any occurrence during the use, maintenance or operations of these pipelines. No such claim has arisen to date.
- Certain of the Group's subsidiaries are involved in litigations and land disputes in India as at the year end. Due to the nature of these disputes and also in view of the uncertainty of the outcome, the Group believes that the amount of exposure cannot currently be determinable.

37. Contingent Assets / Liabilities (Unsecured) (cont'd)

Contingent Liabilities (cont'd)

Group (cont'd)

- In the previous year, a customer, Marco Polo Drilling (I) Pte. Ltd. (MPD), alleged that a subsidiary of the Group has not complied with certain of its material contractual obligations and purported to terminate the contract and consequently sought refund of 50% of the initial instalment amounting to S\$30,094,000 (US\$21,430,000) along with related interest charges. The subsidiary terminated the contract after MPD continued not to make payment of the residual balance 50% of the initial instalment, which has been due since February 2014.

The subsidiary continues to disagree with MPD's allegations and strongly believes its contractual right to payment extends to the full initial instalment received and receivable from MPD.

No provision for refund has been recognised because the subsidiary believes it is contractually entitled to retain these monies.

The remaining 50% of the initial instalment has not been recognised as at the reporting date because it does not fulfil the "virtually certain" threshold in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The Group views this as a "contingent asset".

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\$3,530 million (2015: S\$3,618 million), which include S\$1,099 million (2015: S\$1,190 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	2016	2015
	S\$'000	S\$'000
Less than 1 year	194,952	91,494
Between 1 to 5 years	453,628	548,580
More than 5 years	450,000	550,000
	1,098,580	1,190,074

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

37. Contingent Assets / Liabilities (Unsecured) (cont'd)

Contingent Liabilities (cont'd)

Company (cont'd)

- b. The Company has provided corporate guarantees of S\$79.8 million (2015: S\$81.2 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.

38. Commitments

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

	Group	
	2016 S\$'000	2015 S\$'000
- Commitments in respect of contracts placed	761,562	672,949
- Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments	112,266	182,362
	873,828	855,311

At the balance sheet date, commitments in respect of payments for non-cancellable operating leases mainly for land and buildings, with a term of more than one year are as follows:

	Group		Company	
	2016 S\$'000	2015 S\$'000	2016 S\$'000	2015 S\$'000
Lease payments due:				
Within 1 year	38,138	38,613	9,406	9,885
Between 1 and 5 years	112,377	117,824	29,999	23,912
After 5 years	453,188	478,180	45,572	56,446
	603,703	634,617	84,977	90,243

Lease payments on the above leases are usually adjusted annually to reflect market rentals.

There are no significant contingent rentals on the above leases.

38. 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. In 2013, TPCIL entered into a 20-year agreement with Mahanadi Coalfields Limited, to purchase a 2.54 million metric tonnes at the price governed by local government authority.

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

	Group	
	2016 S\$'000	2015 S\$'000
Lease receivable:		
Within 1 year	72,980	72,231
Between 1 and 5 years	43,572	112,104
More than 5 years	2,898	1,235
	119,450	185,570

39. Segment Reporting

a. Operating Segments

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

- i. The Utilities segment's principal activities are in the provision of energy and water to industrial, commercial and municipal customers. Key activities in the energy sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering, and procurement services.
- ii. The Marine segment focuses principally on providing integrated solutions for the offshore and marine industry. Key capabilities include rigs & floaters; repairs & upgrades; offshore platforms and specialised shipbuilding.
- iii. The Urban Development segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia.
- iv. The Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

39. Segment Reporting (cont'd)

a. Operating Segments (cont'd)

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

	Utilities	Marine	Urban	Others /	Elimination	Total
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
2016						
Turnover						
External sales	4,111,054	3,544,155	7,051	244,788	–	7,907,048
Inter-segment sales	21,829	661	4,173	31,248	(57,911)	–
Total	4,132,883	3,544,816	11,224	276,036	(57,911)	7,907,048
Results						
Segment results	632,980	205,871	(11,923)	(43,020)	–	783,908
Finance income	23,495	7,922	214	52,591	(53,804)	30,418
Finance costs	(318,332)	(88,651)	(2,933)	(45,897)	53,804	(402,009)
Share of results of associates and joint ventures, net of tax	338,143	125,142	(14,642)	(36,326)	–	412,317
Tax expense	104,241	(35,134)	50,315	5,699	–	125,121
Non-controlling interests	442,384	90,008	35,673	(30,627)	–	537,438
Net profit / (loss) for the year	348,028	48,261	33,298	(34,698)	–	394,889
Assets						
Segment assets	11,080,613	9,335,419	371,503	1,795,808	(2,115,609)	20,467,734
Interests in associates and joint ventures	903,769	74,816	668,392	98,772	–	1,745,749
Tax assets	54,722	20,572	927	531	–	76,752
Total assets	12,039,104	9,430,807	1,040,822	1,895,111	(2,115,609)	22,290,235
Liabilities						
Segment liabilities	7,167,664	6,680,087	273,475	1,530,002	(2,115,609)	13,535,619
Tax liabilities	453,127	124,522	1,530	12,723	–	591,902
Total liabilities	7,620,791	6,804,609	275,005	1,542,725	(2,115,609)	14,127,521
Capital expenditure	582,807	419,879	5,117	15,946	–	1,023,749
Significant non-cash items						
Depreciation and amortisation	282,439	159,457	2,325	9,492	–	453,713
Allowance for / (Write-back of) impairment in value of assets and assets written off (net)	4,904	23,397	(1,029)	57,769	–	85,041
(Write-back of) / Allowance for doubtful debts and bad debts	(371)	5,255	35	(248)	–	4,671
Gain on disposal of investments in subsidiary, joint ventures and associate	(34,572)	(186)	–	–	–	(34,758)

39. Segment Reporting (cont'd)

a. Operating Segments (cont'd)

	Utilities	Marine	Urban	Others /	Elimination	Total
	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000	\$S'000
2015						
Turnover						
External sales	4,227,353	4,967,438	7,949	341,881	–	9,544,621
Inter-segment sales	31,098	694	4,224	2,057	(38,073)	–
Total	4,258,451	4,968,132	12,173	343,938	(38,073)	9,544,621
Results						
Segment results	825,849	(168,569)	(6,999)	(25,002)	–	625,279
Finance income	21,953	10,813	236	51,942	(52,088)	32,856
Finance costs	(194,555)	(46,775)	(2,631)	(46,111)	52,088	(237,984)
Share of results of associates and joint ventures, net of tax	653,247	(204,531)	(9,394)	(19,171)	–	420,151
Tax (expense) / credit	121,657	(173,499)	45,517	12,524	–	6,199
Non-controlling interests	774,904	(378,030)	36,123	(6,647)	–	426,350
Net profit / (loss) for the year	701,470	(176,439)	33,490	(9,666)	–	548,855
Assets						
Segment assets	8,386,532	8,862,186	409,377	1,687,124	(1,863,931)	17,481,288
Interests in associates and joint ventures	1,287,580	328,030	632,810	100,837	–	2,349,257
Tax assets	57,271	27,392	–	284	–	84,947
Total assets	9,731,383	9,217,608	1,042,187	1,788,245	(1,863,931)	19,915,492
Liabilities						
Segment liabilities	5,074,185	6,442,885	226,872	1,480,597	(1,863,931)	11,360,608
Tax liabilities	403,109	91,594	1,951	14,736	–	511,390
Total liabilities	5,477,294	6,534,479	228,823	1,495,333	(1,863,931)	11,871,998
Capital expenditure	535,693	904,891	682	7,011	–	1,448,277
Significant non-cash items						
Depreciation and amortisation	261,731	132,165	1,711	9,354	–	404,961
Allowance made for impairment in value of assets and assets written off (net)	70,685	20,122	19	34,538	–	125,364
Allowance made / (Written back) for doubtful debts and bad debts	47,589	153,894	37	(50)	–	201,470
Work-in-progress written down	–	85,518	–	–	–	85,518
Provision for foreseeable losses on construction work-in-progress	–	277,961	–	–	–	277,961
Gain on disposal of investments in subsidiary, joint ventures and associate	(425,566)	–	–	–	–	(425,566)

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

39. Segment Reporting (cont'd)

b. Geographical Segments

The Group's geographical segments are presented in ten principal geographical areas: Singapore, China, India, Rest of Asia, Middle East & Africa, UK, Rest of Europe, Brazil, U.S.A and Other Countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

	Singapore	China	India	Rest of Asia	Middle East & Africa	UK	Rest of Europe	Brazil	U.S.A	Other Countries	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2016											
Revenue from external customers	2,963,985	193,212	848,705	558,067	111,813	915,726	1,482,631	83,942	697,744	51,223	7,907,048
Total assets	10,014,848	2,069,257	6,249,517	1,211,123	448,804	261,289	451,270	1,392,270	7,292	184,565	22,290,235
Non-current assets	4,508,611	1,428,532	5,195,087	1,022,156	440,916	144,637	398,681	1,346,186	5,282	175,916	14,666,004
Capital expenditure	269,123	118,965	369,211	23,128	9,515	10,580	61	193,331	8	29,827	1,023,749
2015											
Revenue from external customers	3,727,411	165,952	456,871	394,983	105,884	465,764	2,658,376	89,466	1,403,199	76,715	9,544,621
Total assets	10,515,550	1,935,721	4,140,771	1,022,301	451,242	334,314	261,054	1,083,112	7,182	164,245	19,915,492
Non-current assets	4,533,966	1,534,751	3,487,111	762,070	392,469	201,197	238,003	1,011,258	5,089	141,889	12,307,803
Capital expenditure	559,864	79,954	308,814	15,442	5,229	18,122	–	449,692	112	11,048	1,448,277

40. 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 non-financial assets

The Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangible assets are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

This requires an estimation of the value in use of the cash-generating units to which the non-financial assets are 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 non-financial assets are disclosed in Note 3 and 10.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

b. Taxes

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, 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 27.

c. Pension assumptions

The Group has decided on certain principal actuarial assumptions, as detailed in Note 19, 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.

e. Provision for restoration costs

The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration provisions. Those estimates and assumptions deal with uncertainties such as: changes to the relevant legal and regulatory framework; the timing, extent and costs required. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provisions recognised are periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the asset and provision. Such changes give rise to a change in future depreciation and interest charges.

f. Fair value measurement

The Group has made certain assumptions in estimating fair values which are defined in Note 2(ac).

g. Provisions and contingent liabilities

Estimates of the Group's obligations arising from contracts or regulations 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.

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 17.

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

Key sources of estimation uncertainty *(cont'd)*

g. Provisions and contingent liabilities *(cont'd)*

Contingent liabilities

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 17 and Note 37 respectively.

h. Determination of net realisable value of inventories

The net realisable value of certain inventories is estimated by reference to latest quotations, independent brokers' valuations and discounted cash flow model. However, such net realisable value estimated (where a reasonably possible range of outcomes are possible), may not be the actual realisable value, given the limited transactions involving the sale and purchase of oil rigs in recent times. In addition, the conventional methods of valuation are inherently difficult to apply, as a result of the volatility and illiquidity of the market, and limited actual number of transactions. A combination of valuation techniques are typically adopted with no singular valuation technique being preferred, resulting in the wider range of valuation outcomes observed. Such uncertainties may significantly affect the eventual net realisable value of inventories; and there is a significant risk of a material adjustment to the carrying amounts of inventories in future periods.

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 infrastructure construction contract, rigs & floaters, repairs & upgrades and offshore platforms 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 infrastructure construction contract, ship and rig repair, building and conversion is disclosed in Note 25.

Judgement is also required in determining the triggering point of suspension of revenue recognition or changes to the percentage of revenue recognised when it is no longer probable that inflow of economic benefits associated with the contracts will occur or as a result of contract modifications. Such considerations include the Group's assessment of the credit-worthiness of customers, contract modifications and an evaluation of the contract performance obligations discharged by the customers.

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 the contract price and 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

Critical accounting judgements in applying the Group's accounting policies (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 – Trade and Other Receivables

In assessing whether there is any objective evidence that its investment in available-for-sale financial assets is impaired, the Group takes into consideration whether there is a significant or prolonged decline in the fair value of its investment, alongside with other considerations such as volatility of the share price relative to general stock indices, analysts' reports on outlook of the underlying security, and other qualitative factors such as the financial performance of the investment.

d. Impairment assessment of property, plant and equipment and associates

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.

Impairment assessment of the Group's shipyards

Owing to the continuing sluggish market conditions impacting the offshore and marine sector, there was an indication that the Group's subsidiary, Sembcorp Marine Ltd's (SCM) shipyards (the "cash generating units" (CGU)) might be impaired. Under the Group's formal impairment assessment of the individual CGUs in: (i) Singapore (yards in Singapore, together with their sub-contracting shipyards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual CGUs were determined using the value in use calculations.

The value in use calculation for the Group's CGUs used discounted cash flow projections which took into account management's assessment of the forecasted orderbook over a period of 5 years and 10 years for Singapore and Brazil (the "projection periods"), respectively, with applicable growth rates for Singapore and Brazil, respectively, beyond the projection periods (up to a maximum of 40 years). The forecasted orderbook and the related project margins are the key drivers supporting the recoverable amounts. The projected cash flows are supported by the Group's historical experience, market observable data surrounding the oil majors' capital commitment in oil and gas production and exploration activities, market expectations and developments for contract order prices, and other external analysts' forecast reports. These cash flows are then discounted using the applicable discount rates based on their weighted average cost of capital of 9.7% (2015: 9.4%) and 15.9% (2015: 16.5%) for the Singapore CGU and for Brazil CGU respectively; and the Group assessed that no impairment loss is required for all these individual CGUs.

The forecasted orderbook and the forecasted margins assumed in the value in use calculation are, however, subject to estimation uncertainties that may have a significant risk of resulting in material adjustments in any future periods affected.

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

Critical accounting judgements in applying the Group's accounting policies (cont'd)

d. Impairment assessment of property, plant and equipment and associates *(cont'd)*

The estimation uncertainties of the forecasted orderbook of the Singapore CGU are, however, reduced by a certain level of orderbooks already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining uncommitted orderbook, and forecast project margins, that may result in significant adjustments in the future periods.

Certain phases of the Brazil CGU are presently undergoing yard construction and the yard will gradually ramp up to its full operational capacity. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil and accordingly, prepared a 10 year cash flow projection. Changes in the recoverable amount are sensitive to impairment losses if the forecast orderbook and the forecasted margins beyond the near term were to deviate significantly from the original forecast. The recoverable amount of the Brazil CGU is further subject to political risk and will be reviewed at regular intervals.

Impairment assessment of the Group's marine vessel

In estimating the recoverable amount of the marine accommodation vessel, the Group assumed a post-contractual renewal rate subject to a certain level of discount from the existing contractual rate and operating at 95% utilisation rate throughout the cash flow periods. The assumed renewal rate, after the contract expires in 2018 and the assumed utilisation rate, however, continue to be subject to estimation uncertainty that may result in material adjustments on the vessel's recoverable amounts in future periods.

Impairment assessment of the Group's associate

The recoverable amount of the interest in an associate was estimated based on its value in use. In estimating the recoverable amount, the Group applied the relief from royalty method to value the existing intellectual properties owned by the associate. As the associate is a new start-up with various intellectual properties at different stages of their business life cycles, the discount rates applied by the Group range from 20% to 21%, to reflect the higher risks inherent in the forecasted cash flows. Any significant changes to these forecasted cash flows, caused by changes in the risk of returns of the various intellectual properties may result in material adjustments on the associate's recoverable amounts in future periods.

e. Classification of development properties

In assessing the classification of development properties, management considers its intention with regards to the use of the properties, i.e. held with the intention of development and sale in the ordinary course of business or for rental and capital appreciation. Where there is a change in intended use, a change in classification may be required.

41. Subsequent Events

- i. On January 25, 2017, the Group announced that its power plant in Chongqing has successfully commenced full commercial operation following the completion of its second 660-megawatt unit. The 1,320-megawatt coal-fired plant comprises two units of 660 megawatts each, with the first unit completed in November 2016. The approximately RMB 4.67 billion (S\$966.5 million) power plant is developed by Chongqing Songzao Electric Power, a 49:51 joint venture between Sembcorp's wholly-owned subsidiary Sembcorp (China) Holding Co and Chongqing Energy Investment Group's subsidiary Chongqing Songzao Coal and Power.
- ii. On January 30, 2017, Sembcorp Marine announced the completion of disposal of shares in Cosco Shipyard Group Co (CSG). The relevant Chinese regulatory authorities have approved the sale of shares in CSG to China Ocean Shipping (Group) Company (COSCO) and a new Foreign-Investment Enterprise Certificate was issued on January 19, 2017. Parties will finalise payment arrangements within the stipulated time under the sale and purchase agreement. This is expected to be completed by the first quarter of 2017. The Group's effective share of the divestment gain is approximately S\$29 million.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

42. New or Revised Accounting Standards and Interpretations

New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016, and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, management has completed its preliminary assessment and will perform detailed analysis on certain available policy choices, transitional optional exemptions and practical expedients. The Group does not plan to adopt these standards early.

Applicable to 2017 financial statements

Summary of the requirements	Potential impact on the financial statements
Amendments to FRS 12 Income Tax	Recognition of deferred tax assets for unrealised losses Provide guidance on recognition of deferred tax asset that is related to a debt instrument measured at fair value.
Amendments to FRS 7 Statement of Cash Flows	Disclosure initiative To include a reconciliation of liabilities arising from financing activities.

Applicable to 2018 financial statements

Amendments

Summary of the requirements	Potential impact on the financial statements
Amendments to FRS 102 Share-Based Payment	Classification and Measurement of Share-Based Payment Transactions Provide clarification on treatment of cash-settled share-based payments to follow the same approach as equity-settled share-based payment.
Amendments to FRS 40 Investment Property	Transfer of Investment Property Provide guidance that property under construction or development, previously classified as inventory can be transferred to investment property when there is a change in use.
INT FRS 122 Foreign Currency Transactions and Advance Consideration	Provide guidance on how to determine what exchange rate to use in circumstances when the company received or paid advance consideration in foreign currencies.

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.

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

New standards

Summary of the requirements	Potential impact on the financial statements
FRS 115 Revenue from Contracts with Customers	During 2016, the Group performed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group expects the following key changes: Identification of performance obligations, timing of revenue recognition, and financing component of long-term contracts The Group currently recognises revenue from long-term contracts using the percentage of completion method. On adoption of FRS 115, the Group expects most of its long-term contracts from its rig & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding under Marine's operating segment and other infrastructure construction, to constitute a single performance obligation, due to the inter-dependence of services promised in these contracts. The Group expects to continue to recognise revenue on these long-term contracts over time when building a specialised asset according to customer order, and when the Group has an enforceable right to payment for performance completed to date. As most of these long-term contracts stipulate milestone payments according to the progress of project completion, the revenues recognised over time should approximate the cash revenues; and as such, any financing component included therein is not significant. Advance payments received from customers to fund the early construction of customer's asset, and if utilised within the 12 months period, will not result in any significant financing charges. Where the long-term contracts do not provide a continuous transfer of control of the asset to customer due to non-enforceability of right to payment for performance completed to date, the Group would defer revenue till project completion. In such cases, the contract revenue would also contain a significant financing component. Contract modifications and Variable consideration – The Group currently recognises revenue in relation to the sale of electricity at the fair value of the consideration received or receivable, net of returns, trade discounts, rebates, incentives and penalties provided the level of expected return of goods and amount of trade discounts and volume rebates can be estimated reliably. Such clauses represent variable consideration under FRS 115 and revenue is recognised to the extent that there would be no significant reversal in the future. The Group's long-term contracts may be subject to modifications including changes in scope or price. Because the services in a contract are inter-related, any contract modification is not likely to result in a separate contract. When there is a variable consideration, the additional revenue will be recognised only when the modification is approved. The accounting of contract modifications is not expected to give rise to any material change in revenue recognition. Transition – The Group plans to adopt the standard when it becomes effective in 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients.
FRS 115 Revenue from Contracts with Customers	FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 <i>Revenue</i> , FRS 11 <i>Construction Contracts</i> , INT FRS 113 <i>Customer Loyalty Programmes</i> , INT FRS 115 <i>Agreements for the Construction of Real Estate</i> , INT FRS 118 <i>Transfers of Assets from Customers</i> and INT FRS 31 <i>Revenue – Barter Transactions Involving Advertising Services</i> . FRS 115 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

New standards *(cont'd)*

Summary of the requirements

FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at January 1, 2018.

Potential impact on the financial statements

During 2016, the Group performed its initial assessment of the impact on the Group's financial statements.

The Group's initial assessment of the three elements of FRS 109 is as described below.

Classification and measurement – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109. The expected classification and measurement of these financial assets under FRS 109 is summarised below:

- A significant portion of the AFS equity securities, unit trusts and funds are held as long-term investments. The remaining portion of the AFS equity securities may be sold from time to time for liquidity management. The Group expects to classify these as financial assets subsequently measured at fair value through profit or loss (FVTPL).

Impairment – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 115. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements.

Hedge accounting – The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

Transition – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information. The Group will perform detailed analysis of certain available policy choices and other refinements as described above.

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

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on May 29, 2014, that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending December 31, 2018, onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group will perform detailed analysis of certain available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analysis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

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

Convergence with International Financial Reporting Standards (IFRS)

Applicable to 2019 financial statements

New standards

Summary of the requirements

FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if FRS 115 is also applied.

Potential impact on the financial statements

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 38). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis amount to approximately 3% of the consolidated total assets and 5% of consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down.

The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients.

The Group expects that the impact on adoption of IFRS 16 Leases to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in 2018 as described above.

43. Subsidiaries

Details of key subsidiaries are as follows:

Name of key subsidiaries	Country of incorporation	Effective equity held by the Group	
		2016 %	2015 %
Utilities			
Sembcorp Utilities Pte Ltd ¹	Singapore	100	100
Sembcorp Cogen Pte Ltd ¹	Singapore	100	100
Sembcorp Gas Pte Ltd ¹	Singapore	70.00	70.00
Sembcorp Utilities (UK) Limited ²	United Kingdom	100	100
Sembcorp Utilities (Netherlands) N.V. ²	The Netherlands	100	100
Sembcorp Environment Pte. Ltd. ¹	Singapore	100	100
Sembcorp Tay Paper Recycling ¹	Singapore	60.00	60.00
Thermal Powertech Corporation India Limited ²	India	86.87	67.40
Sembcorp Green Infra Limited ²	India	68.74	64.06
Sembcorp Gayatri Power Limited (formerly known as NCC Power Project Limited) ^{3*}	India	88.00	49.00
Marine			
Sembcorp Marine Ltd ¹	Singapore	60.99	61.01
Jurong Shipyard Pte Ltd ¹	Singapore	60.99	61.01
PPL Shipyard Pte Ltd ¹	Singapore	60.99	51.85
Sembcorp Marine Repairs & Upgrades Pte. Ltd. ¹	Singapore	60.99	61.01
Sembcorp Marine Offshore Platforms Pte Ltd ¹	Singapore	60.99	61.01
Urban Development			
Sembcorp Development Ltd ¹	Singapore	100	100
Vietnam Singapore Industrial Park Pte Ltd ¹	Singapore	92.88	92.88
Singapore Technologies Industrial Corp Ltd ¹	Singapore	100	100
Nanjing Riverside Quay Co., Ltd ⁴	China	100	100
Others			
Sembcorp Design and Construction Pte Ltd ¹	Singapore	100	100
Singapore Precision Industries Pte Ltd ¹	Singapore	100	100

1. Audited by KPMG LLP, Singapore.

2. Audited by overseas affiliates of KPMG LLP.

3. Audited by Deloitte Haskins & Sells, Chartered Accountants, India.

4. Audited by BDO China Shu Lun Pan Certified Public Accountants Co., Ltd.

* Previously a joint venture in 2015

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2016

44. Associates, Joint Ventures and Joint Operations

Details of key associates, joint ventures and joint operations are as follows:

Name of key associates	Country of incorporation	Effective equity held by the Group	
		2016	2015
		%	%
Utilities			
^{^^} Sembcorp Salalah Power and Water Company SAOG	Oman	40.00	40.00
Marine			
^{##} Cosco Shipyard Group Co Ltd	People's Republic of China	- ¹	18.30
Urban Development			
^{^^} Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	45.36	45.36
Name of key joint ventures	Country of incorporation	Effective equity held by the Group	
		2016	2015
		%	%
Utilities			
[^] Phu My 3 BOT Power Company Ltd.	Vietnam	66.67	66.67
[#] 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
[#] Chongqing Songzao Sembcorp Electric Power Co., Ltd	People's Republic of China	49.00	49.00
Urban Development			
^{^^} Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	47.37	47.37
^{**} Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	21.50	21.50
^{##} Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	People's Republic of China	25.00	25.00
^{***} PT Kawansan Industri Kendal	Indonesia	49.00	49.00
Name of key joint operations	Country of incorporation	Effective equity held by the Group	
		2016	2015
		%	%
Others			
^{###} Sinohydro-Sembcorp Joint Venture	Singapore	50.00	50.00

44. Associates, Joint Ventures and Joint Operations (cont'd)

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

^{^^} 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.

^{###} Audited by RSM Chio Lim.

^{***} Audited by BDO Indonesia.

1. On November 2016, Sembcorp Marine has entered into a sale and purchase agreement with China Ocean Shipping (Group) Company to dispose of its 30% equity interest in Cosco Shipyard Group Co., Ltd (CSG). As at December 31, 2016, CSG has been classified as assets held for sale.

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