

EVA Statement

		2017	2016
	Note	S\$'000	S\$'000
Net operating profit before tax expense		148,045	412,317
Adjusted for:			
Share of associates' and joint ventures' profits		218,942	153,668
Interest expense	1	524,055	406,048
Others	2	41,424	72,491
Adjusted profit before interest and tax		932,466	1,044,524
Cash operating taxes	3	(192,029)	(173,969)
Net operating profit after tax (NOPAT)		740,437	870,555
Average capital employed	4	19,176,171	17,467,795
Weighted average cost of capital	5	6.5%	6.7%
Capital charge		1,246,451	1,170,342
Add: Capital Charge Deferral (net)	6	149,928	201,274
Economic Value Added (EVA)		(356,086)	(98,513)
Non-controlling share of EVA		122,825	106,139
EVA attributable to shareholders		(233,261)	7,626
Less: Unusual items (UI) gains	7	(50,481)	(38,173)
EVA attributable to shareholders (exclude UI)		(283,742)	(30,547)

Notes:

- Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to profit or loss upon disposal of the assets.
- Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- Average capital employed is computed by taking monthly average total assets less non-interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.

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		S\$'000	S\$'000
Major Capital Components:			
Property, plant and equipment		11,711,143	10,570,175
Investments		2,225,739	2,372,686
Other long-term assets		1,405,947	914,641
Net working capital and long-term liabilities		3,833,342	3,610,293
Average capital employed		19,176,171	17,467,795

- The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
 - Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2016: 5.0%);
 - Risk-free rate 2.22% (2016: 2.28%) based on yield-to-maturity of Singapore Government 10-year Bonds;
 - Ungeared beta ranging from 0.5 to 1.0 (2016: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
 - Cost of Debt rate at 4.25% (2016: 3.45%).
- Capital charge deferral (net) refers to deferral of capital charge on investments made for projects where returns are not immediate at the time of investment (e.g. Greenfield projects) less cost of deferral at weighted average cost of capital.
- Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.