

Poised for **THE FUTURE**

Annual
Report 2013



sembcorp
marine

Contents

01	Corporate Vision, Mission and Profile
02	<i>Special Feature One:</i> Milestone Opening of Sembmarine Integrated Yard @ Tuas
06	<i>Special Feature Two:</i> Sembcorp Marine 50 th Anniversary Celebrations
14	Group Financial Highlights
16	Letter to Shareholders
24	Core Values
25	Certifications
26	Sustaining the Future

Governance and Transparency

30	Board of Directors
34	Senior Management
36	Corporate Governance
48	Risk Management
52	Investor Relations
56	Shareholders' Information
58	Corporate Structure
59	Corporate Directory

Financial and Operations Review

60	Financial Review
72	Operations Review
76	Strategic Expansion and Growth
86	Awards and Accolades
88	Significant Events

Focus on Sustainability

92	Competitive Strengths
96	Human Capital
106	Workplace Safety and Security
112	Environmental Protection
116	Community Outreach
122	GRI Index
127	Financial Statements

Vision and Mission

Sembcorp Marine aims to be the world leader in ship repair, shipbuilding, ship conversion, rig building and offshore engineering & construction, providing innovative solutions that exceed its customers' expectations. While anchoring itself for sustainable growth, the Group continues to commit itself to fulfilling the changing needs and aspirations of its employees.

Corporate Profile

- A leading global marine & offshore engineering group with 50 years of proven track record
- Headquartered in Singapore with a global headcount of more than 12,700 employees and worldwide operations spanning the key hubs of Brazil, India and United Kingdom with strategic presence in Indonesia and China
- Singapore operations comprising six yards – Jurong Shipyard, Sembawang Shipyard, SMOE, PPL Shipyard, Jurong SML and Sembmarine Integrated Yard @ Tuas, Singapore's largest integrated yard that commenced operations in August 2013
- Comprehensive portfolio encompassing the full spectrum of integrated solutions from ship repair, shipbuilding, ship conversion, rig repair and rig building to offshore engineering and construction
- Strong track record for quality and timely delivery as well as the ability to handle complex turnkey projects and repairs while meeting high standards for health, safety, security and environment
- Well-established long-term alliances with international ship operators that provide a stable and growing base-load in repair and upgrade
- Development and ownership of proprietary designs catering to rigs, drillships and vessels
- Continuous research and development as well as process improvements to further raise operational efficiency and productivity for greater competitiveness

Highlights

- Commenced Phase I operations of Sembmarine Integrated Yard @ Tuas, Singapore's largest integrated yard, in August 2013
- Secured contracts worth approximately \$4.2 billion in 2013
- Including new contracts of \$1.6 billion secured as at February 2014, total net order book stood at \$14 billion, with completion and deliveries till 2019
- Estaleiro Jurong Aracruz, Sembcorp Marine's largest integrated shipyard in Brazil, is on track for operations in 2H 2014
- Signed Memorandum of Understanding with Saudi Aramco and Bahri, the National Shipping Company of Saudi Arabia for a detailed feasibility assessment to develop a world-class maritime yard in the kingdom of Saudi Arabia

2013 SCORECARD

\$5.5 billion
Turnover

\$644 million
Operating Profit

\$556 million
Net Profit

\$1.28
Net Asset Value
per Share

22%
Return on Equity

13 cents
Total Dividend
per Share

\$406 million
Economic Value
Added

\$8.3 billion
Market Capitalisation
as at 6 March 2014

*Milestone Opening of **Sembmarine Integrated Yard @ Tuas***

Sembcorp Marine marked a historic milestone with the grand opening of its Sembmarine Integrated Yard @ Tuas by the Prime Minister of Singapore Mr Lee Hsien Loong on 6 November 2013. The momentous event was graced by some 1,100 guests including foreign dignitaries, government officials, industry representatives and business partners.



Transformation for growth

Official Opening of the
Sembmarine Integrated Yard @ Tuas
6 November 2013



Guest of Honour
Prime Minister Lee Hsien Loong



Milestone Opening of Sembmarine Integrated Yard @ Tuas

The Sembmarine Integrated Yard @ Tuas is a key thrust of Sembcorp Marine's strategy to further enhance its competitive edge for sustainable growth and long-term competitiveness. Designed to maximise operational synergy and production efficiency, the new integrated yard harnesses innovative technologies, advanced automation and optimised facilities to deliver faster turnaround, enhanced services and cost-efficient solutions for customers.





Sembcorp Marine 50th Anniversary Celebrations

Sembcorp Marine celebrated 50 illustrious years of progress and growth at an anniversary gala dinner held at the Grand Sands Ballroom, Marina Bay Sands Convention Centre on 6 November 2013, in the presence of Guest-of-Honour Mr Lim Hng Kiang, Minister for Trade and Industry. Over 1,200 guests, comprising foreign dignitaries, government officials, industry representatives, customers and business partners, joined the Group's management and employees in this grand celebration.





Sembcorp Marine 50th Anniversary Celebrations

A key highlight of the gala dinner included a commemorative book launch to mark Sembcorp Marine's 50-year journey of growth and transformation.

Titled "**Sembcorp Marine @ 50: Create. Grow. Transform**", the book chronicles the Group's progress over the years and pays tribute to the pioneers and visionary leaders for their invaluable contributions.

The evening also witnessed the presentation of a \$2 million cheque by Sembcorp Marine as part of a \$10 million endowment gift for the establishment of Sembcorp Marine Lab @ NTU, a new research and development facility in Nanyang Technological University.





Sembcorp Marine 50th Anniversary Celebrations

During the year, Sembcorp Marine commemorated its 50th anniversary with a series of local and overseas networking celebrations that paid tribute to valued clients, business partners and key stakeholders for their continuous support and invaluable contributions.





Sembcorp Marine 50th Anniversary Celebrations

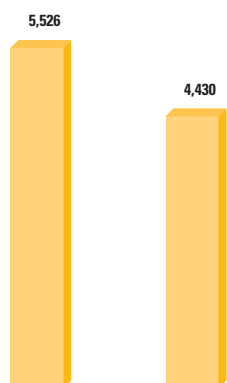
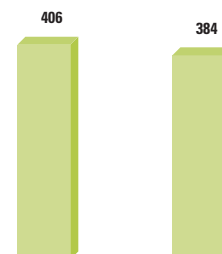
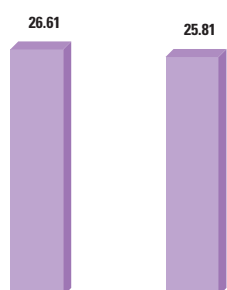
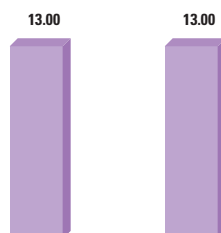
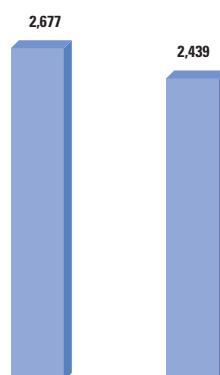
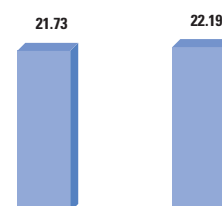
Another highlight of the 50th anniversary celebrations was a mega Workplace Safety & Health and Innovation Carnival in March 2013, which showcased more than 30 innovation projects developed by the Group's employees. To cap it off, more than 200 staff took part in a fun run in October 2013. Their mission: to relay the Sembcorp Marine flag across a 66km route, which connects the five Singapore yards, before coming together as one family at the new **Sembmarine Integrated Yard @ Tuas**.





Group Financial Highlights

\$'000	2013	2012	% Change
Group Income Statement			
Turnover	5,525,882	4,430,123	25
Profit			
Earnings before interest, tax, depreciation and amortisation (EBITDA)	744,864	648,206	15
Operating profit	644,257	554,218	16
Profit before tax	664,974	629,647	6
Net profit	555,747	538,453	3
Group Balance Sheet			
Total assets	7,250,100	5,786,457	25
Total liabilities	4,440,588	3,239,432	37
Net tangible assets	2,646,695	2,404,871	10
Equity attributable to owners of the Company	2,677,036	2,438,524	10
Non-controlling interests	132,476	108,501	22
Total equity	2,809,512	2,547,025	10
Cash and cash equivalents	1,694,901	1,408,907	20
Interest-bearing borrowings	(766,111)	(332,981)	130
Net cash	928,790	1,075,926	(14)
Economic Value Added (EVA)			
Net operating profit after tax (NOPAT)	644,326	582,500	11
Capital charge	238,675	198,945	20
EVA	405,651	383,555	6
EVA attributable to owners of the Company	381,804	361,434	6
Financial Ratios			
Earnings per share (EPS)			
Basic (cents)	26.61	25.81	3
Diluted (cents)	26.59	25.80	3
Dividend per share			
One-tier tax-exempt (cents)	13.00	13.00	–
Net asset value per share (cents)	128.21	116.80	10
Net tangible asset per share (cents)	126.76	115.19	10
Return on turnover (%)	10.06	12.15	(17)
Return on total assets (%)	9.15	9.94	(8)
Return on equity (%)	21.73	22.19	(2)

Turnover (\$'m)**2013****2012****Operating Profit (\$'m)****2013****2012****Net Profit (\$'m)****2013****2012****Economic Value Added (\$'m)****2013****2012****Basic Earnings Per Share (cents)****2013****2012****Total Dividend Per Share (cents)****2013****2012****Equity Attributable To Owners Of The Company (\$'m)****2013****2012****Return On Equity (%)****2013****2012**



Letter to Shareholders

Dear Shareholders

The year 2013 had been a challenging year for the global markets. Amid the volatile and uncertain macro-economic environment, Sembcorp Marine delivered a satisfactory performance with a net profit of \$556 million, an increase of 3 per cent from \$538 million a year ago.

The Group registered a turnover of \$5.5 billion in 2013, with an operating profit of \$644 million and a pre-tax profit of \$665 million. Earnings per share (EPS) were 26.6 cents with return on equity (ROE) at 21.7 per cent and economic value added (EVA) at \$406 million.

While we strive to reward our shareholders on an annual basis with a consistent and sustainable ordinary dividend and a variable special dividend payout based on our cash position, working capital, capital expenditure plans, acquisition

opportunities and market environment, we are also mindful of the need to grow and position our company for long-term sustainable growth.

For 2013, the Board is pleased to propose a final ordinary one-tier tax-exempt cash dividend of 6 cents per share and a special one-tier tax-exempt cash dividend of 2 cents per share. Including the interim one-tier tax-exempt cash dividend of 5 cents per share paid on 29 August 2013, the total dividend payout for 2013 will be 13 cents per share, which translates to a payout ratio of 49 per cent.

The proposed final and special cash dividends, if approved at the Annual General Meeting to be held on 22 April 2014, will be paid on 14 May 2014.



Non-controlling Interest

In 2012, Sembcorp Marine filed an appeal following the earlier High Court judgement on its legal suit with PPL Holdings and its wholly owned subsidiary, E-Interface Holdings, on the issue of whether the Joint Venture Agreement between the Company and PPL Holdings was premised on equal shareholding and continued to apply in its entirety despite the Company's ownership in PPL Shipyard Pte Ltd (PPLS) being raised from 50 per cent to 85 per cent. On 25 July 2013, the Court of Appeal ruled in favour of Sembcorp Marine that certain provisions in its joint-venture agreement with PPL Holdings, which were premised on equal shareholding, no longer applied when Sembcorp Marine increased its shareholding from 50 per cent to 85 per cent in PPL Shipyard.

Arising from the decision of the Court of Appeal, Sembcorp Marine now has full control of the PPL Shipyard Board. The Group will continue to consolidate its 85 per cent interest in PPL Shipyard and separately account for the 15 per cent as a non-controlling interest.

Review of Business Operations

The year in review was eventful for the Group's shipyards. Turnover hit a high of \$5.5 billion, an increase of 25 per cent over the previous year. The rig building sector was the largest contributor, constituting 65 per cent or \$3.6 billion of our total turnover in 2013 followed by the conversion and offshore sector at 22 per cent or \$1.2 billion, the repair sector at 12 per cent or \$681 million and others at 1 per cent or \$77 million.



Sail-away ceremony for the Ekofisk 2/4L project – the world's largest accommodation platform constructed by SMOE for ConocoPhillips.



Noble Regina Allen, a F&G JU3000N jack-up rig, was successfully delivered by Jurong Shipyard in October 2013.



Jurong Shipyard delivered the Noble Mick O'Brien, a F&G JU3000N jack-up rig, in August 2013.

A total of eight jack-up rigs of diverse designs were delivered during the year. These deliveries included four jack-ups from the Group's proprietary Pacific Class 400 design series, two Friede & Goldman JU3000N design rigs and two Friede & Goldman JU2000E design rigs.

For the conversion and offshore sector, a total of four projects were delivered during the year. These comprised the world's largest North Sea Ekofisk Accommodation Platform for 552 persons, the conversion of a Very Large Crude Carrier (VLCC) to a Floating Production Storage and Offloading vessel (FPSO), a newbuild Integrated Processing and Living Quarters Platform for 128 men for offshore Myanmar and the conversion of a ropax vessel to a DP2 Accommodation and Repair Vessel.

Successful Deliveries of Three Friede & Goldman JU3000N Jack-up Rigs

The jack-up rig that tilted on 3 December 2012 was successfully restored to its original upright position following planned recovery and restoration operations on 14 January 2013. The rig, originally scheduled for delivery in the first quarter of 2013, was delivered in October 2013 after thorough investigations and rectification works. The second unit was delivered in August 2013, and the third unit was delivered in January 2014.

Although there were no fatalities and serious injuries, safety remains of utmost importance to us. We are fully committed to continuously strengthen, review and enhance our systems and processes to prevent future incidents and ensure the safety of our workers, contractors, customers, partners and stakeholders.

50th Anniversary Celebrations

In 2013, we celebrated our 50th anniversary with a series of activities that paid tribute to our Board members, employees, contractors, business partners and valued clients for their contributions to our progress and success.

A commemorative book titled 'Sembcorp Marine @ 50 : Create. Grow. Transform' was launched to mark the Group's 50-year journey of growth and transformation. It chronicled the Sembcorp Marine story and reflected on the milestones achieved, the challenges surmounted as well as the pioneers and the visionary leaders that had led the way for the Group's success. This pictorial book detailed how the Sembcorp Marine family had grown over the years by continuously moving up the value chain and technology ladder.



Mr Lim Hng Kiang, Minister for Trade and Industry, and Sembcorp Marine's directors in celebration during the 50th Anniversary Gala Dinner.



Commencement of Phase I operations at the new Sembmarine Integrated Yard @ Tuas in August 2013.

Sembmarine Integrated Yard @ Tuas

On 6 November 2013, Sembcorp Marine marked a historic milestone with the grand opening of our Sembmarine Integrated Yard @ Tuas, the largest integrated yard in Singapore, by our Prime Minister Lee Hsien Loong.

Located in the west of Singapore at Tuas South Boulevard, the 73.3-hectare new yard facility, which commenced operations in August 2013, forms the first phase of the 206-hectare new yard, which will be developed in three phases.

The Sembmarine Integrated Yard @ Tuas is a key thrust of Sembcorp Marine's strategy to further strengthen its home base operations in Singapore to anchor the Group for long-term sustainable growth and expansion of its marine and offshore business.

It is custom-built for productivity, efficiency and competitiveness with capabilities to serve a wide range of vessels and rigs, including Very Large Crude Carriers (VLCC), new generations of mega-containerships, Liquefied Natural Gas (LNG) carriers and cruise liners. In the first phase, the new yard has been equipped with four VLCC

drydocks of 1.55 million deadweight tonnes as well as finger piers and basin quays totalling 3.9 kilometres. Well-equipped to provide innovative solutions to serve the growing needs of customers, the state-of-the-art new yard facility is designed to maximise operational synergy, production efficiency and critical mass with optimised docking and berthing facilities, a centralised work-efficient layout and integrated facilities.

In addition, the yard also redefines employee care with a new in-yard living concept where employees live in self-contained dormitories and accommodation within the new yard premises. The convenience of residing in the new yard enables employees to have sufficient time to rest and relax after work, which translates to greater productivity and efficiency on the job. Key features of the precinct include a centralised kitchen, sports and recreational facilities, in-house laundry services and other amenities to provide a better quality of life for employees.

With the first phase of our yard completed and operational, we have commenced the development of our second phase, comprising a 34.5-hectare new yard, which is expected to be completed in three years.



Overseas Expansion

Beyond Singapore, we also made progress in strengthening our international network of shipyards. The construction of Estaleiro Jurong Aracruz, our fully-owned 82.5-hectare shipyard in Brazil, is progressing well and remains on track to commence operations in the second half of 2014.

Various yard development initiatives are also underway at the Group's overseas shipyards including Sembmarine SLP in the United Kingdom, Sembmarine Kakinada in India and PT SMOE in Indonesia.

Sustainability for Growth

Recognising the importance of balancing our economic, environmental and social objectives, we remain committed to sustainability and corporate social responsibility even as we grow and expand our business.

Sembcorp Marine's sustainability strategy is centred on value creation for our employees, customers, contractors, suppliers, partners and stakeholders through good corporate governance, upholding health and safety standards, limiting our environmental impact, efficient resource utilisation as well as community care and engagement.



Construction underway for Estaleiro Jurong Aracruz, Sembcorp Marine's first overseas integrated new yard, in Espirito Santo, Brazil.

Our sustainable approach in managing our business and operations is encapsulated in this annual report, which is prepared in accordance with the Global Reporting Initiative (GRI) G4 Core guidelines, an internationally recognised framework for tracking sustainability performance.

To build a sustainable pipeline of talents to drive the Group's success, we continued our strategic efforts to recruit, train and grow a globally competitive workforce to support our expansion in Singapore and overseas. Reflecting our commitment to developing our workforce, we invested \$6 million in training and development programmes to further raise their competencies.

During the year, Sembcorp Marine and its yards contributed \$3.6 million in support of causes ranging from education and arts promotion to community welfare and environmental care. We have given grants totalling \$3 million to some 14,900 students through our School Book Assistance Grant (SchoolBAG) programme over the last 13 years and promoted environmental care and protection among students since the launch of our Green Wave Environmental Care competition 11 years ago.

Reflecting our support for education and research, the Group has committed \$10 million over a period of five years to an endowment fund that supports the set up of the Sembcorp Marine Lab @ NTU. The new lab will serve as a nucleus for the development of cutting-edge innovations and green technologies for the marine and offshore industry.

Going forward, we will continue to engage our internal and external stakeholders through various channels as part of our continuous efforts to further enhance our sustainability programmes and performance.

Transformation for Growth

In positioning Sembcorp Marine for the future, the Group has embarked on a 'Transformation for Growth' journey to further enhance our competitive edge as a global leader in the marine and offshore industry. Towards this end, we have set up a Transformation Committee, chaired by Deputy Chairman Tan Sri Mohd Hassan Marican, to spearhead strategic initiatives to gear Sembcorp Marine for new opportunities and fresh challenges ahead.

Outlook and Prospects

The Group has a net order book of \$14 billion with completion and deliveries stretching into 2019. This includes \$4.2 billion in contract orders secured in 2013 and \$1.6 billion in new contracts since the start of 2014, excluding repair and upgrade contracts.

The global economy remains fragile and uncertain. Despite the volatile economic conditions and a competitive landscape affecting margin, the Group remains focused on growing its core business. Moving ahead and in anticipation of the tight labour supply situation, we will further improve operational efficiency, productivity and safety management as well as ensure timely delivery of projects to our customers.

Appreciation

On behalf of the Board, we would like to extend a warm welcome to Mr Eric Ang and Mr Eddie Teh who were appointed as directors during the year. Mr Teh has more than 30 years of industry experience in port authorities and port operations worldwide while Mr Ang has more than 35 years of experience in financing functions.

However, as Mr Teh is based in Hong Kong with heavy commitments, he has notified the Board of his decision to step down as a director at the Annual General Meeting on 22 April 2014.

Mr Goh Geok Ling, who has been the Chairman and a director on the Sembcorp Marine Board since 14 February 2006, will step down and retire at the Annual General Meeting. The Board would like to record its deepest appreciation to Mr Goh for his tremendous contributions to the Group. We have benefitted immeasurably from his wise and judicious leadership in steering the Group as Chairman of the Board, Chairman of the Executive Committee and Executive Resource and Compensation Committee as well as Chairman of key subsidiaries Jurong Shipyard, Sembawang Shipyard and SMOE.

Following Mr Goh's retirement, Tan Sri Mohd Hassan Marican will succeed Mr Goh as the Chairman of the Board. Tan Sri Mohd Hassan Marican brings to the Board his extensive experience in the oil and gas industry coupled with his vast knowledge in finance and management.



Zawtika Processing & Living Quarters Platform built by SMOE for PTTEP International.

Our success today is attributed to many stakeholders who have contributed to our progress. We would like to express our deepest gratitude to our customer partners and business associates for their steadfast support and their continued confidence in us over the years. Our appreciation also extends to the Board of Directors, our management team and employees for their commitment and dedication as well as our union, subcontractors and partners for their strong support.

In closing, we would like to extend our heartfelt thanks to our valued shareholders for their continuous support of Sembcorp Marine. As we embark on our next chapter of progress, we will continue to build on our sustainable growth strategy to create long-term value for our stakeholders.

Goh Geok Ling
Chairman

8 March 2014

Wong Weng Sun
President & CEO



**Customer
Satisfaction**

Quality

Teamwork

Integrity

**Core
Values**

**People-
Centredness**

Innovativeness

**Health, Safety,
Security and
Environmental
Preservation**

**Community
Responsibility**

Certifications

Jurong Shipyard

- | | |
|--|------------|
| • ISO 9001 Certification | Since 1995 |
| • OHSAS 18001 Certification | Since 2002 |
| • bizSAFE Partner | Since 2007 |
| • bizSAFE Star | Since 2011 |
| • International Ship and Port Facility Security Code | Since 2003 |
| • Singapore Quality Class Certification (SQC) | Since 2000 |
| • Singapore Innovation Class Certificate | Since 2003 |
| • People Developer Standard | Since 1999 |
| • Achilles JQS Certificate of Quality | Since 2012 |



Sembawang Shipyard

- | | |
|--|------------|
| • ISO 9001 Certification | Since 1996 |
| • OHSAS 18001 Certification | Since 2005 |
| • International Sustainability Rating System (ISRS) | Since 1994 |
| • International Quality Rating System (IQRS) | Since 2000 |
| • ISO 14001 Certification | Since 2002 |
| • bizSAFE Partner | Since 2008 |
| • bizSAFE Star | Since 2011 |
| • International Ship and Port Facility Security Code | Since 2004 |
| • Singapore Quality Class Certification (SQC) | Since 1996 |



SMOE

- | | |
|---------------------------------------|------------|
| • ISO 9001 Certification | Since 1988 |
| • OHSAS 18001 Certification | Since 2001 |
| • ISO 14001 Certification | Since 2004 |
| • bizSAFE Partner | Since 2008 |
| • bizSAFE Star | Since 2011 |
| • Achilles JQS Certificate of Quality | Since 2010 |



PPL Shipyard

- | | |
|--|------------|
| • ISO 9001 Certification | Since 2004 |
| • OHSAS 18001 Certification | Since 2002 |
| • bizSAFE Partner | Since 2009 |
| • bizSAFE Star | Since 2011 |
| • International Ship and Port Facility Security Code | Since 2004 |



Jurong SML

- | | |
|---|------------|
| • ISO 9001 Certification | Since 1995 |
| • OHSAS 18001 Certification | Since 2007 |
| • bizSAFE Partner | Since 2009 |
| • bizSAFE Star | Since 2011 |
| • International Ship and Port Facility Security Code | Since 2003 |
| • ISO 22301 Societal Security - Business Continuity Management Systems Standard | Since 2013 |



Sembmarine Integrated Yard @ Tuas

The Sembmarine Integrated Yard @ Tuas, which commenced operations in August 2013, is ISPS certified.



Sustaining the Future

Sembcorp Marine believes in pursuing long-term growth, expansion and profitability as a people-centred organisation and good corporate citizen. Economic, social and environmental sustainability is therefore integral to the Group's strategy for business excellence and competitiveness. Committed to creating value for stakeholders and society, the Group focuses on sound corporate governance, employee development and welfare, health, safety and security excellence as well as community care and environmental protection.

Commitment to Sustainability

The commitment to sustainable growth and corporate social responsibility is manifested in Sembcorp Marine's corporate vision and eight core values which guide the Group in its business conduct and interactions with stakeholders.

Sembcorp Marine adopts a precautionary approach in managing sustainability issues and has in place an effective framework which integrates sustainability objectives into its business operations. The Group's sustainability strategy is driven by strategic business units across its subsidiary yards and various corporate divisions within the Group – including Finance, Human Resource, Investor Relations and Communications, Legal and Secretariat, Risk Management and Internal Audit – and covers aspects relating to environment, health, safety, security, human resource, finance and governance.

Members from different disciplines also share their knowledge and expertise in cross-functional work teams on the effective management of sustainability issues. Collaborating closely to champion sustainability within and beyond the Group are various work teams, including the Health, Safety, Security and Environment Committee, Enterprise Risk Management Committee, Project Risk Management Committee, Finance Committee, Corporate Social Responsibility Committee and the Transformation Committee.

Stakeholder Engagement

Sembcorp Marine actively engages its diverse stakeholders on a broad range of material issues through various platforms and communication channels. These interactions and relationships provide the management useful feedback and invaluable insights into trends, risks and opportunities which guide them in formulating strategic plans. With a deeper understanding of stakeholder sentiments and the business environment, the Group has a broader view when shaping business strategies and its sustainability approach.

The main stakeholder groups identified in a study carried out in 2011, in line with the AA1000 Stakeholder Engagement Standard, were: customers, employees, governments and regulators, the investment community, media, contractors, suppliers and members of local communities where the Group operates. To connect with these stakeholders, Sembcorp Marine leverages different avenues such as the company website, banners, posters and publications for effective outreach.

Within the Group, stakeholder engagement is an integral part of daily operations in the form of meetings, dialogue sessions, corporate events, customer functions, and community initiatives. The various types of stakeholder engagement conducted in 2013 are highlighted on pages 92 to 93. Further information on the range of engagement initiatives can be found in the 'Corporate Governance', 'Risk Management', 'Investor Relations' and 'Focus on Sustainability' chapters of this report.



Communication Platforms in 2013



Customers

- Annual alliance meetings with partners
- Customer surveys and feedback forms
- Regular project coordination meetings and customer visits
- Naming and delivery events for completed projects
- Participation at exhibitions, conferences and networking events
- Corporate website, e-mailers and newsletters



Suppliers & Contractors

- Toolbox meetings and safety briefings
- Inspections and quality checks
- Safety campaigns and events
- Performance audits
- Site inspections of projects
- Ongoing dialogues with partners
- Training sessions for contractor partners



Employees

- Bi-annual engagement survey
- Rollout of flexible benefits scheme
- Briefings and toolbox meetings
- Training and development programmes
- Social events including festive celebrations
- Meet management sessions
- Safety and innovation campaigns
- Union-management dialogues
- Newsletters, posters and memos



Financial Community (incl. regulators & media)

- Quarterly results announcements and news releases
- Briefings for analysts and media
- Meetings and conference calls
- Site visits
- Annual General Meetings
- Roadshows and investor conferences
- Corporate website and newsletters



Government & Industry Partners

- Participation in exhibitions including Offshore Technology Conference, Nor-Shipping and SeaAsia
- Formal and informal dialogue sessions with government authorities and trade associations on safety, health, manpower, security and environment issues
- Events to promote the industry such as the Latin Asia Business Forum and Amazing Maritime Challenge
- Safety campaigns and training seminars held in conjunction with industry partners



Local Communities

- Contribution of \$3.6 million, including School Book Assistance Grant (SchoolBAG) of close to \$300,000
- Scholarships and bursaries for deserving youths and children
- National Day Parade sponsorship and participation
- Green Wave Environmental Care Competition for Schools
- Yard tours hosting more than 300 students and other community members
- Philanthropic and volunteering initiatives

Material Issues

During a cross-functional workshop facilitated by an independent sustainability consultant Paia Consulting in 2012, Sembcorp Marine identified 23 material issues of importance to the Group. The material issues were further classified into three categories: Level 1 (most critical), Level 2 and Level 3, according to their relevance and significance to internal and external stakeholders based on the AA1000 five-part materiality test and Global Reporting Initiative (GRI) guidelines.

The accompanying chart provides an overview of the 23 material issues, together with the relevant chapters and page numbers within this annual report where further details can be found.

As part of its ongoing efforts to improve the robustness of the materiality assessment, Sembcorp Marine has commissioned an independent consultant to conduct a survey to obtain feedback from internal and external stakeholders on the Group's sustainability performance and material issues. The survey is conducted in 2014 and results will be analysed as a key input into the materiality review.

Scope of Sustainability Report

Building on its focus on materiality, Sembcorp Marine prepared this 2013 annual report in accordance with the GRI G4 Core requirements. This is the third sustainability report to be published by the Group and covers its approach in integrating sustainability into its policies, structure and day-to-day operations.

The scope of the sustainability report covers the Group's headquarters and shipyards in Singapore. The shipyards consists of Jurong Shipyard, Sembawang Shipyard, SMOE, PPL Shipyard, Jurong SML and the new Sembmarine Integrated Yard @ Tuas, which commenced operations in August 2013.

All data, material aspects and information reported refer to the Group's Singapore operations from 1 January 2013 to 31 December 2013, unless otherwise stated. Apart from the addition of the new Sembmarine Integrated Yard @ Tuas, there were no significant changes in the scope from previous reporting periods.

Sembcorp Marine has engaged an independent third party consultant to provide an objective evaluation of the GRI Content Index indicators, covering disclosures on materiality and stakeholder engagement, and recommendations for enhancing the adherence to GRI reporting requirements. A complete overview of GRI standard disclosures and performance indicators can be found in the GRI Index on pages 122 to 125 of this annual report.

Corporate Governance (Pg 36 to 47)

- ▲ Regulatory and legal compliance
- ▲ Corporate governance

Risk Management (Pg 48 to 51)

- ◆ Crisis management/
Business continuity management
- ◆ Reliability and availability of critical assets

Financial Review (Pg 60 to 71)

- ▲ Profitability

Competitive Strength

(Pg 92 to 95)

- ▲ Customer satisfaction
- ▲ Productivity
- ▲ Product and service quality
- ◆ Research and development and
investment in technology

Human Capital (Pg 96 to 105)

- ◆ Talent retention
- ◆ Work-life balance/Staff welfare
- ◆ Learning and development
- ◆ Foreign workers' welfare

Workplace Safety and Security

(Pg 106 to 111)

- ▲ Workers' safety
- ▲ Health and safety performance
- ◆ Security

Environmental Protection

(Pg 112 to 115)

- ▲ Air quality management
- ▲ Water resource management
- ▲ Waste management
- ▲ Energy management
- ◆ Materials usage
- ◆ Recycling potential

Community Outreach

(Pg 116 to 121)

- Community initiatives

▲ Level 1 issues (Most critical) ◆ Level 2 issues ■ Level 3 issues

Summary of Financial, Social and Environmental Performance

	2011	2012	2013
Financial			
Turnover (S\$'000)	3,960,230	4,430,123	5,525,882
Net profit (S\$'000)	751,903	538,453	555,747
Economic value added (S\$'000)	582,451	383,555	405,651
Environmental			
Direct energy consumption (GJ)	827,245	857,641	856,487
Indirect energy consumption (GJ)	553,418	615,258	515,386
Steel consumption (mT)	124,668	163,012	128,279
Water consumption (m ³)	2,114,418	2,352,321	2,479,248
Non-hazardous waste* (mT)	40,422	39,493	44,060
Hazardous waste* (mT)	2,200	4,015	9,723
Used copper slag for recycling* (mT)	113,101	95,560	103,305
Steel scrap for recycling* (mT)	22,977	32,546	40,228
GHG emissions from direct energy - diesel (tCO ₂ e)	54,980	56,803	58,310
GHG emissions from direct energy - liquefied gases (tCO ₂ e)	204,178	215,498	175,951
GHG emissions from indirect energy (tCO ₂ e)	79,231	87,948	71,252
Social			
Headcount	9,479	10,458	10,608
Investment in training (\$m)	4.5	5.0	6.0
Employee turnover rate (%)	10.2	9.2	7.2
Community investments (\$m)	1.8	2.2	3.6
Accident severity rate (per million man-hours)	271.4	86.8	72.2
Accident frequency rate (per million man-hours)	0.4	0.7	0.6
Workplace injury rate	143.7	378.8	214.8

★ Figure excludes PPL Shipyard, where waste disposal volume was not tracked through its outsourced licensed disposal vendors

Going forward, the Group plans to expand the coverage of future reports to include overseas operations as well as work towards external assurance.

The annual report is made available online at www.sembmarine.com and fewer copies of the report have been printed to minimise the impact on the environment. For feedback and suggestions on the Group's sustainability report, please email the Investor Relations and Communications Department at ir@sembcorpmarine.com.sg.

Board of Directors

► Mr Goh Geok Ling

Chairman

Non-Executive/Independent Director

Appointed 14 February 2006

Chairman, Executive Committee and Executive Resource & Compensation Committee

Mr Goh has been appointed Chairman of Sembcorp Marine since 14 February 2006. An independent director, he heads the Board's Executive Committee and Executive Resource & Compensation Committee. He serves as a member of the Board's Nominating Committee.

Currently the Chairman of Jurong Shipyard, Sembawang Shipyard and SMOE, Mr Goh also serves as a director of Sembcorp Industries.

Mr Goh holds a Bachelor of Engineering from the University of Sydney, Australia. His past directorships in listed companies and major appointments between 2008 and 2013 were with DBS Bank, DBS Group Holdings, 02Micro International and Venture Corporation. He previously served on the board of Nanyang Technological University.

► Mr Wong Weng Sun

President & CEO

Executive/Non-Independent Director

Appointed 1 May 2009

Mr Wong is the President & CEO of Sembcorp Marine since 1 May 2009. He is also the Managing Director of Jurong Shipyard and sits on the boards of a number of the Group's subsidiaries, including Jurong Shipyard, Sembawang Shipyard, SMOE, PPL Shipyard and Jurong SML.

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

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

► Tan Sri Mohd Hassan Marican

Non-Executive/Independent Director

Appointed 1 October 2011

Appointed Deputy Chairman 20 August 2013

Tan Sri Mohd Hassan Marican is an independent director and serves on the Board's Audit Committee.

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

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

► Mr Ajaib Haridass

Non-Executive/Independent Director

Appointed 31 October 2003

Chairman, Board Risk Committee and Nominating Committee

Mr Haridass is an independent director. He heads the Board's Risk Committee and Nominating Committee and serves as a member of the Executive Committee and Executive Resource & Compensation Committee.

Graduating from the University of London in 1974 with a Bachelor of Law (Honours) degree, Mr Haridass was called to the English Bar at the Middle Temple in 1975 and admitted as an Advocate & Solicitor of the Supreme Court of Singapore in 1976.

He is a consultant with Haridass Ho & Partners, a legal firm he set up in 1985. With more than 37 years of legal experience, Mr Haridass specialises in all admiralty matters, both litigious and non-litigious, from ship sale and purchase, the financing aspects of such transactions, to marine insurance and general commercial and banking litigation.



L-R: Mr Tang Kin Fei, Tan Sri Mohd Hassan Marican, Mr Goh Geok Ling (Chairman), Mr Wong Weng Sun, Mr Ajaib Haridass.



L-R: Mr Eric Ang Teik Lim, Mr Ron Foo Siang Guan, Mr Lim Ah Doo, Mr Koh Chiap Khiong, Mr Eddie Teh Ewe Guan.

Mr Haridass is a member of the Panel of Principal Mediators of Singapore Mediation Centre, a member of the SIAC Panel of Arbitrators, a panel member of the Singapore Chamber of Maritime Arbitration and a panel member of Maritime Arbitrators of the Kuala Lumpur Regional Centre for Arbitration. He is also a Referee of the Small Claims Tribunal and Mediator at Criminal Relational Disputes, Subordinate Courts, a Commissioner for Oaths, Notary Public and a Justice of the Peace.

He is a member of the Board of Visiting Justices and Board of Inspection (Prisons Department) and a member of Board of Visitors (Welfare Homes), Ministry of Social and Family Development. In addition, he is also the Vice Chairman of the Home Detention Advisory Committee 3, Ministry of Home Affairs, Singapore.

► Mr Tang Kin Fei

Non-Executive/Non-Independent Director
Appointed 1 May 2005

Mr Tang is a non-independent director and serves on the Board's Executive Resource & Compensation, Nominating, Risk, Special and Executive Committees.

He is Group President & CEO of Sembcorp Industries. With more than 25 years at Sembcorp, he is credited with spearheading its growth into a focused energy, water and marine group with operations across six continents.

Mr Tang is Vice Chairman of the Singapore Business Federation and a council member of the Singapore Chinese Chamber of Commerce & Industry. He serves on several China-Singapore, Saudi-Singapore and Abu Dhabi-Singapore business councils and is a director and member of the governing board of the Cambridge Centre for Advanced Research in Energy Efficiency in Singapore, a research centre set up by the University of Cambridge in collaboration with Singapore universities and the National Research Foundation to study carbon assessment and abatement for the petrochemical industry. In addition, Mr Tang is the Council Chairman of Ngee Ann Polytechnic, as well as Vice Chairman and a trustee of the Kwong Wai Shiu Hospital, a charitable hospital which provides care for needy patients.

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

► Mr Lim Ah Doo

Non-Executive/Independent Director
Appointed 7 November 2008
Chairman, Audit Committee

Mr Lim is an independent director and heads the Board's Audit Committee and serves on the Board's Transformation Committee. He brings with him vast experience and wide knowledge as a former senior banker and corporate executive.

He is currently an independent director of ARA-CWT Trust Management (Cache), GP Industries, SM Investments Corporation, U Mobile Sdn Bhd, Sateri Holdings and Linc Energy. He also chairs the audit committees of ARA-CWT Trust Management (Cache), GP Industries, Linc Energy and U Mobile. He is also a member of the Ethics Sub-Committee for the Public Accountants Oversight Committee in Singapore.

During his 18-year distinguished banking career in Morgan Grenfell, he held several key positions including chairing Morgan Grenfell (Asia). He also chaired the Singapore Investment Banking Association in 1994. From 2003 to 2008, he was President and then Vice Chairman of the RGM group, a leading global resource-based group. He was formerly an independent director and Exco member of EDB Investments, an independent Commissioner and Chairman of the Audit Committee of PT Indosat in Indonesia, a council member of Singapore-Shandong Business Council and Singapore-Jiangsu Co-operation Council. He also served as Chairman of EDBV Management and as independent director and Chairman of the Audit Committee of PST Management.

Mr Lim holds an honours degree in Engineering from the Queen Mary College, University of London in 1971 and a Master in Business Administration from the Cranfield School of Management in 1976.

► Mr Ron Foo Siang Guan

Non-Executive/Independent Director

Appointed 30 June 2006

Mr Foo is an independent director who serves as a member in the Risk, Audit and Transformation Committees.

He brings with him more than 37 years of extensive auditing, accounting and financial experience in Singapore and overseas. Mr Foo was a partner of PricewaterhouseCoopers, Singapore for 22 years before retiring from active service in December 2005. Mr Foo is presently a director of SIA Engineering Company.

Mr Foo was actively involved as a council member in the Institute of Certified Public Accountants of Singapore (ICPAS) and was awarded the ICPAS Gold Medal 2004 in recognition of his outstanding contributions and distinguished service to the accounting profession. Presently, he is a member of the Canadian Institute of Chartered Accountants, Canada and a fellow of the Institute of Singapore Chartered Accountants.

► Mr Koh Chiap Khiong

Non-Executive/Non-Independent Director

Appointed 6 May 2011

Mr Koh is a non-independent director and serves as a member of the Board's Transformation Committee. He is currently the Group Chief Financial Officer (CFO) of Sembcorp Industries and is a director on the boards of various Sembcorp companies.

He is responsible for the corporate finance and treasury, reporting, accounts, tax, information technology and risk management of Sembcorp Industries and oversees these functions across the Group. As Group CFO, he also handles investor relations matters.

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

Mr Koh holds a First Class Honours in Accountancy from the National University of Singapore and completed the Advanced Management Programme at Harvard Business School.

► Mr Eric Ang Teik Lim

Non-Executive/Independent Director

Appointed 30 April 2013

Mr Ang was appointed a Director of Sembcorp Marine on 30 April 2013.

Mr Ang is a career banker with more than 35 years of experience in financing functions. He is currently the Managing Director and Head of Capital Markets Group with DBS Bank and serves on the Management Committee of DBS Group Holdings. His current directorships include tenures with DBS Asia Capital, Hwang-DBS (Malaysia), the Islamic Bank of Asia and Changi Airport Group (Singapore).

Mr Ang graduated from the University of Singapore with a Bachelor of Business Administration (Honours) degree.

► Mr Eddie Teh Ewe Guan

Non-Executive/Independent Director

Appointed 30 April 2013

Mr Teh was appointed a Director of Sembcorp Marine on 30 April 2013.

A veteran in the maritime sector, he has more than 30 years of industry experience in port authorities and port operations worldwide, including Hong Kong, China, Korea, India, Latin America, Europe, Middle East and Africa. He joined PSA International as its Deputy Chairman and CEO in December 2002 until his retirement in August 2011 and served as its Special Advisor for two years from October 2011.

Prior to joining PSA International, Mr Teh was with Hutchison Port Holdings where he was instrumental in leading its expansion from a single location port operator in Hong Kong to the number-one global container port operator. He is currently director and shareholder of Quay Infrastructure Holdings and Port Capital, and a director of RRJ Capital.

Mr Teh is a Fellow of the Chartered Association of Certified Accountants, UK, and the Chartered Institute of Management Accountants, UK.

Senior Management

Mr Wong Weng Sun

- President & CEO, Sembcorp Marine
- Managing Director, Jurong Shipyard
- Bachelor of Mechanical Engineering (Marine), Universiti Teknologi Malaysia (Malaysia)
- Master of Business Administration, Oklahoma City University (USA)

Mr Ong Poh Kwee

- Deputy President, Sembcorp Marine
- Managing Director, Sembawang Shipyard
- Bachelor of Marine Engineering, University of Newcastle-Upon-Tyne (UK)
- Master of Business Administration, Sloan School of Management, Massachusetts Institute of Technology (USA)

SHIPYARDS (Strategic Business Units)

Mr Ho Nee Sin

- Managing Director, SMOE
- Bachelor of Science, Engineering, National Taiwan University (Taiwan)
- Master of Science, Imperial College, University of London (UK)

Mr Lee Yeok Hoon

- Executive Director, New Yard Development & Ship Repair Business, Jurong Shipyard
- Diploma in Mechanical Engineering, Singapore Polytechnic

Mr Wong Teck Cheong

- Managing Director, PPL Shipyard
- Bachelor of Engineering (Structural), The University of New South Wales, Australia
- Masters in Structural Engineering, The University of New South Wales, Australia

Ms Wong Lee Lin

- Executive Director, Sembawang Shipyard
- Bachelor of Arts, Bachelor of Social Sciences (Honours), National University of Singapore

Mr Wang Zijian

- Executive Director, Jurong Shipyard
- Bachelor of Engineering, Naval Architecture and Ocean Engineering, Shanghai Jiao Tong University (PRC)

Mr Freddie Woo

- Executive Director, Jurong SML
- Diploma in Mechanical Engineering, Singapore Polytechnic

CORPORATE FUNCTIONS

Mr Tan Cheng Tat

- Chief Financial Officer
- Bachelor of Accountancy (Honours), National University of Singapore
- Fellow Member, Institute of Singapore Chartered Accountants

Ms Judy Han

- Senior Vice President, Investor Relations & Communications
- Bachelor of Arts, Bachelor of Social Sciences (Honours) in Economics, National University of Singapore

Mr Tan Heng Jack

- Senior Vice President, Internal Audit
- Bachelor of Accountancy, Nanyang Technological University
- Fellow Member, Institute of Singapore Chartered Accountants

Mr Chia Chee Hing

- Senior Vice President, Management Information Systems
- Bachelor of Arts & Sociology, National University of Singapore

Mr Ng Thiam Poh

- Chief Risk Officer
- Bachelor of Science, Naval Architecture & Ocean Engineering, 1st Class Honours, University of Glasgow (UK)

Mr Wee Keng Hwee

- Senior Vice President, Corporate Development
- Bachelor of Engineering, Yokohama National University (Japan)
- Master of Science, National University of Singapore

Ms Tan Yah Sze

- Senior Vice President, Legal & Joint Company Secretary
- Bachelor of Law, National University of Singapore

Ms Jessie Lau

- Vice President, Administration
- Bachelor of Science (Business Administration), Oklahoma City University (USA)

Mr Chua San Lye

- Director, Group Human Resource
- Bachelor of Business Administration, National University of Singapore
- Master of Business Administration, University of Leicester (UK)

Ms Chionh Keat Yee

- Senior Vice President, Group Performance Management & Group Mergers & Acquisitions
- Fellow Member, Association of Chartered Certified Accountants (UK)
- Member, Institute of Singapore Chartered Accountants

Ms Kwong Sook May

- Joint Company Secretary
- Chartered Secretary, ACIS
- Member, Singapore Association of the Institute of Chartered Secretaries and Administrators (SAICSA)



Corporate Governance

The board of directors (the “Board”) of Sembcorp Marine Ltd (“Sembcorp Marine” or the “Company”) is committed to ensuring that a high standard of corporate governance is practiced throughout the Company and its subsidiaries (the “Group”). Sembcorp Marine’s corporate governance principles reflect its strong belief in protecting and enhancing shareholder value in a sustainable way. It firmly believes that the professionalism, integrity and commitment of its Board members and employees, supported by a sound system of policies, practices and internal controls, are the cornerstones that will enable it to preserve long-term value and enhance returns for its shareholders.

This report discloses the corporate governance framework and practices that the Group has adopted, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”). Deviations from the Code, if any, are explained under the respective sections of this report.

BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: Effective Board to lead and control

The Board is collectively responsible for overseeing the business, affairs and performance of the Group in the best interests of its shareholders. The Board’s role is to:

- provide entrepreneurial leadership and directions for the Group, and ensure that resources are in place for the Group to meet its objectives
- ensure prudent and effective controls in order for safeguarding shareholders’ interests and the Group’s assets
- set the Group’s values and standards, and ensure that obligations to shareholders and stakeholders are met
- review management performance
- consider sustainability issues

Every director is expected, in the course of his duties, to act in good faith and consider at all times the interests of the Group.

The Board has established the following committees which assist the Board in discharging its responsibilities and providing independent oversight of the Management:

- Audit Committee (“AC”)
- Executive Resource & Compensation Committee (“ERCC”)
- Nominating Committee (“NC”)
- Board Risk Committee (“BRC”)
- Executive Committee (“ExCo”)
- Transformation Committee (“TC”)

Board Composition and Committees

Board Member	Audit Committee	Executive Resource & Compensation Committee	Nominating Committee	Board Risk Committee	Transformation Committee ¹	Executive Committee	
Goh Geok Ling	Member	Chairman	Member		Chairman	Chairman	
Tan Sri Mohd Hassan Marican							Member
Wong Weng Sun							
Ajaib Haridass	Member	Member	Chairman	Chairman	Member	Member	
Tang Kin Fei		Member	Member	Member		Member	
Ron Foo Siang Guan		Chairman		Member			
Lim Ah Doo							
Koh Chiap Khiong							
Eddie Teh Ewe Guan							
Eric Ang Teik Lim					Member		

¹ Formed on 29 January 2013, with the members appointed then.

These committees function within clearly defined terms of reference which are reviewed by the Board on a regular basis.

The ExCo assists the Board in reviewing and approving matters as required under the Group's policies. It also evaluates business opportunities for the Group.

The TC, formed during the year, oversees the transformation efforts of the Group taking into account the Group's business expansion in Singapore and globally.

The Special Committee, formed in 2007 to deal with issues arising from the unauthorized foreign exchange transactions, has been dissolved.

Details of other committees of the Board are set out in the following sections of this report.

The Board meets on a quarterly basis, and as warranted by particular circumstances. A director who is unable to attend any meeting in person may participate the meeting via video or teleconference.

A record of the directors' attendance at Board and its committee meetings during the financial year ended 31 December 2013 ("FY2013") is disclosed below.

The Company has adopted a set of internal controls which sets out approval limits for different types of transactions such as procurement of goods and services, capital expenditure, investments and divestments, bank borrowings and foreign exchange. Board's approval is required if the amount of a transaction exceeds a pre-defined threshold.

A comprehensive orientation program, including facility visits to the Group's various premises, is provided to newly-appointed directors for them to familiarize with the Group's business and governance practices. They are briefed on the Group's business activities, financial performance, governance policies and practices, regulatory regime as well as their duties as directors.

Directors are updated regularly on relevant new laws, regulations and changing business risks during Board meetings or at specially-convened sessions. Arrangements are made for them to attend training sessions, courses and seminars conducted by external consultants and institutions at the Company's expense.

A formal letter of appointment which sets out the director's duties and obligations is given to each newly-appointed director. The director also receives an information pack which contains the Group's organization structure, senior

Attendance at Board and Committee Meetings

Director	Board Meeting		Audit Committee Meeting		Board Risk Committee Meeting		Executive Committee Meeting		Nominating Committee Meeting		Executive Resource & Compensation Committee Meeting		Transformation Committee Meeting	
	No. of Meetings Held ¹	Attended	No. of Meetings Held ¹	Attended	No. of Meetings Held ¹	Attended	No. of Meetings Held ¹	Attended	No. of Meetings Held ¹	Attended	No. of Meetings Held ¹	Attended	No. of Meetings Held ¹	Attended
Goh Geok Ling	9	9	-	-	-	-	5	5	2	2	3	3	-	-
Tan Sri Mohd Hassan Marican	9	7 ⁴	4	4	-	-	-	-	-	-	-	-	10	10
Ajaib Haridass	9	9	-	-	4	4	5	5	2	2	3	3	-	-
Tang Kin Fei	9	9	-	-	4	4	5	5	2	2	3	3	-	-
Ron Foo Siang Guan	9	8	4	4	4	4	-	-	-	-	-	-	10	10
Lim Ah Doo	9	9	4	4	-	-	-	-	-	-	-	-	10	10
Wong Weng Sun	9	9	-	-	-	-	5	5	-	-	-	-	-	-
Koh Chiap Khiong ²	9	7	-	-	-	-	-	-	-	-	-	-	10	5
Eddie Teh Ewe Guan ³	6	6	-	-	-	-	-	-	-	-	-	-	-	-
Eric Ang Teik Lim ³	6	5 ⁴	-	-	-	-	-	-	-	-	-	-	-	-

¹ The number of meetings held while each director was in office.

² Mr Koh Chiap Khiong was on training in the USA from 3 September 2013 to 24 October 2013.

³ Mr Eddie Teh Ewe Guan and Mr Eric Ang Teik Lim were appointed as directors of Sembcorp Marine on 30 April 2013.

⁴ Tan Sri Mohd Hassan Marican and Mr Eric Ang Teik Lim were unable to attend some board meetings scheduled at short notice which coincided with other meetings they had.

management's contact details, Sembcorp Marine's memorandum and articles of association, group policies and a list of recent significant issues discussed at Board meetings.

Board's Composition and Guidance

Principle 2: Strong and Independent Board

The Board comprises ten directors, seven of whom (including the Chairman of the Board) are independent directors, one of whom (the President & CEO of Sembcorp Marine) is an executive director, and the rest are non-executive and non-independent directors.

The current composition of the Board is set out as follows:

Board Members for 2013

Director	Position Held on the Board	Date of First Appointment to the Board	Date of Last Re-election/ Re-appointment as Director	Nature of Appointment
Goh Geok Ling	Chairman	14 February 2006	19 April 2013	Non-Executive and Independent
Tan Sri Mohd Hassan Marican ¹	Deputy Chairman	1 October 2011	20 April 2012	Non-Executive and Independent
Wong Weng Sun	Director/President & CEO	1 May 2009	20 April 2012	Executive and Non-Independent
Ajaib Haridass	Director	31 October 2003	19 April 2013	Non-Executive and Independent
Tang Kin Fei	Director	1 May 2005	19 April 2013	Non-Executive and Non-Independent
Ron Foo Siang Guan	Director	30 June 2006	19 April 2013	Non-Executive and Independent
Lim Ah Doo	Director	7 November 2008	20 April 2012	Non-Executive and Independent
Koh Chiap Khiong	Director	6 May 2011	20 April 2012	Non-Executive and Non-Independent
Eddie Teh Ewe Guan	Director	30 April 2013	Not Applicable	Non-Executive and Independent
Eric Ang Teik Lim	Director	30 April 2013	Not Applicable	Non-Executive and Independent

¹ Tan Sri Mohd Hassan Marican was appointed as the Deputy Chairman of the Board on 15 August 2013.

The NC has ensured that at least one third of the Board is made up of independent directors. It reviews the independence of each director annually based on the guidelines set out in the Code.

Mr Goh Geok Ling is a non-executive, independent director of Sembcorp Industries Ltd ("SCI"), a controlling shareholder of the Company. SCI provides consultancy services to the Group. The aggregate amount paid by the Group to SCI for such services exceeded S\$200,000 in FY2013. Mr Goh Geok Ling does not hold executive function in SCI. The transactions between SCI and SCM for the services made were based on the procedures set out in the mandate for interested person transactions ("IPT Mandate") which was approved by the Company's shareholders at the last annual general meeting and is subject to yearly renewal. The Board, after taking into account the views of the

NC, considers Mr Goh Geok Ling to be independent in character and judgment. His appointment as a non-executive and independent director of SCI has not affected his judgment in his deliberations. He is able to exercise strong independent business judgment and act in the best interests of the Company.

Tan Sri Mohd Hassan Marican is a non-executive and independent director of SCI and a Senior International Advisor at Temasek International Advisors ("Temasek"). His appointments in both SCI and Temasek are non-executive in nature. The Group's transactions with SCI or Temasek (if any) are safeguarded by the IPT Mandate. Tan Sri Mohd Marican did not involve in the decision makings of the transactions between SCI and the Group. The aggregate value of the

transactions during FY2013 was not significant compared with the revenues of both SCI and Sembcorp Marine groups. The Board considers Tan Sri Mohd Hassan Marican to be an independent director of the Company as the Board believes that he is able to exercise strong independent judgment in his deliberations and act in the best interests of the Company.

Mr Eric Ang Teik Lim is the Managing Director and Head of Capital Markets Group of DBS Bank Ltd ("DBS") which provides banking services to the Group. The Board considers that Mr Eric Ang Teik Lim's employment with DBS has not affected his independence as the services provided by DBS in 2013 were its standard services which were in the ordinary course of business of the Group and DBS. The amounts paid were not significant in the context of the revenues of Sembcorp Marine and DBS.

Mr Ajaib Haridass has served as an independent director on the Board for more than 9 years. The Board had conducted a rigorous review on Mr Ajaib Haridass' status and determined Mr Ajaib Haridass an independent director of the Company. The Board is of the view that Mr Ajaib Haridass' more than 9 years of service on Sembcorp Marine Board has not affected his objectivity. He has continued to demonstrate ability to exercise strong independent judgment and act in the interests of the Company. Further, having gained in-depth understanding of the business and operating environment of the Group, Mr Ajaib Haridass provides the Company with much needed experience and knowledge of the industry. His contributions will be valuable to the Company.

The directors, having examined and taken into account the size, scope and nature of the operations of the Group, consider that the Board is of an adequate size with the right mix of skills and experience that facilitates effective decision makings. Board members comprise business leaders, current or retired CEOs, bankers, and professionals with financial and legal backgrounds. The profile of each director is set out on pages 30 to 33 of this Annual Report.

A majority of the Board comprises non-executive directors who constructively challenge and help develop Company strategies. They review the performance of Management in meeting agreed goals and objectives as well as reviewing Management reports. In addition to contributing their valuable experience and providing insights to Board's deliberations, each of them brings to the Board an objective perspective to enable balanced and well considered decisions to be made.

To facilitate a more effective check on Management, the non-executive directors met 4 times in 2013, without the presence of Management, to discuss the performance of Management.

Chairman and Chief Executive Officer ("CEO")

Principle 3: A clear division of responsibilities between the Chairman and CEO to ensure a balance of power and authority

The Chairman and Sembcorp Marine's President & CEO are separate persons. There is a clear separation of the roles and responsibilities between the Chairman and the President & CEO. The President & CEO is not related to the Chairman.

The Chairman, who is an independent director, takes a leading role in the Group's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, company secretaries and the Management.

He is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of the Board's role. He sets the agenda and ensures adequate and timely information is provided to directors and sufficient time is available for discussions of important issues. He promotes a culture of openness and debate at the Board. The Chairman facilitates

the contribution of non-executive directors in particular, and ensures constructive relations within the Board and between the Board and Management. He also ensures effective communication with shareholders.

The President & CEO's primary role is to manage the operations of the Group in accordance with the Group's strategies and policies, implement the Board's decisions, and provide close oversight, guidance, advice and leadership to senior management.

Board Membership

Principle 4: Formal and transparent process for appointment and re-appointment of directors

The NC comprises the following members, the majority of whom, including the Chairman, are non-executive and independent:

Mr Ajaib Haridass (Chairman)
Mr Goh Geok Ling
Mr Tang Kin Fei

The primary purpose of the NC is to support and assist the Board in selection, appointment, and re-election of directors. It makes recommendations to the Board on:

- the review of the Board's succession plans for directors
- the development of a process for evaluation of the performance of the Board, its committees and directors
- the review of training and professional development programs for the directors

The NC ensures that directors appointed to the Board and its committees possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's business and that each director brings to the Board an independent and objective perspective to enable balanced and well considered decisions to be made.

All directors (including the President & CEO) are required to submit themselves for re-election at regular intervals, and at least once every 3 years. Mr Lim Ah Doo, Mr Wong Weng Sun and Mr Koh Chiap Khiong will retire at the forthcoming annual general meeting ("AGM") and will offer themselves for re-election.

All newly appointed directors are also required to submit themselves for re-election at the AGM immediately following their appointments. Thereafter, they are subject to retirement by rotation in accordance with the Company's Articles of Association. Both Mr Eric Ang Teik Lim and Mr Eddie Teh Ewe Guan are required to vacate their offices pursuant to Article 97 of the Company's Articles of Association at the forthcoming AGM. Mr Eric Ang Teik Lim will offer himself for re-election at the AGM and Mr Eddie Teh Ewe Guan will not be seeking re-appointment at the AGM.

Pursuant to Section 153 of the Companies Act, a director who is over the age of 70, is required to vacate his office and subject to re-appointment at each AGM. Mr Goh Geok Ling will vacate his office pursuant to Section 153 of the Companies Act and will not be seeking re-appointment at the coming AGM.

The NC reviews annually, and as and when circumstances require, if a director is independent. The independence of each director is assessed based on his ability to act with independent judgment and to discharge his duties objectively.

The Board has adopted guidelines for addressing competing time commitments that are faced when directors serve on multiple boards and have other principal commitments. The Company has determined that a director should not hold more than 6 principal board representations so as to ensure that a director will have sufficient time and attention for the affairs of the Company.

The Board does not encourage the appointment of alternate directors. No alternate director is currently being appointed to the Board.

The Board has adopted a process for the selection, appointment and re-appointment of directors to the Board. The NC reviews the composition of the Board and Board committees periodically. It assesses and shortlists candidates for a new position on the Board when a need arises. The shortlisted candidates are submitted to the Board for selection and approval. The successful candidate is then appointed as a director of the Company in accordance with the Company's Articles of Association.

The NC reviews the contribution and performance of each existing director before making recommendation to the Board for his re-election or re-appointment at the next AGM. Once the Board has considered and adopted the recommendation, the resolution proposing the re-election or re-appointment of a director will be tabled at the AGM for shareholders' approval.

Key information regarding directors' profiles, disclosures of interests and directorships are disclosed in other sections of this Annual Report.

Board Performance

Principle 5: Formal assessment of the effectiveness of the Board and contribution by each director

The Board believes that active participation and valuable contributions are essential to the overall effectiveness of the Board.

The NC reviews the Board's performance annually, based on performance criteria as agreed by the Board.

These criteria, which are set out on a questionnaire to be completed by each director, include the following areas of assessment:

- size and composition of the Board
- Board's access to information
- Board's processes and accountability
- Board's and Board committees' performance

Feedback from the directors is consolidated and tabled at the NC for discussion and review. The outcome of the evaluation as well as any recommendation is submitted to the Board for further review and adoption for further improvements in its performance.

Access to Information

Principle 6: Complete, adequate and timely information

All directors have access to complete, adequate and timely information and resources. As a general rule, meeting papers are sent to directors at least three days before a meeting so that directors have the relevant information for consideration and deliberation at the meeting. The Management provides monthly management report on the Group's operational and financial performance to the Board. The Board also receives other reports and updates on financial, operational and business related matters for review and decision making purposes.

The Board has separate and independent access to the President & CEO, members of senior management and the company secretaries at all times. Management is also present at the meetings to address directors' queries or to provide further insights into the matters concerned.

The company secretaries attend all Board and Board committee meetings and are responsible for ensuring that meeting procedures are followed and applicable rules and regulations are complied with. The company secretaries also ensure that good information flows within the Board and its committees, and between Management and non-executive directors. They assist the Board in implementing and upkeeping good corporate governance and best practices across the Group.

The appointment and removal of each company secretary is a matter taken by the Board as a whole.

In the event that the directors, either individually or as a group, require independent professional advice in the furtherance of their duties, the company secretaries will, upon approval by the Board, appoint a professional advisor to render such services. The cost of such services will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors

The ERCC comprises the following members, two of whom (including the Chairman) are independent directors and all of whom are non-executive directors:

Mr Goh Geok Ling (Chairman)
Mr Tang Kin Fei
Mr Ajaib Haridass

The primary purpose of the ERCC is to support and advise the Company on remuneration matters and leadership development by:

- overseeing development of leadership and management talent
- ensuring that the Group has appropriate remuneration policies
- designing remuneration packages with a focus on long-term shareholders' returns

The ERCC establishes guidelines on share plans and other long-term incentive plans, and approves the grant of incentives to key executives. The underlying philosophy is to motivate executives to maximize operating and financial performance and shareholders' value.

In addition, the ERCC also reviews the remuneration of non-executive directors, executive director and senior executives, as well as major human resource management and compensation policies and practices for the rest of the Group.

On an annual basis, a comprehensive talent management programme and the succession plans were presented to the ERCC for review. The ERCC reviews the succession plans for key and critical positions to align the business goals and the Group's human capital needs. This enables the Company to identify the talent pool and allow focus and devotion of time and resources to leverage the full value and potential of identified successors.

The ERCC currently involves and consults with human resources and remuneration consultants, Carrots Consulting Pte Ltd ("CCPL"), to ensure inclusiveness in its deliberations and decisions and to keep in line with pay and employment conditions within the industry and in comparable companies. There is no relationship between CCPL and the Company.

The President & CEO is not present during the discussions relating to his own remuneration, terms and conditions of service, and the review of his performance.

No ERCC member or any director is involved in deliberations on his own remuneration, compensation, options or any form of benefits. Hence the Board believes the ability of the ERCC to exercise considered judgment in its deliberations and act in the best interests of the Company.

The ERCC reviews the terms of the contracts of service of directors and key management personnel to ensure that the terms are fair and reasonable, and those termination clauses are not overly generous.

Level and Mix of Remuneration

Principle 8: Appropriate remuneration to attract, retain and motivate directors and key management

The Company believes that the remuneration of its directors and key management personnel is competitive and in line with market norms.

Non-Executive Directors

Non-executive directors have remuneration packages that are based on the Sembcorp Marine's Directors' Fee Policy and divided into a cash-based component and a share-based incentives component under the Sembcorp Marine Restricted Share Plan 2010. The Company does not have retirement plan for non-executive directors. The Directors' Fee Policy is based on a scale of fees divided into basic retainer fees and attendance fees as set out in the table on page 42.

At the forthcoming AGM to be held on 22 April 2014, the Board will be proposing that the remuneration of the non-executive directors be made partly in cash and partly in shares (except for (i) Mr Eric Ang Teik Lim whose remuneration will be paid entirely in cash to DBS and (ii) Mr Goh Geok Ling and Mr Eddie Teh Ewe Guan who will retire at the AGM and will receive their remuneration entirely in cash). To align the interests of the non-executive directors with that of shareholders, up to 30% of the aggregate directors' fees, if approved at the forthcoming AGM, will be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010. As these are shares awarded in lieu of directors' compensation in cash, the awards will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. However, in order to encourage the alignment of interests of the non-executive directors with the interests of shareholders, a non-executive director is required to hold the number of shares in the Company equivalent to at least one-time the Annual Basic Board Member Retainer fee based on the volume weighted average price ("VWAP") of the Company's share over 14 trading days from (and including) the ex-dividend date (if any) following the date of the Company's AGM or the total number of shares awarded under the above policy for financial year 2013 and onwards, whichever is lower, at all times during his Board tenure. The non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each of these non-executive directors will be determined by reference to the VWAP of a share on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM.

The proposed directors' fee for 2013 is S\$1,742,166 which is computed based on the following guidelines:

Type of appointment	Remuneration S\$
(i) Board of Directors	
- Basic Fee	65,000
- Chairman's allowance	70,000
- Deputy Chairman's allowance	40,000
(ii) Audit Committee	
- Chairman's allowance	40,000
- Members' allowance	25,000
(iii) Executive Committee	
- Chairman's allowance	40,000
- Members' allowance	25,000
(iv) Transformation Committee	
- Chairman's allowance	40,000
- Members' allowance	25,000
(v) Board Risk Committee	
- Chairman's allowance	30,000
- Members' allowance	17,000
(vi) Executive Resource & Compensation Committee	
- Chairman's allowance	25,000
- Members' allowance	15,000
(vii) Nominating Committee	
- Chairman's allowance	25,000
- Members' allowance	15,000
(viii) Attendance Fees	
- Board	5,000
- Committee	2,500
- Teleconference (Board Meeting)	2,000
- Teleconference (Committee Meeting)	1,000
(ix) Travel Allowance for Overseas Directors	
- < 4 hours (to & fro airplane travel time)	2,000
- 4 to 15 hours (to & fro airplane travel time)	5,000
- > 15 hours (to & fro airplane travel time)	10,000

Notes:

- (1) Mr Wong Weng Sun, being an executive director, does not receive any director's fee.
- (2) Cash fees for Executives of SCI (Nominee Directors) are payable to SCI, but share awards are received by Nominee Directors in their personal capacity.
- (3) Attendance fees for committee meetings apply also to attendance at general meetings.

The cash component of the directors' fee will be S\$1,357,266 and the share-based component will be S\$384,900. A detailed breakdown of Directors' remuneration is found on page 239 of this Annual Report.

Executive Director and Key Management Executives

The Company adopts a competitive remuneration and reward system that ensures good performance and retention of talents and key executives. The Company's remuneration and rewards system is anchored on the performances of the Group, its Business Units and individual employees.

The President & CEO, as an executive director, does not receive any director's fees. As a lead member of the Management, he draws a compensation consisting of a salary,

allowances, bonuses and share-based incentives conditional upon meeting certain performance targets (details are available on page 239 of the Annual Report). Details on the share-based incentives and its fair value are available on pages 202 to 209 of this Annual Report.

Key executives are also rewarded based on actual performance measured against pre-agreed performance targets, which include financial and non-financial performance indicators such as EVA, total shareholder returns and promotion and maintaining health, safety and environmental issues. The Board believes that the current reward systems are in line with market norms and formulated to motivate executives to give their best to the Group. Rewards include long-term share-based incentives, which would further ensure the retention of the most talented and high-performing executives in the Group.

The Company has clawback policies for the unvested components for EVA and share-based compensation in the exceptional circumstances of misstatement of financial results or misconduct/fraud resulting in material losses to the Company.

The ERCC has conducted a Compensation Risk Assessment to review the various compensation risks that may arise and introduced mitigating policies to better manage risk exposures identified. The ERCC will also undertake periodic reviews of the compensation-related risks in future.

The Company has ceased to grant new share options since 2007. Employees are currently awarded restricted and performance shares under the Restricted Share Plan and Performance Share Plan.

Disclosure of Remuneration

Principle 9: Clear disclosure on remuneration policy, level and mix of remuneration

Executive Remuneration Policy

The ERCC ensures that remuneration paid to the President & CEO and key executives is strongly linked to the achievement of business and individual performance targets. The performance targets as determined by the ERCC are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short and long term quantifiable objectives.

A pay-for-performance alignment study was conducted by the external remuneration consultant and reviewed by ERCC and it was found that there was sufficient evidence indicating pay-for-performance alignment for the Company in both absolute and relative performance terms against a peer group of large listed companies for the 6 year period from FY2007 to FY2012.

Cash-Based Incentives

The Company's cash incentive plans comprise the following two components:

(a) Performance Target Bonus (PTB)

The PTB is a remuneration component linked to the achievement of annual performance targets for each key executive as agreed with the Board at the beginning of each financial year.

Performance objectives aligned to the overall business metric and strategic goals of the Group are cascaded down throughout the organization through the use of a balanced scorecard system, thereby creating greater alignment between performance of the Group, business units and the individual employees. These are in the form of both quantitative and qualitative measures which are aligned to the Group's business strategy.

In determining the final payout for each key executive under the plan, the ERCC considers overall Group and individual performance and funding affordability.

(b) EVA-based Incentive

The EVA-based Incentive rewards for sustainable shareholder value creation over the medium term achieved by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of the business. A portion of the annual performance-related bonus of key executives is tied to the EVA achieved by the Group in the year. Under the plan, one-third of the accumulated EVA-based bonus, comprising the EVA declared in the financial year and the balance of such bonus brought forward from preceding years (which comprises of multiple years' of incentive dollars retained in the EVA bank), is paid out in cash each year. The remaining two-thirds are carried forward in the individual executive's EVA bank. Amounts in the EVA bank are at risk because negative EVA will result in a clawback of EVA accumulated in previous years. This mechanism encourages key executives to work for sustainable profitability and to adopt strategies that are aligned with the long-term interests of the Group.

In determining the final EVA-based incentive declared, the ERCC considers overall Group performance and relevant market remuneration benchmarks.

Based on the ERCC's assessment that the actual performance of the Group in FY2013 has outperformed the pre-determined targets set, the resulting annual EVA declared under EVA-based Incentive has been adjusted accordingly to reflect the performance level achieved.

Share-Based Incentive Plans

The Company's share-based incentive plans comprise two share plans. The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010.

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 strengthen the Company's competitiveness in attracting and retaining talented key executives and senior executives.

The SCM RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2010 is intended to apply to a select group of key executives. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2010 and the SCM 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 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 executives 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 aligns 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.

Senior executives are required to hold a minimum percentage of the shares released to them under the Performance Share Plan and 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.

The aggregate number of new ordinary shares allotted and issued and/or to be allotted and issued, existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the 2010 Share Plans, shall not exceed 7% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time. For FY2013, shares granted under the 2010 share plans did not exceed the Yearly Limit of 1% of the total number of issued shares in the capital of the Company (excluding treasury shares).

Details on the share options, performance shares and restricted shares granted to the directors and employees are disclosed on pages 202 to 209 of this Annual Report.

(a) Performance Share Plan (PSP)

Under the Performance Share Plan ("SCM PSP 2010"), the awards granted conditional on performance targets are set based on longer-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 are calibrated based on Absolute Total Shareholder Return ("TSR") against Cost of Equity Hurdles (i.e. measure of absolute Wealth Added) and Relative TSR versus MSCI Asia Pacific exJapan Industrial Index TSR. The 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% and 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period FY2012 to FY2014 will be vested to the senior management participants only if the restricted shares with the same performance end period for the performance period FY2013 to FY2015 are vested, subject to the achievement of the performance conditions for the respective performance periods.

The Company has attained an achievement factor which is reflective of partially meeting the pre-determined target performance level based on the performance period from FY2011 to FY2013.

(b) Restricted Share Plan (RSP)

Under the Restricted Share Plan ("SCM 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 Capital Employed and Earnings Before Interest and Taxes for awards granted in 2013.

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 the SCM RSP 2010.

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 of two years after the performance period, during which shares are released over three equal tranches.

The Company has attained an achievement factor which is reflective of outperforming the pre-determined target performance level based on the performance period from FY2012 to FY2013.

Key Executives Total Compensation

Information regarding remuneration of each individual director (including the President & CEO), and the five key executives is set out on page 239 of this Annual Report.

Key executives include the Managing Directors of Sembawang Shipyard Pte Ltd, SMOE Pte Ltd and PPL Shipyard Pte Ltd, the Executive Director of Jurong SML Pte Ltd, and the Chief Financial Officer of the Group ("CFO").

For FY2013, there was no termination, retirement and post-employment benefits granted to directors, the President & CEO and relevant key executives other than the standard contractual notice period termination payment. There was no immediate family member of a director or the President & CEO whose remuneration exceeded S\$50,000 during FY2013.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: A balanced and understandable assessment of the Company's performance, position and prospects

The Board is accountable to shareholders and announces the Company's quarterly and full year financial results which present a balanced and understandable assessment of the Company's performance, position and prospects in a timely manner via SGXNet.

The Board ensures that the Company complies with the applicable legislative and regulatory requirements by establishing written policies where appropriate.

Management provides all members of the Board with management accounts accompanied by detailed explanations and information on a monthly basis or as the Board may require from time to time, enabling the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

Risk Management and Internal Controls

Principle 11: A sound system of risk management and internal controls

The Board ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. It delegates its oversight responsibility for risk management and internal controls to the BRC and AC. These two committees work in close co-operation and coordination to ensure the adequacy and effectiveness of the Group's system of risk management and internal controls, which include the Group's financial, operational, compliance and information technology controls.

The BRC comprises the following members, two of whom (including the Chairman) are independent directors and all of whom are non-executive:

Mr Ajaib Haridass (Chairman)
Mr Tang Kin Fei
Mr Ron Foo Siang Guan

The BRC reviews the Group's risk management framework and policies. Its role is to:

- assess the adequacy and effectiveness of the Group's risk management framework (including policies, procedures and processes). Such reviews can be carried out internally or with the assistance of external parties
- determine the Group's risk appetite and oversee Management in the design, implementation and monitoring of the Group's risk management framework
- review and approve the Group's risk policies, plans, guidelines and limits
- review the infrastructure and resources that support risk management such as human resources, IT systems, reporting structure and procedures

The Group's Enterprise Risk Management ("ERM") programme, established in 2004, seeks to ensure the adequacy and effectiveness of risk management and internal controls in the Group. The programme is regularly reviewed, updated and improved so that it can continue to help the Group identify, assess and manage the key risks present in the challenging business environment that it operates in. For more information on the Group's ERM programme, please refer to pages 48 to 51.

In 2012, the Group established a governance assurance framework with guidance from external consultants. This framework became an extension of the Group's ERM programme to assist the Board to form an opinion on the adequacy and effectiveness of the Group's system of risk management and internal controls. This year, leveraging on the knowledge and experience gained in developing and implementing the governance assurance framework for the Singapore shipyards, the Group worked with the same consultants to cascade the same framework to the overseas shipyards and further enhanced its ERM programme.

During the year under review, the Board was assured by the President & CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the Group's system of risk management and internal controls is adequate and effective.

The Board, having performed its review, and with the concurrence of AC and BRC, is satisfied that the financial, operational, compliance and information technology controls and risk management system are adequate and effective as at 31 December 2013 to meet the needs of the Group in the current business environment.

This opinion is based on the ongoing efforts of Management to continuously strengthen the Group's internal controls, as well as regular reviews of the internal controls and risk mitigating measures taken by Management, work done by the Group Internal Audit and Group Risk Management departments, the statutory audits conducted by the external auditors and the documented governance assurance framework.

Internal controls, because of their inherent limitations, can provide only reasonable and not absolute assurance regarding the achievement of their intended control objectives. In this regard, the Board is satisfied that if significant internal control failures or weaknesses were to arise, necessary actions would be swiftly taken to remedy them.

The Risk Management report is found on pages 48 to 51 of this Annual Report.

Audit Committee

Principle 12: Establishment of an Audit Committee with written terms of reference

The AC comprises the following members, all of whom are non-executive and independent directors:

Mr Lim Ah Doo (Chairman)
Mr Ron Foo Siang Guan
Tan Sri Mohd Hassan Marican

The Board is of the view that the members of the AC have the necessary financial management expertise and experience to discharge their responsibilities. Management, external auditors and internal auditors update the AC as and when there are changes to the accounting standards and issues which have a direct impact on financial statements.

The AC is empowered and functions in accordance with the provisions of Section 201B of the Companies Act, the Listing Manual of SGX-ST (the "Listing Manual") and the Code. The AC has the authority to investigate any activity within its terms of reference. It has full access to and co-operation by Management, and full discretion to invite any director or executive officer to attend its meetings. It is granted with reasonable resources for discharging its functions properly.

The duties of the AC include:

- reviewing quarterly results and any announcements relating to the Company's financial performance
- reviewing management's representation on financial matters and internal controls presented quarterly
- reviewing interested person transactions in accordance with the requirements of the Listing Manual
- reviewing with the external auditors and internal auditors the adequacy of the internal control systems of the Group in relation to significant internal control issues which are likely to have a material impact on the Group's operating results and/or financial position

- reviewing the representation and opinion of Management and internal audit on internal controls, and the results of work performed by the internal and external auditors, to provide AC's concurrence with the Board's opinion on the adequacy and effectiveness of internal controls (including financial, operational, compliance and information technology controls) and risk management system
- reviewing the effectiveness of the Company's internal audit function
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors
- making recommendations to the Board on the proposals to the shareholders regarding the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

The AC meets with the external auditors and internal auditors without the presence of Management at least annually.

The AC had reviewed all the non-audit services provided to the Group by the Company's external auditors, and is satisfied that such services had not affected the independence of the external auditors. A breakdown of the fees for audit and non-audit services paid to the auditors for FY2013 are found on page 195 of this Annual Report.

The Company has put in place a whistle-blowing policy and procedure, under the oversight of the AC. Through this avenue, the employees of the Group or any other persons may, in confidence, raise concerns about possible improprieties in matters of financing reporting or other matters. The AC ensures that arrangements are in place for such concerns to be independently investigated, and for appropriate follow-up action to be taken.

During the year under review, the AC had carried out its duties in accordance with its terms of reference. The Chairman of the AC reports to the Board on AC's proceedings and on all significant matters relevant to the AC's duties and responsibilities.

In appointing auditors for the Company and its subsidiaries and significant associated companies, the Company has complied with Rules 712 and 715 of the Listing Manual.

No former partner or director of the Company's existing auditing firm or auditing corporation was appointed as a member of the Company's AC for FY2013.

INTERNAL AUDIT

An Effective Internal Audit Function

Principle 13: Establishment of an internal audit function that is independent of the activities it audits

The head of the Company's internal audit department ("IAD") reports functionally to the AC and administratively to the

President & CEO. The AC has empowered the IAD with access to all functions, personnel and records in the organization necessary for the performance of IAD's reviews and duties. The AC also ensures that the IAD is adequately resourced.

IAD plans internal audit reviews and resource requirements in consultation with, but independent of, the Management. Its risk-based plan is submitted to the AC for approval at the beginning of each year and the AC reviews the internal audit reports quarterly. The IAD conducts audit reviews to provide assurance that the internal controls are adequate and effective to meet the Group's requirements.

IAD's staff consist of suitably qualified professionals with the relevant experience and skill sets. Training and development opportunities are provided to these staff on an ongoing basis.

The IAD adopts the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and had successfully completed an external Quality Assurance Review in 2012.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Fair and equitable treatment of shareholders

Sembcorp Marine is committed to treat all shareholders fairly and equitably. The Company recognizes, protects and facilitates the exercise of shareholders' rights, and continually reviews and updates such governance arrangements.

The Company ensures that there is an adequate disclosure of developments in the Group and such disclosure is in compliance with SGX-ST listing rules.

The Company invites and encourages all registered shareholders to participate in the Company's general meetings. Each shareholder will receive a notice of meeting which is also advertised in the newspapers and released via SGXNet. To facilitate attendance of shareholders at general meetings, Sembcorp Marine arranges for buses to transport shareholders from convenient MRT stations to its registered office at 29 Tanjong Kling Road. The Group has always preferred holding the meetings at its registered office to offer shareholders an opportunity to visit the shipyard as well as to understand the shipyard operations.

The Company's articles allow a shareholder to appoint up to two proxies to attend and vote on his or her behalf at the general meetings. The Company also allows CPF investors to attend general meetings as observers.

Communication with Shareholders

Principle 15: Regular, effective and fair communication with shareholders

The Company has put in place a comprehensive investor relations program to promote regular, effective and fair communication with shareholders. The Company conveys pertinent information to shareholders and complies with the guidelines set out in the Listing Manual when disclosing information.

The Company does not practise selective disclosure of price sensitive information. The Board announces the Company's quarterly financial results and any significant transactions and developments via SGXNet on a timely basis.

General meetings are the principal forum for dialogue with shareholders. There is a question and answer session during which shareholders may raise questions or share their views regarding the proposed resolutions and the Group's business and affairs.

The quarterly and full year results announcements provide financial and other performance information of the Group as a whole as well as by business segments. This allows shareholders to gain better insight into the earning drivers within Sembcorp Marine. The earnings results are first released via SGXNet and posted on the SGX-ST website. The Management team then holds a briefing or teleconference for the media and analysts. All materials used at the briefing are made available on SGXNet and on the Company's website at www.sembmarine.com. Following any release of earnings or price-sensitive developments, investor relations personnel are available by email or telephone to answer questions from shareholders and the media as long as the information requested does not conflict with the SGX-ST's rules of fair disclosure.

Apart from the regular meetings, email communication and teleconferences with investors and analysts, the Management team also travels regularly to attend overseas road shows and conferences to reach out to foreign institutional investors.

Sembcorp Marine's Dividend Policy aims to balance returns to shareholders with the need for long-term sustainable growth. The Company has been paying dividends annually.

The Company strives to provide shareholders on an annual basis with a consistent and sustainable ordinary dividend with a variable special dividend based on cash position, working capital, capital expenditure plans, acquisition opportunities and market environment.

For further details on Sembcorp Marine's communication with its shareholders, please see the "Investor Relations" section of this Annual Report.

Conduct of Shareholder Meetings

Principle 16: Greater shareholder participation at general meetings

All registered shareholders are invited to participate in shareholders' meetings. Each shareholder is allowed to

appoint up to two proxies to attend and vote on his or her behalf at each general meeting pursuant to the Company's Articles of Association.

The Company ensures that separate resolutions are proposed for substantially separate issues at the general meetings.

The Chairman, President & CEO, Chairman of the AC as well as other directors, CFO and company secretaries attend the meetings. The external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company ensures that minutes of meetings include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. All minutes of shareholders' meetings are available on request by registered shareholders.

The Company has conducted electronic poll voting for all resolutions since the AGM and extraordinary general meeting held in 2012. Detailed results showing the number of votes cast for and against each resolution and the respective percentages were posted via SGXNet.

Dealings in Securities

The Company has adopted a code of compliance on dealings in securities, which prohibits dealings in the Company's securities by its officers during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the Company's financial year, and one month before the announcement of the Company's full year financial statements, and ending on the date of the announcement of the relevant results.

The officers and employees of the Group are expected to observe insider trading laws at all times and are prohibited from dealing in the Company's securities while in possession of price sensitive information and on short-term considerations.

Interested Person Transactions ("IPTs")

Shareholders approved the renewal of a general mandate for IPTs at the AGM on 19 April 2013. The mandate sets out the levels and procedures for obtaining approval for each type of IPTs covered under the mandate. Information regarding the mandate is available on the Company's website at www.sembmarine.com.

All business units are required to be familiar with the IPT mandate and report any such transactions to their respective finance departments. The Group finance department keeps a register of the Group's IPTs.

Detailed information on IPTs for FY 2013 is found on page 240 of this Annual Report.

Risk Management

The Sembcorp Marine Group continued its risk management efforts in support of its objectives and strategies which would inevitably entail participation in markets beyond the familiar and secure home base in Singapore. While the risks associated with such endeavors are manifold and highly consequential, the Group is aided by a sound risk management framework to effectively mitigate these risks.

To strengthen and ensure continued relevance of its enterprise risk management (ERM) framework in light of evolving regulatory requirements and guidance, the Group has, since 2012, been partnering external specialists who are providing valuable insights and recommendations to enhance the existing framework. The specialists' study covered the Group's internal control system and risk management policies, procedures, processes and limits, which are all part of the ERM framework. It also includes the governance structure comprising risk committees which focus on their respective significant risk areas of concern to the Group. In these committees, the directors and management work together to formulate and implement risk management strategies, policies, procedures and plans, in support of the Group's overall business processes and operations.

Risk Governance Structure

The Board Risk Committee (BRC) assists the Board of Directors to drive risk governance in the Group and communicate an appropriate tone from the top to all levels of the Group. This entails overseeing the design, implementation and monitoring of the Group's risk management and internal control systems as well as assessing the adequacy and effectiveness of these systems which cover strategic, operational (including IT), financial and compliance risks. The BRC engages in regular reviews and discussions with management staff from the Group's corporate functions and strategic business units at the committee meetings, covering the Group's top risks and treatment plans, projects and health, safety, security and environment risks amongst others. A total of four BRC

meetings were held in the year, supplemented with other engagements via electronic mail and teleconferencing.

The management, through the Enterprise Risk Management (ERM) Committee, is responsible for identifying, assessing, managing, monitoring and reporting the key risks faced by the Group to the BRC.

Chaired by the President & CEO and supported by the Group Chief Risk Officer, this committee comprises the strategic business unit heads, their chief risk officers and management staff who are appointed as champions of key risk areas. The ERM Committee reviews risk issues at both the strategic business unit and Group levels. The areas of review cover risk policy matters, risk profiles and treatment plans as well as other Group risk initiatives.

Supporting the ERM Committee are sub-committees which look after their respective areas such as Health, Safety, Security and Environment (HSSE), Human Resource, Project Risk Management, Finance, Information Technology, Procurement and Critical Assets, amongst others. These sub-committees are headed by designated qualified persons and members are the domain experts from the strategic business units and the Group's corporate functions.

The organisation of the Group's risk governance structure is illustrated as follows:



Key Risk Management Initiative Highlights

The Group reviews its risk policies, profiles and plans annually. Emerging risk trends and issues are raised and discussed at risk meetings and external experts called in to share their knowledge and experience with management. These are some of the core activities set out in the Group's annual risk management workplan. Other initiatives carried out during the year included:

- Extension of the risk and governance assurance framework established in the previous year to the Group's overseas shipyards, with representatives from Group Risk Management and Internal Audit making field trips to Brazil and Indonesia to facilitate the process
- A calibrated Group-wide survey to evaluate the Group's risk culture. The respondents covered Sembcorp Marine directors as well as representative numbers of senior and middle management staff from all the strategic business units and overseas shipyards
- Internal controls awareness sessions by Group Risk Management and Group Internal Audit to educate employees on the fundamentals of corporate governance, internal controls, risk management and internal audit
- An anti-corruption training session was conducted by external consultants for the ERM Committee
- Development of formalised Group Risk Appetite statements

Key Risks and Mitigation Strategies

The Group's key risks were identified as part of an annual risk review exercise which factored in inputs from the strategic business units and overseas shipyards and also included development of the mitigation measures. These are set out in the following sections.

The year in review saw a familiar continuation of global trends and happenings – uncertain and fragile global economy, extreme weather events, political unrest and acts of terrorism. Closer to home, Singapore experienced its worst haze which affected outdoor operations. The tightening of foreign worker policy by the government led to a tighter labour supply situation. These are some of the factors that were considered in developing the Group's top risk profile.

Strategic Risks

Strategic risk considerations impact the Group's strategies and plans to grow its business and operations in Singapore and internationally. They typically encompass business environment, customers, markets, industries, competition, technology and

new business initiatives (in terms of products and services of the oil & gas value chain). Discussions were held at both the ERM and BRC Committee meetings and risk factors were escalated to the Board of Directors at the annual strategic planning meeting.

External Environment Risks

Key risks in this category include commodity market volatilities; global trade and economy; stability of the global financial and banking systems; foreign exchange fluctuations; political risks; regulatory landscape; and natural disasters. Risks of such nature have far-reaching impacts which affect the Group and its customers, suppliers, vendors and other business partners.

Environmental scanning is an ongoing process by management which identifies potential and emerging risk exposures resulting from events and developments in the regions and markets which the Group operates in. These exposures are evaluated in terms of impact and likelihood and used for subsequent response planning. Recognising that external environment risks are inherently volatile, unpredictable and usually cannot be completely eliminated, the Group adopts the approach of mitigating them to as low as reasonably practicable with due consideration given to achieving appropriate risk/reward balances.

Project Management Risks

The Group's core business revolves around the projects in its order book. The Group has consistently demonstrated good project risk management through an established track record of safe and timely project deliveries, meeting budget, quality and environmental requirements. This applies across the entire project management process which starts from tendering, contract negotiation and upon award, the execution of engineering, procurement, construction, commissioning and delivery.

Third party risks in the form of non or poor performance of contractors, suppliers or vendors could affect the Group's ability to execute its projects as planned, thereby causing delays. This could happen when substitute manufacturers are limited, especially for specialised equipment. To this end, the Group has put in place, processes for selection of third parties with pre-defined criteria and constant monitoring and assessment which allow for early warning and timely actions.

The drillships for Sete Brasil had been progressing satisfactorily and the Group continues to proactively manage the risks in contract execution. The construction of the Estaleiro Jurong Aracruz shipyard in Brazil is progressing well and remains on track to commence initial operations in the second half of 2014.

The Project Risk Management Committee which is chaired by the President & CEO provides a platform for the strategic business units to report and discuss material project risk matters, including project schedules, costs, work variations, financial and contractual issues.

Human Resource Risks

The Group believes that employees are valuable assets that enable the achievement of its objectives and strategies. With the commencement of operations at the Sembmarine Integrated Yard @ Tuas in August 2013 and the Estaleiro Jurong Aracruz shipyard in Brazil in the second half of 2014, there is a high demand for additional human capital to run these operations, notwithstanding the advanced automation features and optimised facilities in these yards. Key risks identified include availability of skilled labour, staff turnover, management succession, work-life balance as well as compensation and benefits. Measures have been put in place to address the above-mentioned risks and others. The Group's human resource activities are discussed in detail in the Human Capital section of this report.

Financial Risks

The Group's international presence and worldwide clientele inevitably exposes it to the various financial risks arising from developments within the global financial market. Policies and procedures covering key areas – including treasury, foreign exchange, credit, accounting, inter-company transactions and others – have been established and implemented throughout the Group to mitigate the associated risks. These policies also set out approval limits for significant transactions and guidelines to minimise cost of capital, adverse effects of fluctuations in foreign currencies and interest rates on income as well as to ensure that sufficient funds are available to meet financial obligations and operational needs.

The Finance Committee, a sub-committee of the ERM Committee, looks into the areas of financial system integrity, regulatory reporting, accounting, risk management and compliance systems, including internal and external audit issues. Chaired by the Group Chief Financial Officer, the committee comprises key finance personnel from the strategic business units and the corporate functions of treasury, tax, internal audit and risk management.

The Group's financial risk management is discussed in detail in Note 36 to the financial statements.

Health, Safety, Security and Environment Risks

The Group emphasises and places great importance on providing a safe and healthy work environment for its customers, employees, contractors and the community. The Group Health, Safety, Security and Environment Committee, which comprises the key relevant representatives from all the shipyards is responsible for implementing the Group's four safety strategic thrusts which guides the Group's activities towards its vision of zero incidents. The committee also monitors and reports the Group's safety performance and other material related matters regularly to the ERM Committee and the BRC.

The Workplace Safety and Security section of this annual report provides more information on the principal activities carried out during the year.

Information Technology Risks

The Group Information Technology (IT) Committee, formed in 2012, is chaired by the Senior Vice President, Group Management Information Systems and comprises key IT personnel from the strategic business units.

The committee's mandate is to design and implement the Group's IT governance framework and strategies including IT risk management and controls. Key IT risk issues are escalated to the ERM Committee for discussion.

During the year, the committee reviewed and updated the Group IT risk profile, reviewed Group IT policies, infrastructure readiness for integration and process harmonisation, and developed security configuration baselines for network devices.

Critical Assets Risks

Certain assets are important enablers of shipyard operations. The Group Critical Assets Committee, a sub-committee of the ERM Committee, is tasked to raise standards in upkeeping critical assets employed in the Group and build capabilities for sound and safe operation of such assets. The major categories of assets identified by the committee are power and utilities; material handling equipment; docks and quays; workshops, and launching facilities.

During the year, the committee identified and documented applicable laws, rules, regulations and Codes of Practice for the Group's critical assets and began development of best practice manuals for each of the five categories of critical assets defined at the Group level.

The strategic business units have established policies and procedures for managing their critical assets which cover operations, performance measurement and tracking, maintenance, servicing and certification.

Fraud and Corruption Risks

The Group takes a zero tolerance stance against fraud and corruption which is articulated in the Group fraud risk management and anti-bribery policies. Acts of fraud or corruption committed by employees or parties that provide dishonest or unfair benefits to themselves or related parties to the detriment of the Group are strictly not tolerated. The perpetrators will face consequences, such as disciplinary warnings and termination of employment or other contractual relationships, and will be reported to the appropriate law enforcement or regulatory body.

During the year under review, there were zero confirmed incidents of corruption and corruption related termination/non-renewal/disciplinary cases, for both employees and business partners. Neither were there public legal cases regarding corruption brought against the Group or its employees.

In the Fraud Risk Management (FRM) framework, the Group had identified violation of anti-bribery and corruption laws such

as the United States Foreign Corrupt Practices Act (FCPA) and UK Bribery Act as a significant risk in the fraud risk assessment. To this end, the Group's FRM policy and requirements are communicated across its global operations to key business partners including customers, suppliers and contractors. The FRM policy and procedures are reviewed at least once every two years to maintain its relevance to the Group's business and operations. Management compliance to the FRM policy is audited by Group Internal Audit who provides an independent review of the effectiveness and adequacy of controls in place.

Augmenting these frameworks and the Group-wide whistle-blowing structure, Group Risk Management and Group Internal Audit continued to conduct a series of in-house training sessions to educate staff on risk governance and internal controls, including the corresponding Group policies. These trainings are also extended to employees in overseas yards. To date, over 75 per cent or more than 2,000 staff holding a supervisory or equivalent position and above had attended these sessions. An anti-corruption training session was conducted by external consultants for management staff in the ERM Committee in 2013.

An effective mitigation means utilised by the Group to combat fraud and corruption risks is through its whistle-blowing policy which provides an open channel to surface any potential wrongdoing and the mandate to subsequently evaluate and investigate independently every reported case based on its merits.

Investment Risks

Some of the ways in which the Group grows its business are through acquisition of business entities or operating assets, development of new capacities and expansion of its existing capabilities, facilities and activities. Investment activities, starting from the identification of targets to due diligence exercises (including risk assessment), are supported by a team of experienced managers and complemented by external professionals for specialised services. Business proposals are risk assessed and evaluated by senior management before deliberations by the Board of Directors.

Business Continuity Risks

To mitigate its business continuity risks, the Group has in place a Business Continuity Management (BCM) framework that complements its ERM framework.

The Group BCM Policy, previously based on the Singapore Standard for BCM (SS540), has been updated to incorporate elements of the ISO 22301 standard for BCM as well as to refine its existing crisis reporting procedures to ensure timely reporting and clarity of roles and responsibilities during a crisis.

The four base disaster scenarios identified for business continuity planning are major fire and explosion; prolonged power outages; infectious disease outbreaks; and major information technology disruptions or failures.

The internal controls awareness sessions for employees by Group Risk Management and Group Internal Audit also covered BCM where recent events were identified as case studies to share BCM learning points.

Other Group-wide Risk-based Activities

In addition to the aforesaid risk mitigation strategies, the Group has other risk management activities in place including Control Self Assessment and insurance programmes.

Control Self Assessment

The Group's Control Self Assessment (CSA) programme, which was established in 2008, is part of the overall Group Governance Assurance Framework. CSA processes are linked to identified controls for key risks to provide added assurance, complementing the external and internal audits.

Besides raising awareness among staff on risks and controls, the CSA programme also promotes ownership and accountability through identifying control owners for respective processes. Corrective actions taken for control lapses detected are tracked and reported to management till completion.

Appointed CSA managers in the business units work together with Group Risk Management and Group Internal Audit. Quarterly updates on the programme are also reported at the BRC and ERM Committee meetings.

All the Singapore strategic business units started their CSA implementation in 2008, adding new CSA processes each year to reach a total of 15 per unit in 2013. The programme has been extended to the overseas shipyards in 2013 and they will start with five processes for 2014.

Insurance

Insurance is used as a means of risk transfer where necessary or when it is mandated by legislation (eg. Work Injury Compensation Act) or contractual requirements. Another application is providing coverage for the Group against foreseeable events that may cause potential catastrophic financial losses. The approach taken by the Group is one that seeks to balance cost benefits with its risk appetite, risk management capabilities and self-insuring capacity.

Insurance is procured at the Group level, through pooling of the strategic business units' common insurance needs, hence achieving economies of scale. The insurance department works closely with insurance brokers to obtain optimal coverage for the Group at competitive prices.

During the year, the Group Insurance Committee reviewed the basis for sum insured for the Group's critical assets, integrated the strategic business units' public liability and motor fleet policies and consolidated the employees' benefit insurance program under a flexi-plan scheme.

Investor Relations

The Sembcorp Marine Group assures investors of open communication and fair disclosure by upholding the highest standards of corporate governance and transparency and a commitment to complying with evolving regulatory requirements. In addition to sharing accurate, coherent and balanced accounts of its strategies, operations and performance with the investing community, the Group ensures that any material and price-sensitive information is disseminated on a timely and non-selective basis.

Diversified Shareholder Base

As at 6 March 2014, Sembcorp Marine had 31,413 registered shareholders. The actual number of investors is likely to be more as some shares are held through nominees, investment funds and other share schemes. Of this investor base, Sembcorp Industries remained the largest shareholder with 60.67 per cent of shares. Approximately 38.10 per cent of the shareholding is held by the public, including institutional and retail shareholders. Mitigating concentration risk and ensuring market liquidity, the shareholder base was well diversified across key cities in the United States, Europe, the United Kingdom, Australia, New Zealand, Japan, Hong Kong, Malaysia and Singapore.

Share Performance

Sembcorp Marine is a component of the Straits Times Index, with a market capitalisation of approximately \$8.3 billion based on the closing share price of \$4.00 on 6 March 2014. The daily turnover averaged 3.5 million shares in 2013 and 3.2 million shares from January 2014 to February 2014.

The graph on page 57 shows the share price and turnover in 2013 and from January 2014 to February 2014.

Regular Investor Communications

The Group is proactive in maintaining regular two-way communications with the investment community, comprising institutional investors, financial analysts, retail investors and media representatives. Regular meetings, site visits, conference calls, road shows and other investor communication engagements held throughout the year allow potential and existing investors to gain timely and deeper insights into the Group's operations and to make informed investment decisions.

The Annual General Meeting (AGM) is held every April for the Board of Directors and senior management to interact with shareholders, including retail shareholders. About 200 shareholders and observers attended the AGM on 19 April 2013, using the event as an opportunity to pose questions to the Board and management representatives present.

To supplement communications at the Annual General Meeting and formal quarterly results announcements, the Group organised one-on-one and group meetings, post-results briefings and conference calls with the investment community in 2013. Tours were held for investors to obtain a first-hand look at the operations of existing yards as well as the new Sembmarine Integrated Yard @ Tuas which opened in August 2013. In addition, senior management from the Group went on non-deal roadshows and participated in investor conferences and Investor Day events.

These multiple platforms of engagement allowed the Group to foster closer relationships with investors and to gain invaluable feedback. Research reports prepared by analysts provided management with further feedback on the views of the investment community. These insights were shared with Board members to aid in formulating corporate policies.



FY2013 results briefing with analysts and media.

Financial Calendar

Announcements of Results & Dividends	2014	2013
Full year	February 24	February 21
Quarter 1	May 2*	May 3
Quarter 2	August 4*	August 1
Quarter 3	November 5*	November 5
Final Dividend Payment	May 14	May 13
Delivery of Annual Report and Extraordinary General Meeting Notice	April 3	April 3
Annual General Meeting/Extraordinary Meeting	April 22	April 19

* Updates will be posted at www.sembmarine.com

Ready Access to Timely Information

The Group ensures that all information is disclosed comprehensively and in a timely and fair manner to shareholders. Material information – including quarterly results announcements, award of contracts, significant milestones, investments and acquisitions – are announced via SGXNET and the Group's corporate website in line with regulatory requirements set by the Singapore Exchange.

Quarterly results for the Group are announced within 45 days of the close of the previous quarter to provide the most up-to-date information. To discuss these results directly with the investment community, the Group hosts combined media and analyst briefings for half-year and full-year results at its premises and holds conference calls for the first- and third-quarter results. During these briefings, the President & CEO, the Chief Financial Officer and the Senior Vice President of Investor Relations & Communications will share insights into the Group's most recent performance, explain the business outlook and field questions from the participants.

The Group also dedicates an investor relations section within its corporate website, www.sembmarine.com, to provide a relevant and comprehensive source of information for the investment community. Apart from finding out about the Group's businesses, investors visiting the site can access company newsletters, press releases, annual reports and stock exchange announcements and subscribe to email alerts on the latest announcements. Investors can contact the Group's investor relations team at ir@sembcorpmarine.com.sg.

Awards and Accolades

Sembcorp Marine was again honoured by the investment community for excellence in investor relations and corporate transparency in 2013. The Group was named the Most Transparent Company in the oil and gas sector at the Investors' Choice Awards organised by the Securities Investors Association of Singapore in 2013. Sembcorp Marine also clinched the Gold award in the Best Annual Report Award for firms with market capitalisation of \$1 billion and above in recognition of the high standards of disclosure and presentation in its annual report.



A strong turnout at Sembcorp Marine's 50th Annual General Meeting.



Tour of the Sembmarine Integrated Yard @ Tuas after commencement of operations in August 2013.

Shareholders' Information

Statistics of Shareholdings as at 6 March 2014

Share Capital

Issued and fully paid up capital	: S\$484,288,253.02
Number of issued shares	: 2,089,760,107
Number of treasury shares	: 4,057,422
Number of shareholders	: 31,413
Class of shares and voting rights	: Ordinary shares with equal voting rights ¹

Shareholding Held by the Public

Based on information available to the Company as at 6 March 2014, approximately 38.10% of the issued ordinary shares of the Company is held by the public and therefore, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Substantial Shareholders

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	% ²	No. of shares	% ²	No. of shares	% ²
Sembcorp Industries Ltd ("SCI")	1,265,370,764	60.67	–	–	1,265,370,764	60.67
Temasek Holdings (Private) Limited ("Temasek") ³	–		1,268,434,206	60.82	1,268,434,206	60.82

Top 20 Shareholders

No.	Name	No. of Shares	%
1	Sembcorp Industries Ltd	1,265,370,764	60.67
2	DBS Nominees Pte Ltd	118,433,826	5.68
3	Citibank Noms S'pore Pte Ltd	107,436,888	5.15
4	DBSN Services Pte Ltd	101,271,927	4.86
5	United Overseas Bank Nominees	59,468,410	2.85
6	HSBC (Singapore) Noms Pte Ltd	48,554,507	2.33
7	Raffles Nominees (Pte) Ltd	17,570,699	0.84
8	BNP Paribas Securities Svcs	16,863,678	0.81
9	Tan Kwi Kin	10,293,210	0.49
10	Bank of S'pore Noms Pte Ltd	10,180,346	0.49
11	OCBC Nominees Singapore	5,506,821	0.26
12	OCBC Securities Private Ltd	5,223,398	0.25
13	DB Nominees (S) Pte Ltd	4,840,374	0.23
14	IMC Co., Ltd.	4,100,000	0.20
15	Wong Weng Sun	3,178,751	0.15
16	Phillip Securities Pte Ltd	2,855,296	0.14
17	BNP Paribas Noms S'pore Pl	2,639,715	0.13
18	DBS Vickers Secs (S) Pte Ltd	2,637,100	0.13
19	UOB Kay Hian Pte Ltd	2,329,049	0.11
20	ABN AMRO Noms S'pore Pte Ltd	2,097,510	0.10
Total		1,790,852,269	85.86

Location of Shareholders

Location of Shareholders	No. of Shareholders	%	No. of Shares	%
Singapore	30,434	96.88	2,068,099,491	99.15
Malaysia	584	1.86	6,208,374	0.30
Hong Kong	41	0.13	424,200	0.02
Japan	5	0.02	5,951,000	0.29
US	40	0.13	341,600	0.02
UK	28	0.09	299,800	0.01
Europe	11	0.04	62,600	0.00
Australia/New Zealand	80	0.25	643,000	0.03
Others	190	0.60	3,672,620	0.18
Total	31,413	100.00	2,085,702,685	100.00

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	636	3.26	282,871	0.01
1,000 – 10,000	25,571	81.50	97,001,458	2.94
10,001 – 1,000,000	5,175	15.09	180,509,885	5.67
1,000,001 and above	31	0.15	1,807,908,471	91.38
Total	31,413	100.00	2,085,702,685	100.00

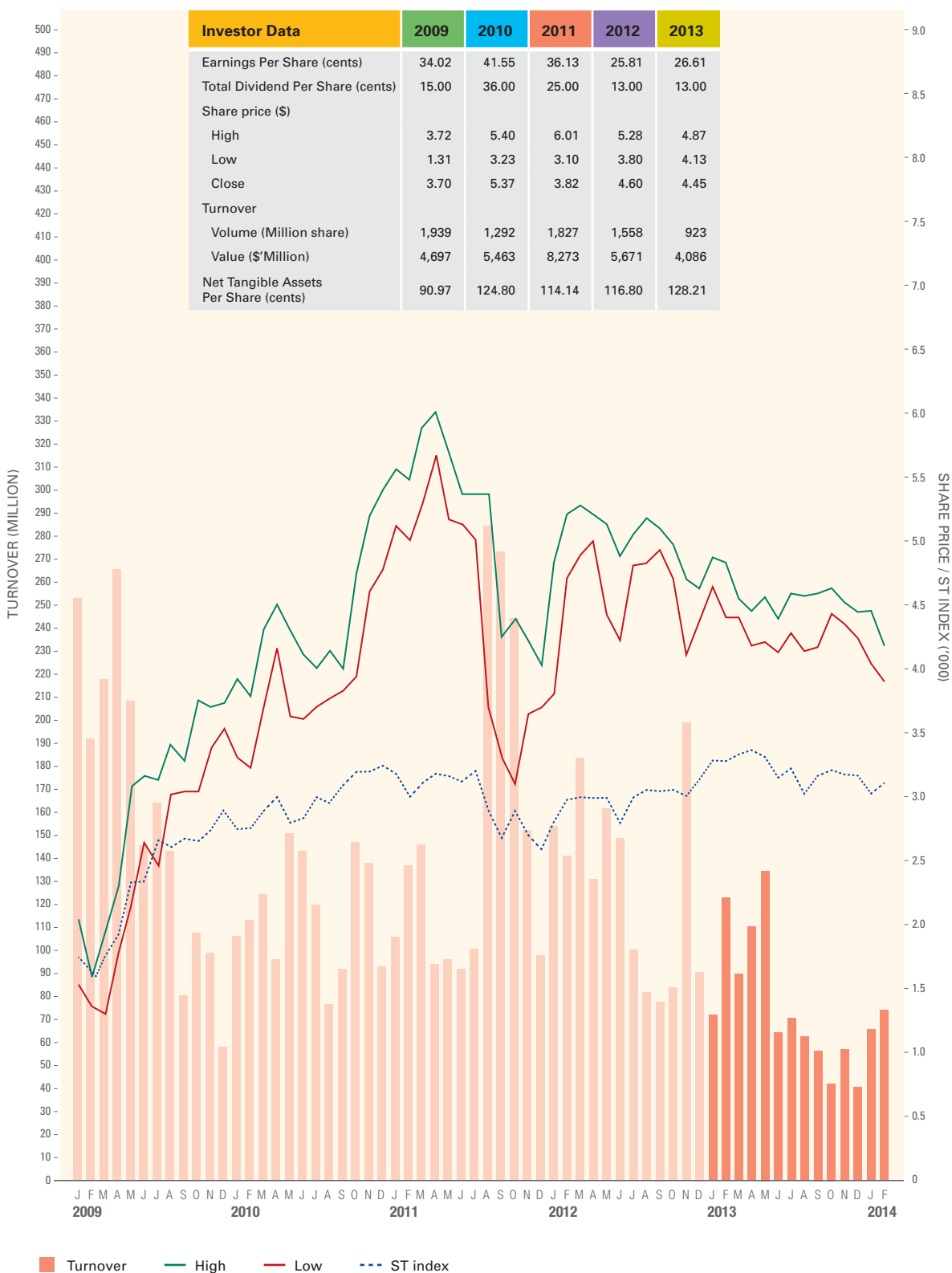
Notes:

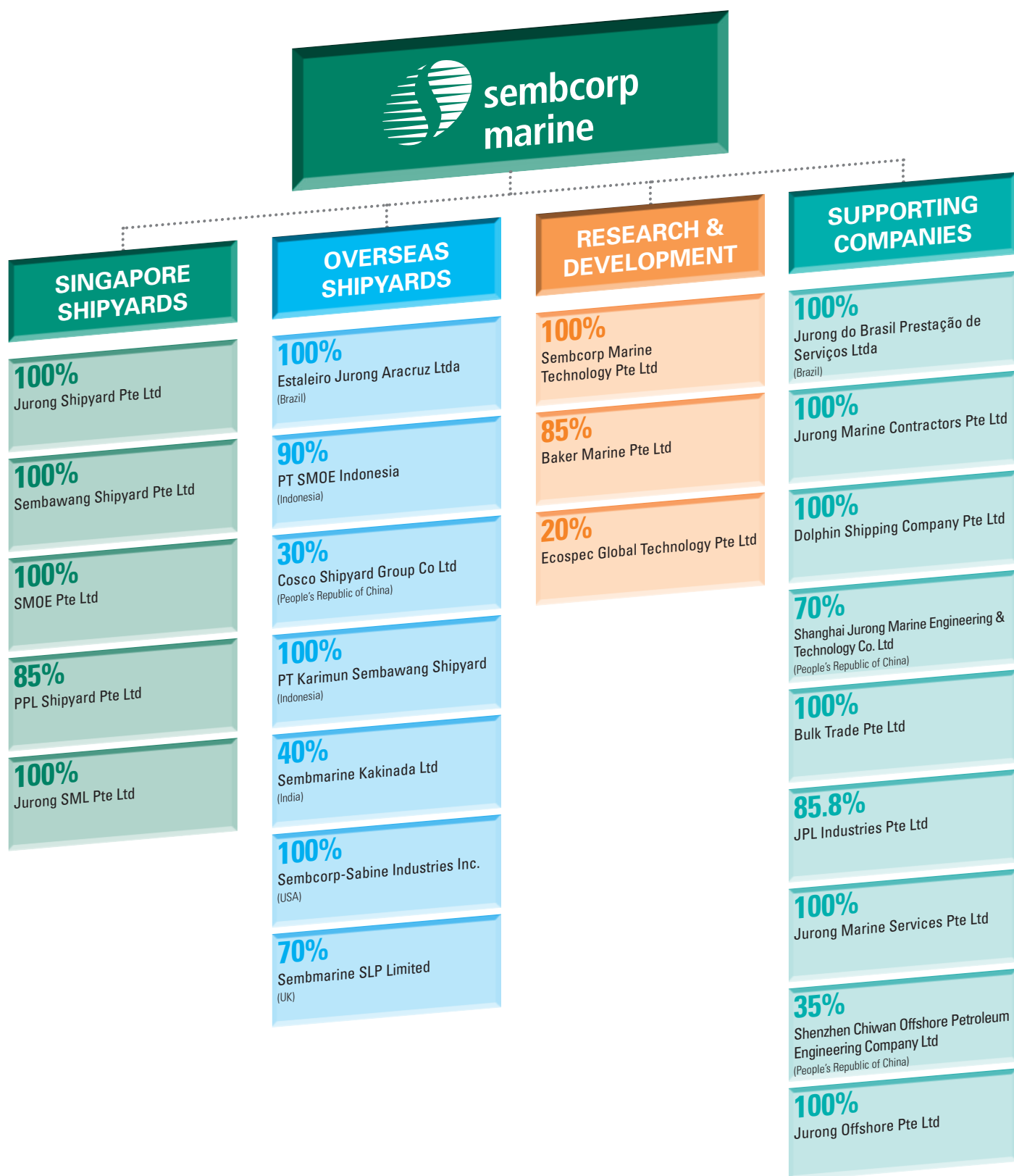
¹ Ordinary shares purchased and held as treasury shares by the Company will have no voting rights.

² Based on 2,089,760,107 shares in issue (and disregarding 4,057,422 shares held in treasury) as at 6 March 2014.

³ Temasek is deemed to be interested in the 1,265,370,764 shares held by SCI and the 3,063,442 shares in which its subsidiaries and/or associated companies have or are deemed to have an interest pursuant to Section 4 of the Securities and Futures Act, Chapter 289.

Share Prices & Monthly Volumes





Corporate Directory

Registered Office

SEMBCORP MARINE LTD
29 Tanjong Kling Road, Singapore 628054
Telephone : (65) 6265 1766
Fax : (65) 6265 0201 / (65) 6261 0738
Website: www.sembmarine.com

Board of Directors

Goh Geok Ling
Chairman

Tan Sri Mohd Hassan Marican
Deputy Chairman

Wong Weng Sun
President & CEO

Ajaib Haridass
Tang Kin Fei
Ron Foo Siang Guan
Lim Ah Doo
Koh Chiap Khiong
Eric Ang Teik Lim
Eddie Teh Ewe Guan

Audit Committee

Lim Ah Doo
Chairman

Ron Foo Siang Guan
Tan Sri Mohd Hassan Marican

Executive Resource & Compensation Committee

Goh Geok Ling
Chairman

Tang Kin Fei
Ajaib Haridass

Nominating Committee

Ajaib Haridass
Chairman

Goh Geok Ling
Tang Kin Fei

Board Risk Committee

Ajaib Haridass
Chairman

Tang Kin Fei
Ron Foo Siang Guan

Transformation Committee

Tan Sri Mohd Hassan Marican
Chairman

Ron Foo Siang Guan
Lim Ah Doo
Koh Chiap Khiong

Executive Committee

Goh Geok Ling
Chairman

Wong Weng Sun
Ajaib Haridass
Tang Kin Fei

Company Secretaries

Tan Yah Sze
Kwong Sook May

Registrar

KCK Corpserve Pte Ltd
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

Share Listing

Sembcorp Marine's shares are listed on the
Singapore Exchange Securities Trading Limited

Principal Bankers

Bank of Tokyo-Mitsubishi UFJ
Citibank N.A.
DBS Bank
Oversea-Chinese Banking Corporation
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation
United Overseas Bank

Auditors

KPMG LLP
Certified Public Accountants
Audit Partner : Kenny Tan
(Appointed during the financial year ended December 31, 2013)

Financial Review

Turnover

Group turnover for Sembcorp Marine increased 25 per cent to \$5.5 billion in 2013 from \$4.4 billion in 2012, mainly attributable to higher revenue recognition for rig building and offshore platform projects.

\$5.5b

Turnover

\$644m

Operating Profit

\$665m

Profit Before Tax

\$556m

Net Profit

Earnings

Group operating profit in 2013 of \$644 million was 16 per cent higher as compared with \$554 million in 2012. Consequently, Group pre-tax profit also saw an increase of 6 per cent to \$665 million in 2013. Overall, net profit in 2013 was \$556 million as compared to \$538 million in 2012. The 3 per cent increase was mainly due to higher operating profit from rig building projects.

26.6cents

Earnings per Share

22%

Return on Equity

13cents

Total Dividend per Share

\$929m

Net Cash

\$1.28

Net Asset Value per Share

\$406m

Economic Value Added



Alliance and FCC partners together with regular clients provide a steady stream of repair projects at Sembawang Shipyard.



FPSO OSX 3 undergoing conversion at Jurong Shipyard.

Financial Position

The Group's total assets of \$7.3 billion in 2013 was 25 per cent higher than that of \$5.8 billion in 2012. The increase in property, plant and equipment was mainly due to capital expenditures for the new shipyards in Singapore and Brazil.

Group total liabilities of \$4.4 billion at 31 December 2013 was 37 per cent higher than the previous year-end. Progress billings in excess of work-in-progress increased significantly mainly due to receipts from customers for drillship and jack-up rig building projects in progress. The increase in interest-bearing borrowings was mainly due to borrowing for capital expenditures for the new shipyards in Singapore and Brazil.

Total capital employed of \$2.8 billion as at 31 December 2013 comprised shareholders' funds of \$2.7 billion and non-controlling interests of \$132 million.

Cash Flow and Liquidity

The Group's total cash and cash equivalents stood at \$1.7 billion as at 31 December 2013.

Cash flow from operating activities before changes in working capital was \$749 million in 2013. Net cash inflow from operating activities amounted to \$937 million. This was mainly due to receipt from ongoing and completed projects.

The Group's net cash outflow from investing activities of \$798 million in 2013 was higher than 2012. The Group spent \$815 million on expansion and operational capital expenditure, mainly for the new shipyards in Singapore and Brazil. This is offset by proceeds from sale of property, plant and equipment of \$17.9 million. Net cash inflow from financing activities was \$135 million in 2013; net cash generated was mainly from proceeds from borrowings, offset by dividends paid.

Shareholder Returns

The Group achieved a return on equity of 22 per cent, in line with its efforts to achieve good returns for the shareholders.

Subject to approval by shareholders of Sembcorp Marine at the next Annual General Meeting, the Group is proposing a final one-tier tax-exempt dividend of 8 cents per share comprising a final ordinary dividend of 6 cents and a special dividend of 2 cents per share. Together with the interim one-tier tax-exempt dividend of 5 cents per share, total dividend for the financial year ended 31 December 2013 would be 13 cents per share.

Economic Value Added

The economic value added generated in 2013 amounted to \$406 million, 6 per cent higher than 2012. This was mainly due to increase in net operating profit after tax (NOPAT) for 2013 from \$583 million in 2012 to \$644 million in 2013.

Value Added

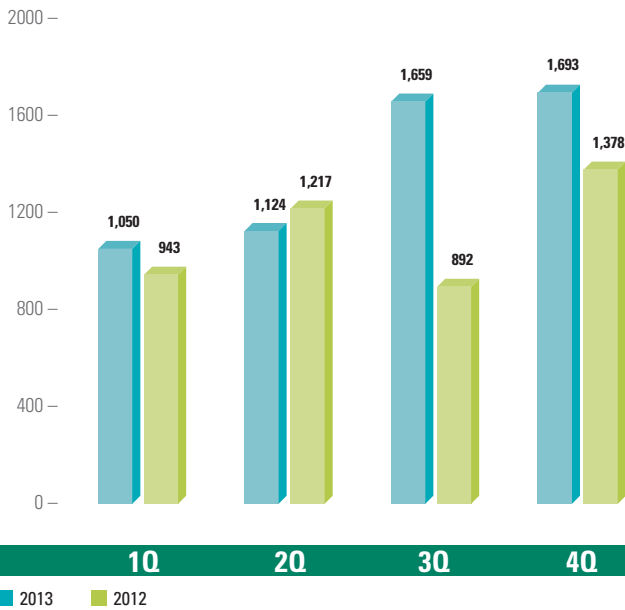
Group's total value added in 2013 was \$1.4 billion. The amount distributed to employees in 2013 was \$586 million, income and other taxes to the government was \$111 million, and interest and dividends to the providers of capital was \$280 million, leaving a balance of \$417 million reinvested in the business.

2013 Quarterly (\$'000)	1Q	2Q	3Q	4Q	Total
Turnover	1,050,122	1,124,247	1,658,765	1,692,748	5,525,882
Operating profit	143,450	146,152	166,749	187,906	644,257
Earnings before interest, tax, depreciation and amortisation (EBITDA)	167,499	170,921	193,472	212,972	744,864
Profit before tax	149,056	156,065	170,966	188,887	664,974
Net profit	118,743	124,885	129,677	182,442	555,747
Earnings per share (cents)					
Year-to-date	5.69	11.67	17.87	26.61	
In-quarter	5.69	5.98	6.21	8.73	

2012 Quarterly (\$'000)	1Q	2Q	3Q	4Q	Total
Turnover	942,564	1,216,989	892,413	1,378,157	4,430,123
Operating profit	120,205	159,823	125,947	148,243	554,218
Earnings before interest, tax, depreciation and amortisation (EBITDA)	141,416	181,064	149,267	176,459	648,206
Profit before tax	143,509	184,022	139,279	162,837	629,647
Net profit	113,085	142,780	115,512	167,076	538,453
Earnings per share (cents)					
Year-to-date	5.43	12.27	17.81	25.81	
In-quarter	5.43	6.84	5.53	8.00	

Quarterly Turnover

\$millions



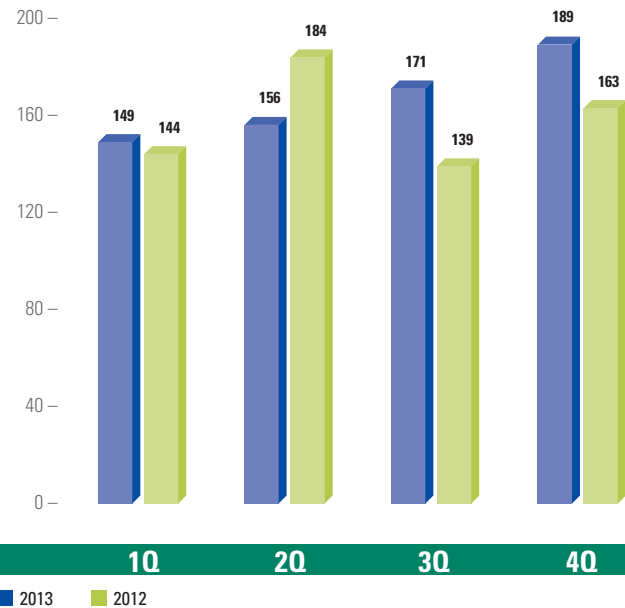
Quarterly Operating Profit

\$millions



Quarterly Profit Before Tax

\$millions



Quarterly Net Profit

\$millions



2009

Group turnover was a record-high at \$5.7 billion, with growth mainly attributable to the rig building sector. Group operating profit increased by 72 per cent to \$862 million from \$502 million in 2008 mainly due to better operational efficiency and execution of repeat rig orders.

Group pre-tax profit climbed 67 per cent from \$545 million in 2008 to \$908 million in 2009 on the back of higher operating margin from rig building projects. Group net profit increased by 63 per cent to \$700 million in 2009 from \$430 million in 2008.

2010

The Group reported a turnover of \$4.6 billion, 20 per cent lower than 2009 mainly due to lower progressive revenue recognition for the rig building, ship conversion and offshore projects as well as lower variation order settlement in 2010 as compared to 2009.

Group operating profit grew 9 per cent from \$862 million in 2009 to \$943 million, attributable to the resumption of margin recognition arising from the sale of a harsh-environment jack-up rig as well as the execution of repeat rig orders for customers during the year.

Group pre-tax profit was \$1.1 billion, 19 per cent higher than 2009. This was driven mainly by higher profit margin and the receipt of settlement of the disputed foreign exchange transactions with Societe Generale during the year. Group net profit achieved a new high of \$860 million, 23 per cent more than \$700 million in 2009.

2011

Group turnover declined 13 per cent to \$4.0 billion in 2011 due mainly to the timing, number and value of the projects in varying progressive revenue recognition stages across the three business sectors of rig building, ship conversion and offshore as well as ship repair.

Operating profit decreased 22 per cent to \$737 million due mainly to fewer rig projects especially semi-submersible rigs. Group pre-tax profit of \$860 million was 20 per cent lower. Net profit for 2011 was \$752 million as compared to \$860 million in 2010. The 13 per cent decline was due to lower operating profit from rig building projects and the receipt on the full and final amicable settlement of the disputed foreign exchange transactions with Societe Generale in 2010. This was offset by the higher interest income received in 2011 for deferred payment granted to customers and write-back of prior years' tax over-provisions.

2012

Group turnover of \$4.4 billion was 12 per cent higher than that of the previous year. This was attributable to increased contributions from rig building and offshore platform projects.

Operating profit decreased 25 per cent from \$737 million in 2011 to \$554 million in 2012 due mainly to the lower margin from new design rigs. There was also a resumption of margin recognition on completion and delivery of a semi-submersible in 2011.

Group pre-tax profit saw a decline of 27 per cent to \$630 million. Net profit of \$538 million was 28 per cent lower than 2011 due to lower operating profit from rig building projects.

2013

Group turnover for 2013 was \$5.5 billion representing a 25 per cent increase as compared with \$4.4 billion in 2012. Overall, the higher turnover was attributable mainly to higher revenue recognition for rig building projects.

Operating profit in 2013 increased 16 per cent from \$554 million in 2012 to \$644 million mainly due to contribution from higher turnover for rig building projects.

Group pre-tax profit was \$665 million, 6 per cent higher than 2012. Net profit of \$556 million was 3 per cent higher than 2012 mainly due to higher operating profit, offset by lower interest income and lower contribution from associates and joint ventures.

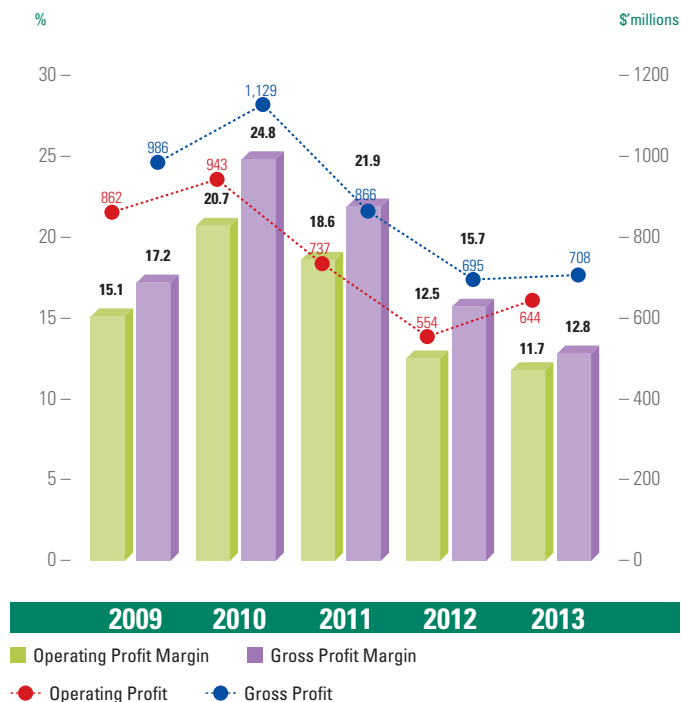
Group Five-Year Financial Summary

For the year	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000
Turnover	5,724,742	4,554,863	3,960,230	4,430,123	5,525,882
Operating profit	862,354	942,564	737,129	554,218	644,257
Profit before tax	907,635	1,077,888	859,913	629,647	664,974
Net profit	700,118	860,266	751,903	538,453	555,747
Dividend - Interim	103,124	103,795	104,185	104,382	104,464
Dividend - Final	124,486	125,093	125,303	125,347	125,278
Dividend - Final special	82,990	521,223	292,375	41,782	41,759
Dividend - Total	310,600	750,111	521,863	271,511	271,501
Group Balance Sheet					
Property, plant and equipment	678,361	681,948	1,034,345	1,476,206	2,394,167
Associates & joint ventures	267,774	306,956	380,065	417,329	445,743
Other financial assets	165,783	286,856	126,956	154,332	107,166
Other long term assets	57,789	103,258	111,411	97,715	81,931
Current assets	3,517,841	3,900,152	3,398,869	3,640,875	4,221,093
Current liabilities	(2,635,282)	(2,448,773)	(2,400,252)	(2,718,214)	(3,530,406)
Long term liabilities	(91,858)	(143,471)	(145,314)	(521,218)	(910,182)
	1,960,408	2,686,926	2,506,080	2,547,025	2,809,512
Share capital	443,347	456,561	470,596	480,086	484,288
Capital, foreign currency translation and other reserves	22,515	175,888	(24,695)	(26,335)	(76,179)
Retained profit	1,418,208	1,966,954	1,968,356	1,984,773	2,268,927
Non-controlling interests	76,338	87,523	91,823	108,501	132,476
	1,960,408	2,686,926	2,506,080	2,547,025	2,809,512
Per Share					
EPS - basic (cents)	34.02	41.55	36.13	25.81	26.61
EPS - diluted (cents)	33.93	41.43	36.10	25.80	26.59
Net tangible assets (cents)	90.97	124.80	114.14	115.19	126.76
Net asset value (cents)	91.27	125.10	115.92	116.80	128.21
Financial Ratios					
Return on equity (%)	43.73	38.37	29.99	22.19	21.73
Return on total assets (%)	15.06	17.26	14.56	9.94	9.15
Operating profit/equity (%)	53.86	42.05	29.40	22.84	25.19
Current ratio (times)	1.33	1.59	1.42	1.34	1.20
Net gearing (times)	Net cash	Net cash	Net cash	Net cash	Net cash
Dividend cover (times)	2.25	1.15	1.44	1.98	2.05

Turnover and Operating Profit



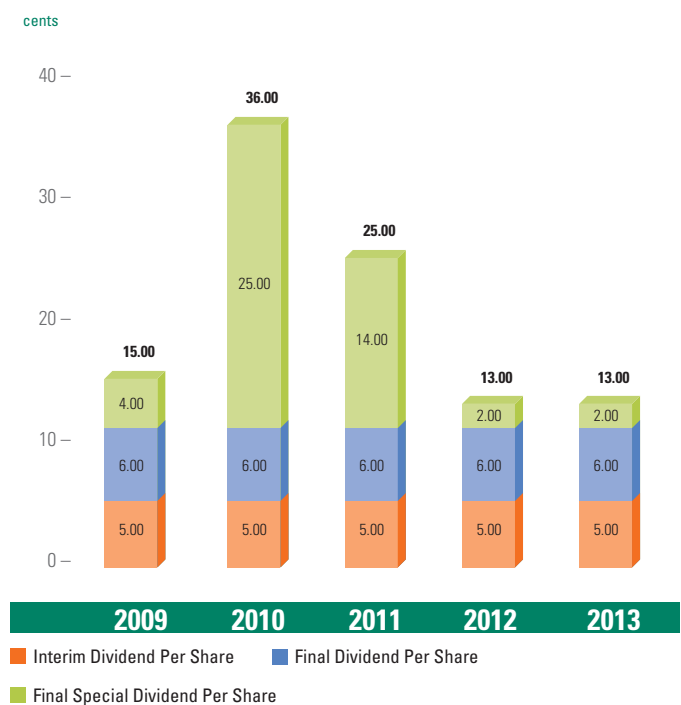
Operating and Gross Profit



Profit Before Tax and Net Profit

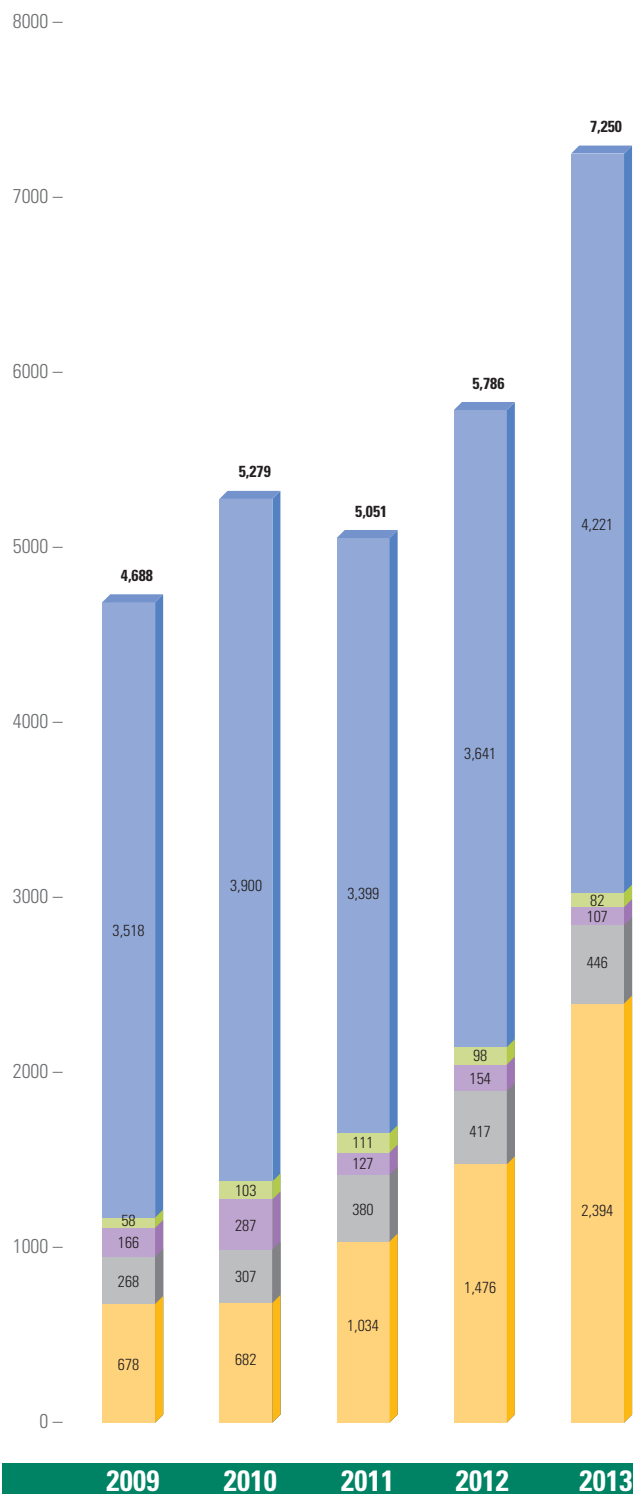


Dividend Per Share



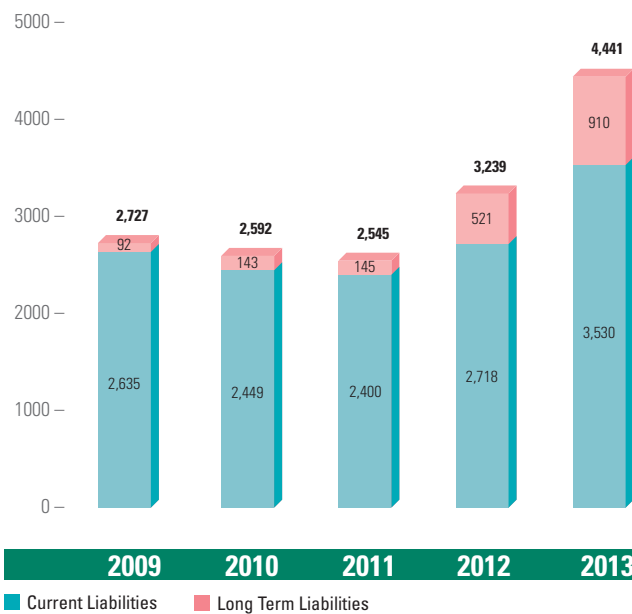
Assets

\$millions



Liabilities

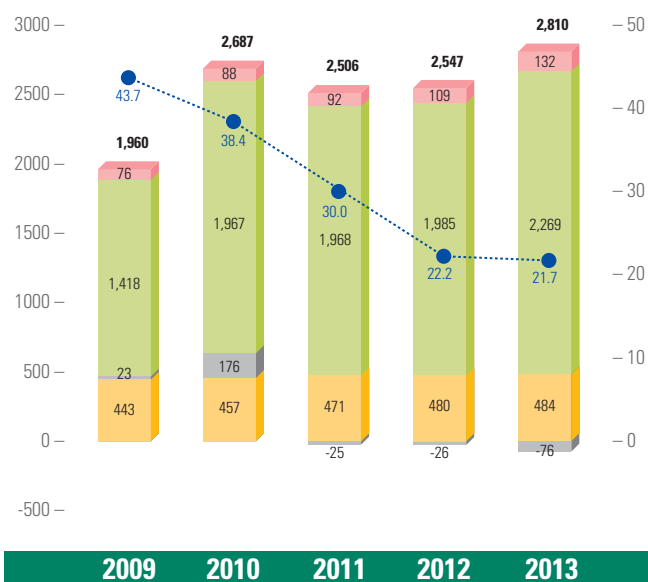
\$millions



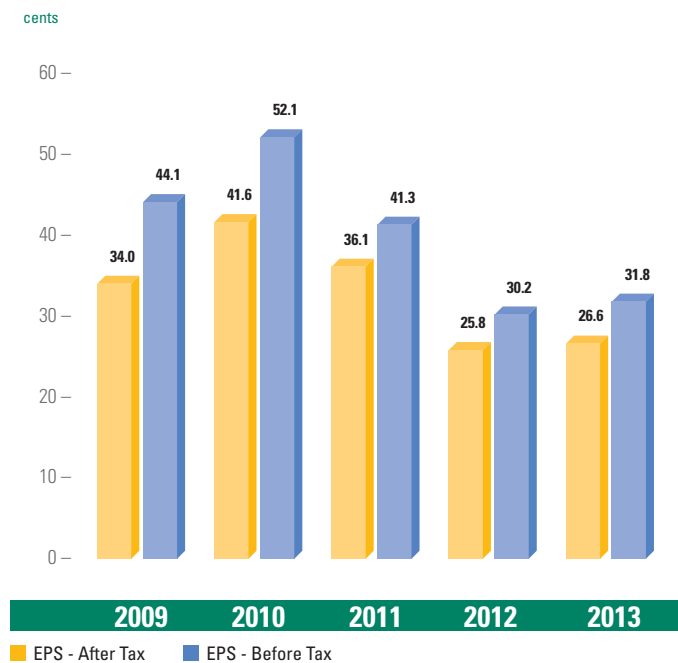
Shareholders' Funds

\$millions

ROE %



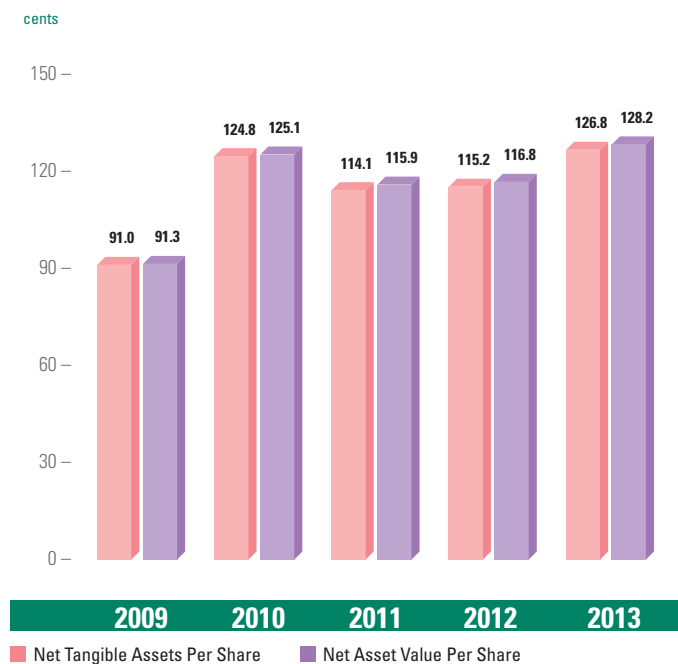
Earnings Per Share



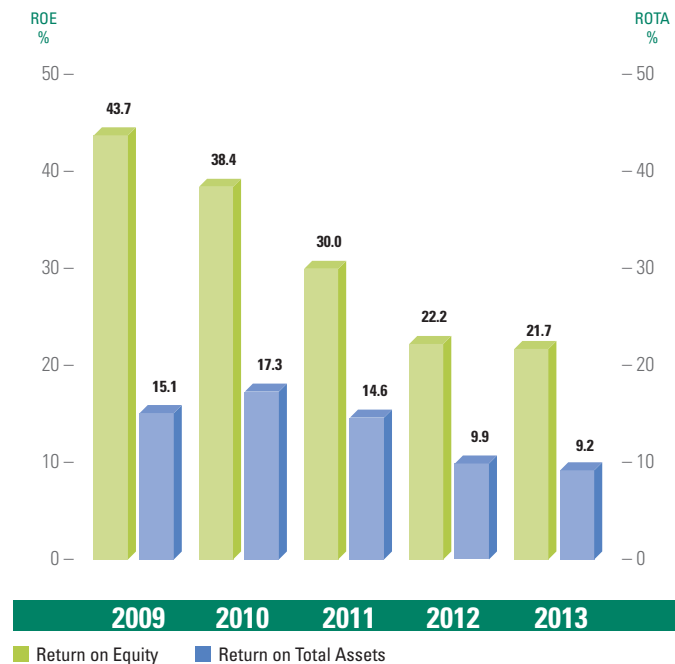
Economic Value Added (EVA)



Net Tangible Assets and Net Asset Value Per Share



Return on Equity and Return on Total Assets



Economic Value Added Statement

	2013 \$'000	2012 \$'000
Net operating profit before tax	649,371	573,377
Adjust for:		
Share of associates' and joint ventures' profit	15,603	56,270
Interest expense	11,135	7,619
Others	43,017	(29,283)
Adjusted profit before interest and tax	719,126	607,983
Cash operating taxes (Note 1)	(74,800)	(25,483)
Net operating profit after tax (NOPAT)	644,326	582,500
Average capital employed (Note 2)	3,616,292	2,883,259
Weighted average cost of capital (Note 3)	6.6%	6.9%
Capital charge	238,675	198,945
Economic value added (EVA)	405,651	383,555
Non-controlling share of EVA	(23,847)	(22,121)
EVA attributable to owners of the Company	381,804	361,434
Unusual Items (UI) Gains (Note 4)	(2,816)	(41,317)
EVA Attributable to Shareholders (exclude UI)	378,988	320,117

Note 1: The reported current tax is adjusted for the statutory tax impact of interest expense.

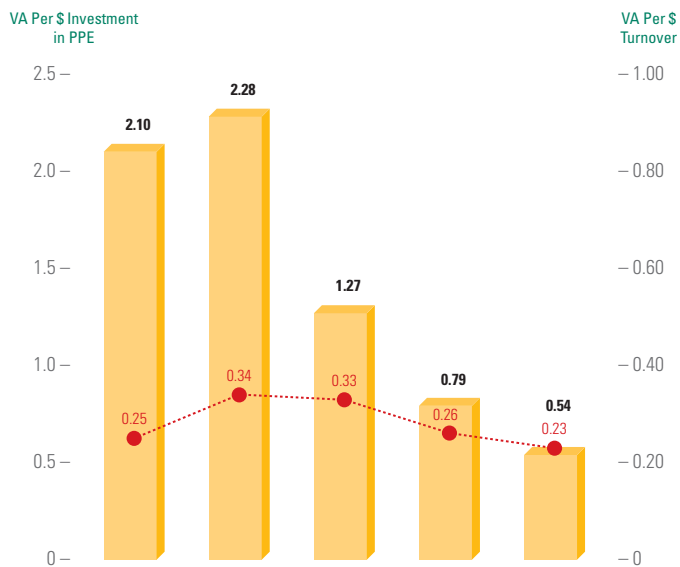
Note 2: Average capital employed is computed by taking monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill written off/impaired and present value of operating leases.

Note 3: The weighted average cost of capital is calculated in accordance with Sembcorp Marine Ltd Group EVA Policy as follows:

- i) Cost of equity using Capital Asset Pricing Model with market risk premium at 7.7% (2012: 7.3%);
- ii) Risk-free rate of 2.30% (2012: 2.39%) based on yield-to-maturity of Singapore Government 10 years Bonds;
- iii) Ungeared beta 0.9 (2012: 0.9) based on Sembcorp Marine risk categorisation; and
- iv) Cost of debt rate at 1.78% (2012: 2.87%).

Note 4: 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.

Productivity Ratios

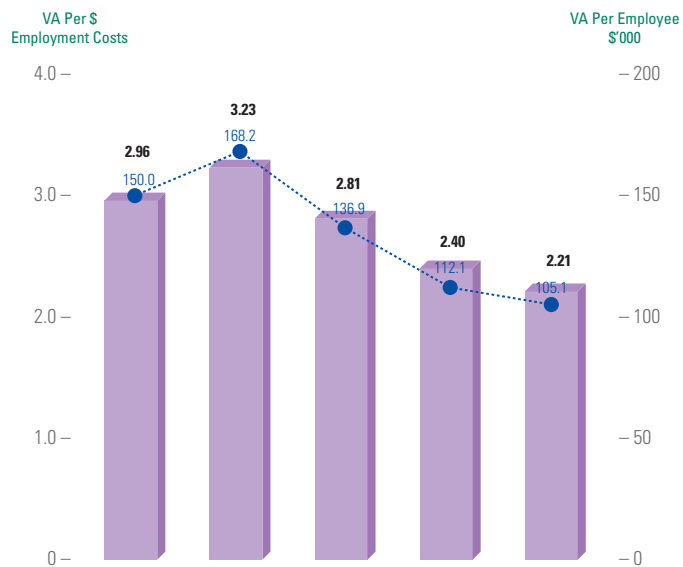


2009 2010 2011 2012 2013

Value Added Per \$ Investment in Property, Plant and Equipment (PPE)

Value Added Per \$ Turnover

Productivity Ratios

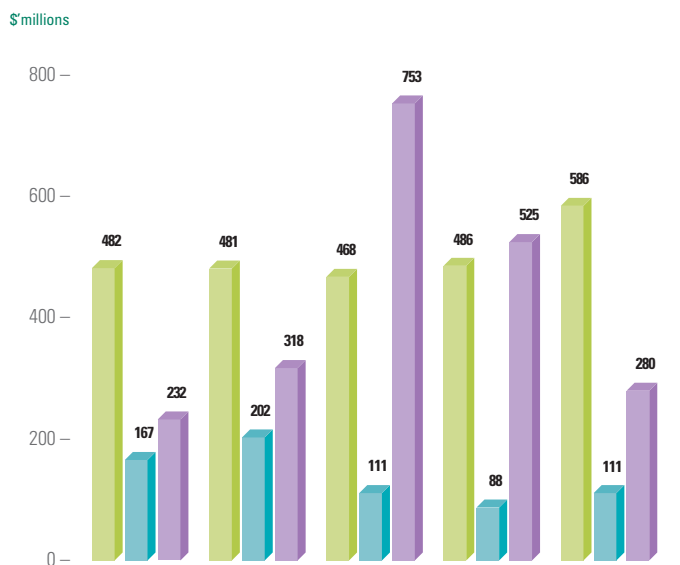


2009 2010 2011 2012 2013

Value Added Per \$ Employment Costs

Value Added Per Employee

Distribution of Value Added



2009 2010 2011 2012 2013

Distribution to Employees Distribution to Government

Distribution to Providers of Capital

Gross Value Added



2009 2010 2011 2012 2013

Gross Value Added

Value Added Statement

	2009 \$'000	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000
Value added from					
Turnover	5,724,742	4,554,863	3,960,230	4,430,123	5,525,882
Less: Bought in materials and services	(4,297,115)	(3,001,594)	(2,647,550)	(3,264,571)	(4,231,874)
Gross value added	1,427,627	1,553,269	1,312,680	1,165,552	1,294,008
Investment, interest and other income	67,222	60,025	90,795	58,310	116,461
Share of associates' profit	17,549	53,648	56,870	43,235	14,350
Share of joint ventures' profit	7,850	3,991	6,008	13,035	1,253
Other non-operating expenses	(31,836)	(55,152)	(28,229)	(40,433)	(32,053)
Foreign exchange transactions	–	52,640	–	–	–
	1,488,412	1,668,421	1,438,124	1,239,699	1,394,019
Distribution					
To employees in wages, salaries and benefits	482,128	481,267	467,746	486,270	585,859
To government in income and other taxes	166,809	202,335	111,060	87,511	110,674
To providers of capital on:					
Interest paid on borrowings	5,329	7,134	2,491	3,262	8,072
Dividends to owners of the Company	226,666	311,271	750,501	522,036	271,593
Retained in business					
Depreciation, amortisation and R&D expenses	75,248	83,197	86,278	94,020	100,607
Retained profit	473,452	548,995	1,402	16,417	284,154
Non-controlling interests	56,647	33,613	17,226	28,985	32,513
Other non-operating expenses	2,133	609	1,420	1,198	547
Total distribution	1,488,412	1,668,421	1,438,124	1,239,699	1,394,019
Productivity data					
Average number of employees	9,515	9,233	9,592	10,395	12,313
Employment costs	482,128	481,267	467,746	486,270	585,859
Value added per employee	150.04	168.23	136.85	112.13	105.09
Employment cost per employee	50.67	52.12	48.76	46.78	47.58
Value added per dollar employment costs	2.96	3.23	2.81	2.40	2.21
Value added per dollar investment in property, plant and equipment	2.10	2.28	1.27	0.79	0.54
Value added per dollar turnover	0.25	0.34	0.33	0.26	0.23

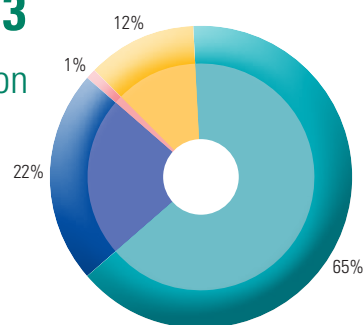
Operations Review

The global economy remains fragile and uncertain. Under these challenging market conditions, the Group achieved a turnover of \$5.5 billion, representing a 25 per cent increase as compared with \$4.4 billion in 2013. Rig building contributed 65 per cent of the turnover, followed by ship conversion at 22 per cent, repairs & upgrades at 12 per cent and others at 1 per cent.

Turnover Contributions By Sectors

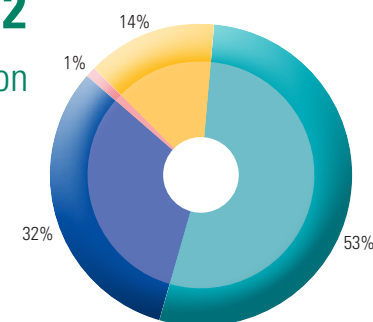
FY 2013

\$5.5 Billion



FY 2012

\$4.4 Billion



Repair & Upgrades Rig Building Conversion & Offshore Others



Ngujima Yin, an offshore floating production, storage and offloading (FPSO) vessel sailing away after its repair & upgrading works at Sembawang Shipyard.



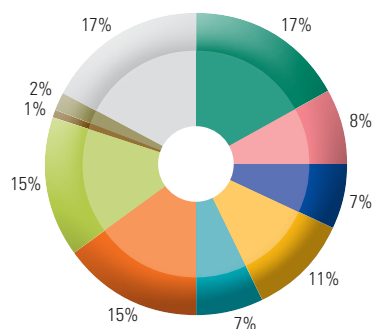
Yakumosan, a crude oil tanker receiving repairs at the newly-operational Sembmarine Integrated Yard @ Tuas.



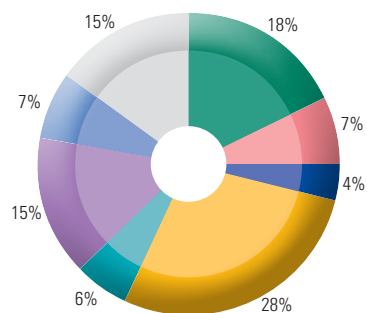
Vessels undergoing repairs and upgrading at the Sembmarine Integrated Yard @ Tuas.

Types of Vessels Repaired/Upgraded

2013



2012



Azamara Journey, a cruise ship owned by Royal Caribbean Cruises undergoing refurbishment work at Sembawang Shipyard.

- Tanker
 ■ Containership
 ■ Bulk Carrier
 ■ LNG/LPG Carrier
 ■ Others
- Cruise Liner
 ■ Rig
 ■ Offshore
 ■ Drillship/FPSO Upgrading
- Support Vessel
 ■ Cargo
 ■ Dredger
 ■ Others

Rig Building Sector

Rig Building Sector Deliveries	2013	2012
Jack-up	8	2
Semi-submersible	-	2
Total	8	4



Atwood Orca, a proprietary Pacific Class 400 jack-up rig built by PPL Shipyard for Atwood Oceanics.

Ship Conversion & Offshore Sector

Ship Conversion & Offshore Sector Deliveries	2013	2012
FPSO/FSRU	2	3
Newbuild	-	1
Offshore vessel	-	-
Platform	2	-
Total	4	4



Sail-away of Ekofisk 2/4L Accommodation Topsides and Bridges.



FSO Palanca sets off following its successful upgrading by Sembawang Shipyard.

Contracts Secured

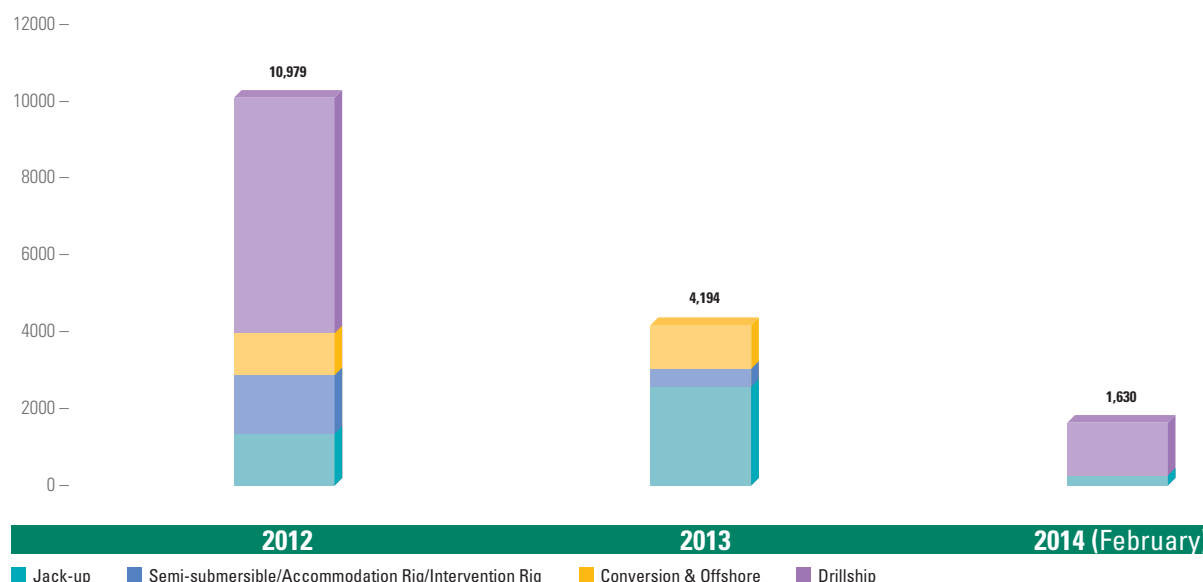
Contracts secured in 2013 was at \$4.2 billion. As at February 2014, \$1.6 billion in contracts were clinched since the beginning of the year.

Net Order Book

The Group has a net order book of \$12.3 billion with completion and deliveries stretching into 2019. Including the new contracts secured to-date as at February 2014, the net order book reached \$14.0 billion.

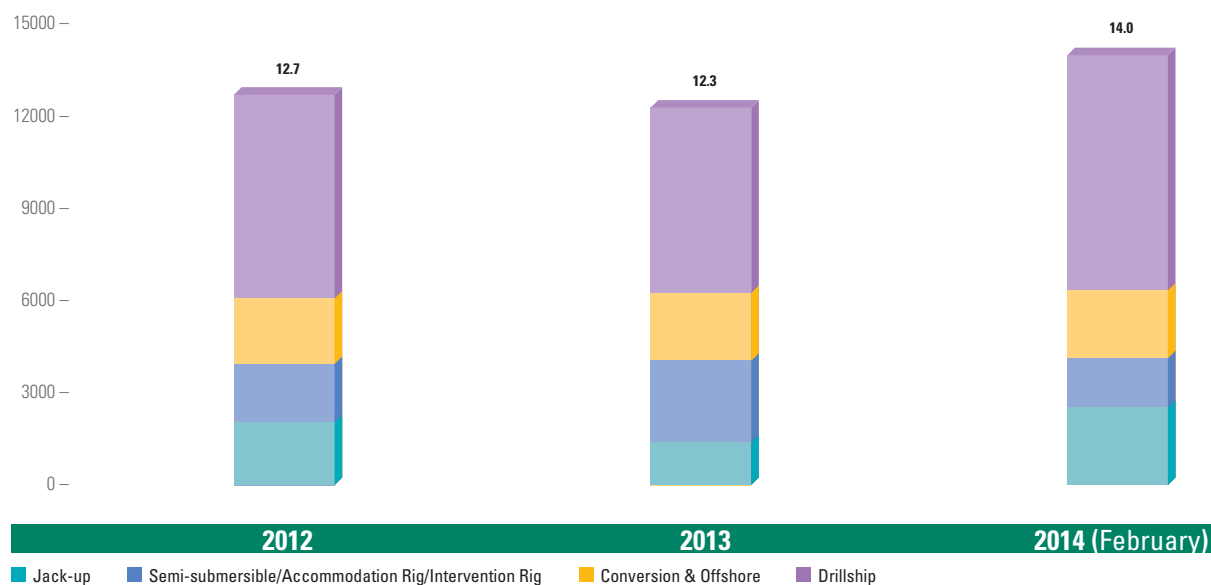
Contracts Secured

\$millions



Net Order Book

\$billions



Strategic Expansion and Growth

Sembcorp Marine's strategy for long-term competitiveness and sustainable growth involves strengthening its local capabilities in Singapore while expanding its overseas hubs in Brazil, India, Indonesia and the United Kingdom to serve its global base of customers. In 2013, its home base was bolstered significantly with the addition of the new state-of-the-art Sembmarine Integrated Yard @ Tuas.

New Phase of Progress with Sembmarine Integrated Yard @ Tuas

The opening of the Sembmarine Integrated Yard @ Tuas by Singapore's Prime Minister Mr Lee Hsien Loong on 6 November 2013 signalled a new phase of progress for the Group. The yard commenced its Phase I operations in early August 2013.

Designed to maximise operational synergy and logistical efficiency, the new yard harnesses advanced automation, optimised facilities and leading-edge innovations to achieve higher productivity and faster turnaround. Geared to meet the stringent safety and quality requirements of vessels and to comply with increasing demands from regulatory and environmental standards, the integrated yard is well-positioned to deliver innovative, value-added and cost-efficient solutions for customers.



A newly-operational Sembmarine Integrated Yard @ Tuas.



Optimised docking and berthing facilities at the integrated new yard.

Located on a 73.3-hectare site in Tuas South Boulevard, Phase I is part of the planned 206-hectare new yard, which is developed in three phases. Following the construction completion and operational success of the first phase, the Group has since commenced development works on the 34.5-hectare Phase II yard, with completion expected in three years.

Diverse Solutions, Integrated Capabilities

Capable of serving new generations of mega-containerships, LNG carriers, passenger ships, ultra-deepwater rigs and offshore platforms, the Phase I new yard is equipped with four VLCC drydocks totalling 1.55 million dwt as well as finger piers and basin quays of more than 3.9km.

The key features of the yard at Phase I include:

- The widest drydock in Singapore, at 89m width, designed to accommodate jack-ups and semi-submersible rigs.
- The longest and deepest ship repair drydock in Asia, at 412m length, capable of docking containerships of up to 18,000 TEU.
- Innovative intermediate dock gate system providing flexibility to configure the drydock to allow smaller ships to dock in front while other works are carried out at the rear, translating to greater cost efficiency for ship owners and better dock utilisation during operations.
- Three finger piers and a basin, with lengths ranging from 210m to 400m with maximum draft from 9m to 15m, allowing ultra-deepwater semi-submersible rigs and cruise vessels to be berthed without restrictions.
- A special reinforced load-out area for offshore platforms of up to 20,000 tonnes, allowing the direct lifting and deployment of topside modules onto the hulls without requiring the hull to be towed out to sea.
- Natural deep waters, which enable the installation of thrusters for semi-submersibles without towing the rig to sea.



Advanced production technology.



Production Coordination Centre and Customer & Surveyor Office located in close proximity.



High standards of Health, Safety and Environment (HSE).



Comprehensive workshop facilities.



The dormitory development has a wide range of facilities and amenities.



Studio apartment.



Aerial view of Sembmarine Integrated Yard @ Tuas.



Furnished offices for customers.



Well-equipped medical centre.



A pleasant dining experience at the Sky Cafe.



Facial recognition security system.



Efficient centralised kitchen.



In-house laundry services.



Vessels undergoing drydocking at the Sembmarine Integrated Yard @ Tuas.

Optimising Productivity and Efficiency

With optimised docking and berthing facilities, the integrated new yard ensures effective utilisation and faster turnaround in repairs and the upgrading of ships, rigs and floaters. The innovative configuration of the finger piers and drydocks streamlines the docking process and allows vessels to depart for sail directly after undocking, saving time and resources for customers.

The new yard is equipped with a fully air-conditioned cryogenic workshop for specialised LNG repairs and workshop facilities for electrical and automation works, mechanical and electrical repairs, pipe fitting and outfitting, support services as well as utility and facility works. These workshops are centrally located close to the drydocks to reduce logistical movement and to optimise the use of manpower, materials and equipment resources.

To enhance operational efficiency, an innovative cart system is utilised for the movement of materials throughout the yard. A comprehensive information technology network is also used for logistics support and manpower deployment, enabling real-time monitoring and planning of resources. This provides greater flexibility in the cross-deployment and multi-tasking of workers, leading to improved workforce productivity and quality of work.

The housing of the various operational units under one roof within the Production Coordination Centre promotes closer cooperation and greater synergy among the different work teams. This Centre integrates a state-of-the-art health, safety and environment command centre and a well-equipped medical centre to provide timely emergency response and medical care. Its close proximity to the Customer & Surveyor Office also encourages open communication and fosters stronger links among staff, clients and classification representatives.



Workshops are equipped with advanced automation to increase productivity.

Nurturing a Productive Workforce

A state-of-the-art Learning Centre located within the Sembmarine Integrated Yard @ Tuas reflects the Group's commitment towards continuous workforce development and upgrading. The training facility provides modern facilities for classroom learning and simulated work environments for technical on-the-job training to level up employees' skills and competencies for greater productivity and competitiveness.

To further raise morale and productivity, non-local employees have the option of living in dormitories and accommodation within the yard premises. Living close to their workplaces allows them to commute less and have more rest time after work, which leads to greater work effectiveness. Besides a comfortable living environment, residents have convenient access to a wide range of amenities and facilities to meet their lifestyle, social and recreational needs. For more information on the dormitory facilities, please refer to page 104.

Comprising two phases of development, the dormitory precinct can house more than 9,400 residents when fully completed. The Phase I precinct, completed in October 2013,



Harnessing leading-edge technologies for operational efficiency.

comprises three blocks of seven-storey dormitories for 4,520 employees and studio accommodation for 360 engineers and personnel. The next phase of development, under Phase II, will add a second cluster of dormitories for 4,520 employees.



Aerial view of Sembcorp Marine's first overseas integrated yard, Estaleiro Jurong Aracruz in Espírito Santo, Brazil.

Sustainable Growth in Brazil

Sembcorp Marine's new integrated shipyard in Brazil, Estaleiro Jurong Aracruz, which broke ground in December 2011, continues to make good progress and is scheduled to commence initial operations in the second half of 2014. In January 2014, the Federal Government of Brazil, through the Special Secretary for Ports, provided formal authorisation for the yard to operate as a 'Terminal of Private Use' for 25 years.

Located on an 82.5-hectare site with a long coastline of 1.6km, Estaleiro Jurong Aracruz will be equipped with facilities including a 1km berthing quay, ancillary piping facilities and steel fabrication workshops. When completed, it will have capabilities to undertake the construction of drillships, semi-submersible and jack-up rigs, platforms and supply vessels as well as FPSO integration and topside modules fabrication, in addition to traditional services in drilling rig repairs, ship repairs and modification and upgrade works.



Site visit at Estaleiro Jurong Aracruz by Mr José Antonio de Figueiredo, Petrobras Engineering, Technology and Materials Director, and Mr Pedro Barusco, Sete Brasil COO, in 2013.

Developing Local Talents

To ensure a continued pipeline of talents for the yard, the Group has rolled out a series of training and development programmes, including investing more than \$2 million in a Joint Educational Programme with Brazil's Instituto Federal do Espirito Santo and Singapore's Ngee Ann Polytechnic. As the first batch of 23 Brazilian trainees successfully graduated from Ngee Ann Polytechnic with a Diploma (Conversion) in Marine and Offshore Technology in November 2013, the second batch of 27 trainees prepared to commence the Joint Educational Programme in early January 2014.

The programme would put trainees through a three-month Technical English Course and a six-month specialised course at Ngee Ann Polytechnic, ending with six-months of on-the-job training at Jurong Shipyard. In 2013, three Brazilian lecturers from the Instituto Federal do Espirito Santo also benefited from the Joint Educational Programme's 'Train the Trainers' initiative, where they underwent a specialised course at Ngee Ann Polytechnic to equip them with knowledge to further train the local talent pool back in Espirito Santo.

Estaleiro Jurong Aracruz is also partnering educational institutes in Aracruz to provide skills training under its Professional Qualification Programme to develop local

manpower for various shipyard trades. The range of courses offered under the programme include maintenance, welding, electrical engineering, industrial automation, hydraulics, industrial mechanics, as well as fire-fighting, environmental management and human resource administration. Since its launch in 2012, the Professional Qualification Programme has attracted more than 2,025 applicants from Aracruz and the neighbouring communities. To-date, a total of 1,945 have successfully graduated from the programme.

To promote knowledge sharing and technology transfer, employees from Estaleiro Jurong Aracruz are also sent for overseas attachments to the Group's Singapore yards on an ongoing basis to learn best production and operational practices for application back in Brazil. The latest batch of 21 trainee engineers arrived in February 2014 for on-the-job training and immersion programmes in Jurong Shipyard.

Helping Local Communities

Extending the Group's corporate social responsibility efforts to Brazil, Estaleiro Jurong Aracruz is active in creating value in the local communities. The yard has been honoured nationally with the Naval Award for Quality and Sustainability (PNQS Award) presented by the National Union of Building, Ship Repair and Offshore Industry in December 2013. The



First batch of Brazilian trainees completed the Joint Educational Programme with Singapore's Ngee Ann Polytechnic and Brazil's Instituto Federal do Espirito Santo in 2013.



Estaleiro Jurong Aracruz practises active citizenry by supporting student athletes in the communities of the coast of Aracruz.

award recognises the yard's efforts in education, health and community engagement. In particular, its 'Navigating is a Need' project has been engaging local communities closely to develop the social values, knowledge, skills and attitudes needed for environmental conservation and community development.

Gaining a Foothold in Brazil

With the establishment of Estaleiro Jurong Aracruz, Sembcorp Marine is well-placed to partner Brazil in its offshore fleet investment plan, which requires Brazilian local content for its exploration and production platform projects. By reinforcing its Brazilian operations, the Group can effectively cater to the needs of the country's offshore industry in developing the giant pre-salt oil and gas reservoirs. Brazil's close proximity to oil and gas fields of the Atlantic, Gulf of Mexico and offshore

West Africa would further strengthen the Group's strategic edge in tapping on new opportunities in these growing markets.

With two decades of experience in servicing Brazil's offshore oil and gas industry, the Group has successfully delivered 22 oil and gas exploration, production and storage platforms for Brazilian oilfields. These include four deepwater semi-submersible rigs, 11 FPSOs, one FPU, one FDPSO, two FSOs, two shuttle tankers and an accommodation and repair vessel.

With the successful conversions of the OSX 3 Floating and Production Storage and Offloading vessel and the Aquarius Brasil offshore accommodation and repair vessel in 2013, the Group currently has orders totalling US\$6.27 billion for offshore projects destined for Brazil's giant pre-salt oil and gas fields. These projects comprise seven units of proprietary design Jurong Espadon newbuild drillships worth US\$5.6 billion for Sete Brasil to be chartered to Petrobras for the Santos Basin development as well as modules construction and integration for the FPSOs Petrobras 68 and Petrobras 71 by Tupi B.V. for the Tupi Field.

Other Overseas Developments

Expansion in Indonesia

In May 2013, PT SMOE Indonesia, a subsidiary of SMOE, marked the completion of the yard's fourth phase of development comprising the successful completion of its jetty built earlier in the second phase and the development of its North Yard. This custom-built yard in Batam is now well-equipped to undertake mega-weight topside module projects and to cater to more complex modular fabrication projects, such as the existing Australia Pacific LNG's liquefied natural gas facility.



Official opening of PT SMOE Indonesia's North Yard in May 2013.



Aerial view of Sembmarine Kakinada.

From 15 hectares of reclaimed land in 2000, the yard has grown to its current size of 68.5 hectares. It features an upgraded jetty, with a load-out capacity of 20,000 tonnes and a reinforced quay length of 547m, as well as new facilities such as workshops, a huge blasting chamber and a fire station. Innovations at the yard, including a tele-presence system and an automated work system, have helped to improve the productivity and effectiveness of internal processes.

Facilities Development in India

Sembcorp Marine's joint-venture yard, Sembmarine Kakinada on India's east coast, made good progress in its first phase of development with the successful operation of its first newbuild floating dock in January 2013. Equipped with two 15-tonne travelling dock cranes, the dock has a lifting capacity of 13,500 tonnes.

The addition of the new floating dock strengthens Sembmarine Kakinada's capabilities in performing full drydocking and repairs, conversion works and servicing of offshore vessels. Other key facilities in operation under the yard's first-phase development include blasting and painting shops, specialised offshore equipment service shops for riser and tubular repairs, mechanical and electrical, piping and outfitting and multi-purpose workshops as well as a 630m repair pier with two 50-tonne travelling cranes.

Sembmarine Kakinada's development into a one-stop integrated marine and offshore facility will be undertaken in three phases. With the completion of the first phase,

the upcoming second phase development will focus on strengthening the yard's newbuilding and modules fabrication capabilities.

Strategic Operations in the United Kingdom

The strategic acquisition of a 70 per cent stake in Sembmarine SLP in September 2012, through subsidiary SMOE, allows the Group to reach out to its North Sea clientele and global customers. Sembmarine SLP is an established oil & gas and renewable energy solutions provider with more than 40 years of experience in the United Kingdom. The Group plans to leverage the acquisition to expand its product offerings and capture new business opportunities in the renewable energy sector as well as in the fabrication of minimum facilities platforms for marginal oil and gas fields in the North Sea and Asia Pacific waters.

Exploring Opportunities in Saudi Arabia

Sembcorp Marine is also exploring opportunities in Saudi Arabia with a yard development feasibility study underway. The Group had signed a MOU in August 2013 with Saudi Aramco and the National Shipping Company of Saudi Arabia (Bahri), one of the largest shipping companies in the world, to undertake a detailed feasibility assessment aimed at the development of a world-class maritime yard in the kingdom of Saudi Arabia to provide engineering manufacturing and repair services related to rigs, platforms, commercial vessels and offshore service vessels.

Awards & Accolades

Corporate Governance and Transparency



Singapore Corporate Awards

Best Annual Report Award

Gold Award: Sembcorp Marine

Accorded for exemplary standards of corporate disclosure and transparency among companies with a market capitalisation of \$1 billion and above.

SIAS Investors' Choice Awards

Most Transparent Company Award (Non-Electronics Manufacturing)

Winner: Sembcorp Marine

Conferred by the Securities Investors Association of Singapore (SIAS) for excellence in corporate transparency practices.

Corporate Governance Award (Big Cap Category)

2nd Runner-up: Sembcorp Marine

Recognition for upholding high corporate governance and disclosure standards.



Business Excellence



Lloyd's List Asia Awards

Best Shipyard of the Year Award

Winner: Sembawang Shipyard

Recognised for its dedication to excellence in ship repair and offshore conversion and its solutions.



Seatrade Asia Awards

Shipbuilding & Repair Award

Winner: Jurong Shipyard Finalist: Sembawang Shipyard

Commended for the strong track record, timely delivery, cost-competitiveness and quality solutions in specialised shipbuilding and repair.

Safety, Health and Innovation



WSH Performance Awards

(Safety and Health Award Recognition for Projects)

- **Sembawang Shipyard:** Banyu Urip EPC4 Project (FSO Gagak Rimang), RV Investigator EPCC Research Vessel Construction, and NWSSSC LNG Carrier Life Extension Projects
- **PPL Shipyard:** Atwood Mako, Atwood Manta, Atwood Orca, Al Jassra, Fortius, PPL Pandan Fabrication Workshop, and PPL Tuas Yard (Rig Building)
- **SMOE:** Ekofisk 2/4L Accommodation Topsides and Bridges Project

Recognised by WSH Council for excellent safety and health performance through the implementation of sound safety and health management systems.

WSH Innovation Awards

- *Jurong Shipyard, Alpha Team (Flange Splitter)*
- *Sembawang Shipyard, Hassle Free Team (Auto Rotor Out)*

Presented by WSH Council for the efforts in providing innovative solutions to help improve safety and health standards in the workplace.

WSH Officer Awards

Winner: *Mr Teo Peng Tiong,*
Assistant HSE Manager, PPL Shipyard

Recognised by WSH Council for exemplary performance and valuable contributions in promoting WSH practices.

WSH Award for Supervisors

Winner: *Mr Jesuraj Antony Jeyaseelan,*
Technical Engineer, Jurong Shipyard

Awarded by WSH Council for demonstrating strong leadership to help improve the workplace safety and health performance.

WSH Risk Management Awards

Recipients: *Jurong Shipyard and*
PPL Shipyard (Silver Awards)

Awarded by the WSH Council for the effective implementation of risk management to enhance safety and health performances in their organisations.

Corporate Social Responsibility



NTUC May Day Awards

Plaque of Commendation Star Award

Winner: *Jurong Shipyard*

Medal of Commendation Award

Winner: *Mr Ong Poh Kwee, Sembcorp Marine's Deputy President & Sembawang Shipyard's Managing Director*

Conferred by the National Trades Union Congress (NTUC) for significant contributions towards the workfare and welfare of workers.

Seatrade Asia Awards

Corporate Social Responsibility Award

Finalist: *Sembcorp Marine*

Nominated by Seatrade for its commitment and steadfast support of education and the arts, community care and environment, and workplace safety and health.

National Safety and Security Watch Group Awards

Outstanding Individual Award

Recipient: *Jurong Shipyard*

Presented by the Safety and Security Watch Group for exemplary focus towards building safety and security.

PNQS Awards (Naval Award for Quality and Sustainability)

Recipient: *Estaleiro Jurong Aracruz*

Presented by the National Union of Building, Ship Repair and Offshore Industry in recognition for its quality excellence and outstanding corporate social responsibility initiatives.

Significant Events



JANUARY 2013

- Award of contracts worth \$60 million to Sembawang Shipyard for refits of eight cruise ships from several cruise ship operators.
- 01** Delivery of **Sea Boss**, a proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Safin Gulf FZCO.
- 02** Keel-laying of **Noble Sam Turner** and **Noble Tom Prosser**, the fourth and fifth Friede & Goldman JU3000N jack-up rigs built by Jurong Shipyard for Noble Corporation.
- Strike steel of **West Rigel**, a Moss Maritime CS60 semi-submersible rig built by Jurong Shipyard for Seadrill.
- 03** Strike steel of **Ocean Apex**, a deepwater semi-submersible rig upgraded by Jurong Shipyard for Diamond Offshore Drilling.
- Annual Long Service Awards ceremony.

FEBRUARY 2013

- Award of a \$900 million contract to SMOE to build an offshore platform integrated topside for the North Sea Norwegian Sector by Det norske oljeselskap of Norway.
- 04** Award of a US\$208 million contract to PPL Shipyard to build a second Pacific Class 400 jack-up drilling rig for Perisai Petroleum Teknologi.

- 05** Launch of the Green Wave Environmental Care Competition 2013 and presentation of awards to 2012 winners.

MARCH 2013

- Award of two contracts worth US\$417 million to PPL Shipyard to construct two jack-up drilling rigs for Integradora de Servicios Petroleros Oro Negro, S.A.P.I. de C.V. (Oro Negro).
- Award of an exclusive licence to Sembmarine SLP to use the patented technology of Seahorse Platform Partners, in the design and construction of minimum facilities platforms for the North Sea, Irish waters and other territorial waters of the UK.
- 06** Delivery of **Al Jassra**, a proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Gulf Drilling International.

APRIL 2013

- Appointment of Mr Eddie Teh Ewe Guan and Mr Eric Ang Teik Lim as independent directors to the Board of Sembcorp Marine.



- Award of a £7 million contract to Sembmarine SLP to fabricate the bridge and flare structures for Nexen Petroleum UK's Golden Eagle Project.

07 Delivery of **Atwood Orca**, the third proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Atwood Oceanics.

08 Sail-away of **FSO Palanca** after a successful FSO upgrading by Sembawang Shipyard for Sonangol Pesquisa e Produção.

09 Keel-laying of **Safe Boreas**, the first accommodation semi-submersible rig built by Jurong Shipyard for Prosafe.

10 Keel-laying of **Impetus**, the third proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Oro Negro.

- Participation in Sea Asia 2013, Asia's premier maritime conference and exhibition, held in Singapore.

MAY 2013

11 Award of a US\$596 million contract to Jurong Shipyard to build an ultra-high specification jack-up rig for Noble Corporation based on the Gusto MSC CJ70 design and Statoil's "Cat J" specifications.

12 Award of a US\$220.5 million contract to PPL Shipyard to build a jack-up drilling rig for BOT Lease Co.

13 Delivery of DP2 high-specification offshore vessel **Aquarius Brasil** (ex-ARV3), after major upgrading and conversion, by Sembawang Shipyard for Petrobras.

- Participation in Offshore Technology Conference 2013, the world's foremost oil and gas industry exhibition held in Houston, USA.

JUNE 2013

14 Delivery of **Ekofisk 2/4L Accommodation Topsides and Bridges**, the world's largest accommodation platform built by SMOE for ConocoPhillips.

15 Launching of **Decus**, the second proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Oro Negro.

- Participation in Nor-Shipping 2013, a leading tradeshow for Europe's shipping and maritime community, in Oslo, Norway.

Significant Events



JULY 2013

- Award of US\$417 million contracts to PPL Shipyard to build the fifth and sixth Pacific Class 400 jack-up drilling rigs for Oro Negro.
- 01** Delivery of FPSO **OSX3**, an FPSO converted from tanker MV Tar II by Jurong Shipyard for MODEC, following the naming in May.
- 02** Keel-laying of **Helix WIS GOM**, a well-intervention semi-submersible rig built by Jurong Shipyard for Helix Energy Solutions Group.

AUGUST 2013

- Appointment of Tan Sri Mohd Hassan Marican as Deputy Chairman of Sembcorp Marine.
- Signing of a memorandum of understanding by Sembcorp Marine with Saudi Aramco and the National Shipping Company of Saudi Arabia to explore developing a world-class maritime yard in the Kingdom of Saudi Arabia.
- 03** Delivery of **Noble Mick O'Brien**, the second Friede & Goldman JU3000N jack-up rig built by Jurong Shipyard for Noble Corporation, following the naming in July.
- 04** Delivery of **West Tucana**, the first Friede & Goldman JU2000E jack-up rig built by Jurong Shipyard for Seadrill.

SEPTEMBER 2013

- Award of a US\$346 million contract to Jurong Shipyard to build a second semi-submersible well intervention rig for Helix Energy Solutions Group.
- Delivery of **Helix 534**, a well-intervention vessel converted from a drillship by Jurong Shipyard for Helix Offshore.
- 05** Launching of **Perisai Pacific 101**, the first proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Perisai Petroleum Teknologi.

OCTOBER 2013

- Award of an upgrading contract to Sembawang Shipyard for the **Diamond Princess** by Princess Cruises, USA, which also became a long-term favoured customer.
- Delivery of **Noble Regina Allen**, the first Friede & Goldman JU3000N jack-up rig built by Jurong Shipyard for Noble Corporation, following the naming in September.
- 06** Delivery of **Fortius**, the first proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Oro Negro.
- 07** Delivery of **Protis**, a pipelay barge conversion of an accommodation barge by Jurong SML for Geocor.



- Sail-away of **Zawtika Processing & Living Quarters Platform** built by SMOE for PTTEP International.
- Completion of the engineering and construction of **Naga & Pelikan Wellhead Platforms** by PT SMOE Indonesia for Premier Oil Natuna Sea.
- Keel-laying of **NS Guarapari**, the second proprietary Jurong Espadon design drillship built by Jurong Shipyard for Sete Brasil Participações, following the strike-steel in May.
- 08 Keel-laying of **Vastus**, the fourth proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Oro Negro.
- 09 Strike steel of **Animus**, the fifth proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Oro Negro.

NOVEMBER 2013

- 10 Opening of the new **Sembmarine Integrated Yard @ Tuas**, the largest integrated yard in Singapore, by the Prime Minister of Singapore, Mr Lee Hsien Loong.
- 11 Sembcorp Marine's **50th Anniversary Gala Dinner** and presentation of a \$2 million cheque as part of a \$10 million endowment pledge to Nanyang Technological University for the establishment of a new research and development facility to develop cutting-edge solutions for application in the marine and offshore industry.

- 12 Delivery of **West Castor**, the second Friede & Goldman JU2000E jack-up rig built by Jurong Shipyard for Seadrill, following the naming in September.
- 13 Keel-laying of **Safe Zephyrus**, the second accommodation semi-submersible rig built by Jurong Shipyard for Prosafe, following the strike-steel in April.

DECEMBER 2013

- Award of a US\$211.5 million contract to PPL Shipyard to build a third Pacific Class 400 jack-up drilling rig for Perisai Petroleum Teknologi.
- 14 Naming of **West Linus**, a Gusto MSC CJ-70 jack-up rig built by Jurong Shipyard for Seadrill.
- 15 Keel-laying of **Perisai Pacific 102**, the second proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Perisai Petroleum Teknologi.
- 16 Strike steel of **Supremus**, the sixth proprietary Pacific Class 400 design jack-up rig built by PPL Shipyard for Oro Negro.

Competitive Strengths

Sembcorp Marine's success is attributed to strong commitment to customer satisfaction, high quality and safety standards, integrated supply chain and continuous innovation. To sustain its leading edge, the Group continues to invest in research and development to grow its intellectual assets and proprietary capabilities for greater productivity and enhanced competitiveness.

Proven Track Record

Sembcorp Marine's capabilities extend from marine & offshore repair and upgrading, specialised shipbuilding, building of high-specification jack-ups, fast-track construction of ultra-deepwater semi-submersibles, conversion of floating production and storage facilities to the engineering and construction of offshore platforms. In recent years, the Group further broadened its product portfolio to include accommodation semi-submersible and well-intervention semi-submersible rig solutions.

The Group made its foray into drillship construction with the launch of its proprietary Jurong Espadon drillship design in 2011. Capable of drilling to depths of 40,000 feet, the Jurong Espadon drillship has secured a total of nine orders to-date. Seven of these drillships, ordered by Sete Brasil in 2012, will be built for operations at water depths of 10,000 feet and with accommodation for 180 people. The latest two units contracted by Transocean in February 2014 will have capabilities to operate in 12,000 feet water depth with accommodation facilities for 220 people.

Designed to meet the industry's most stringent operating requirements for deepwater drilling, the drillships are equipped with DP-3 superior motion capabilities, state-of-the-art drilling facilities, a larger deck area, efficient deck arrangement and a large moon pool for enhanced drilling efficiency and operational safety.

In the area of rig building, the Group's flagship series of Pacific Class jack-up designs have been well-received by customers around the world. The proprietary Pacific Class 400 jack-up rig design has received 17 rigs orders, including seven new units



The proprietary Jurong Espadon drillship is designed to meet the industry's stringent requirements for deepwater drilling.

in 2013. Eight units have been successfully delivered by the end of 2013.

The Pacific Class 400 jack-up is an extension of the Group's proven Pacific Class 375 design which has 27 jack-up orders and deliveries. Designed to operate in waters of 400 feet and drill to depths of 35,000 feet with improved drilling efficiencies and operations support, the rig represents the latest generation of high-specification jack-ups with advanced features and capabilities.

Strong Customer Focus

Customer satisfaction has been a key success factor for the Group. Putting customers at the forefront, the yards monitor and manage the end-to-end experience for customers, ensuring a high level of engagement for smooth project completions.

While a project is ongoing, the yards conduct customer satisfaction surveys to understand any key concerns in the areas of project management, facilities, safety, engagement and quality. Senior management and Board directors are updated on the inputs received from customers. Management-level and cross-functional teams also monitor and review customer complaints closely to establish actions to address their concerns and improve customer satisfaction. The feedback received from customers during the year was generally positive.

Apart from these feedback mechanisms, the Group engages and updates customers through meetings, newsletters, conference calls, correspondences, safety walkthroughs, on-site visits as well as participation in exhibitions and



Jurong Shipyard's annual Advanced Supplier Relationship meeting with alliance partner, Chevron Shipping Company.

conferences. The yards also share information on safety matters and progress updates at their regular meetings with customer partners. During the year, senior management from Jurong Shipyard joined representatives from its Alliance Partner, Chevron Shipping Company, for a fruitful two-day Advanced Supplier Relationship meeting. The meeting allowed both parties to exchange feedback, discuss plans for the year and look ahead for ways to further strengthen cooperation.

Other forms of engagements to forge closer links with customers are through workshops, forums or events as well as informal team outings and barbeque dinners. During the year, customers were invited to a series of appreciation functions organised by Sembcorp Marine as part of its 50th anniversary celebrations, including a networking dinner in Houston, USA, a luncheon reception in Oslo, Norway and a gala dinner in Singapore.

High Standards of Quality, Health, Safety and Environment

Sembcorp Marine demonstrates its commitment to uphold health, safety and environment (HSE) by benchmarking to globally recognised standards and best practices. The Group's operations incorporate internationally recognised HSE and quality management systems. Health and safety impacts are assessed through the life cycle of all projects – from the design to construction and operation. Each stage of a project is meticulously executed in accordance with the Group's HSE policies and procedures, customers' HSE requirements, as well as international maritime laws and regulations. When completed, all projects undergo strict quality and safety audits by certified classification societies before delivery to customers.

Sembcorp Marine's subsidiary yards have stringent quality and HSE management systems which are in compliance with international business excellence standards, such as ISO

9001, ISO 14001 and OHSAS 18001. The list of certifications can be found on page 25. To ensure conformance to the high standards required, these systems and processes are regularly reviewed through internal and external audits to improve quality and WSH performance.

Supply Chain Synergy

With an integrated chain of suppliers providing materials, equipment, systems and manpower, the Group is able to offer global customers a full range of complex turnkey marine and offshore engineering solutions – from procurement and construction through to integration, commissioning and delivery.

Through robust supply chain management, the Group strives to continuously seek opportunities for increased productivity, cost efficiencies and delivery of innovative solutions. In addition, Sembcorp Marine actively engages its suppliers globally to gain insights into the latest technologies, processes and standards across the value chain.

The Group develops a pool of contractors screened for their commercial track records and safety performance. Suppliers are appointed only upon meeting the strict selection criteria of the Group and its customers, including being subjected to technical evaluation audits on their quality and safety standards as well as their ability to deliver on time.

Subsidiary yards work very closely with suppliers and contractors, synergising their combined strengths to provide customers with value-added and integrated customised solutions for all project phases.

Investing in Innovation

Sembcorp Marine Technology, the Group's dedicated research & development arm, spearheads projects in the areas of environmental and energy management, efficiency as well as product and process improvements.

The Group also collaborates with tertiary and research institutions as well as industry partners to develop new generation technologies and leading-edge innovations that enhance productivity and competitiveness.

To further the cause of education and research, Sembcorp Marine has committed \$10 million over a period of five years to an endowment fund that supports the set up of the Sembcorp Marine Lab @ NTU, a new research facility at Nanyang Technological University (NTU). Housed and led by NTU's School of Mechanical & Aerospace Engineering, the facility will serve as a nucleus for new discoveries and the development of innovations with a focus on productivity enhancement solutions and innovative environmental technologies, for the marine and offshore industry's sustainable growth.

Environmental Technologies

One of Sembcorp Marine's focus areas for the year was to explore initiatives for harnessing alternative energy sources at the new Sembmarine Integrated Yard @ Tuas.

To this end, it continued its collaboration with NTU to develop the Land-based Energy Management System. The new system was tested and installed successfully at the main substation of the integrated new yard in 2013. The solution makes use of a ship-shore power consumption & billing system and a power distribution performance monitoring system to generate optimised power flow, forecast power demand and manage peak demand usage.

Another system installed and tested at the new yard during the year was the wave energy converter, developed jointly with Hann-Ocean Technology. The new system, which converts wave energy to electricity, provides a renewable power source to the yard.

Other innovative projects are in various stages of development within the Group's yards. Among these include the robotic ship blasting and painting system with dust control – a project jointly developed by Jurong Shipyard, Entraco Offshore, Common Alliance and Ngee Ann Polytechnic's Engineering Marine Offshore Technology Centre of Innovation, with funding support from SPRING Singapore. This system performs grit blasting as well as airless spray painting through a state-of-the-art man-machine interface and a dust-control mechanism to improve air quality.

Process Improvements

The Group also focused its research & development efforts on process innovations to reap productivity benefits and cost savings.

During the year, a valve lapping and assembly table innovation developed by Sembcorp Marine Technology was successfully tested and introduced in the integrated new yard. By substituting the use of a pneumatic drill with an electrical drill, the device increases the efficiency and safety of valve repairs during piping and outfitting operations.

Jurong SML, in collaboration with Ngee Ann Polytechnic, completed and tested a software programme to computerise the planning of ship berthing and docking at the yard. Fully implemented in 2013, the software has achieved time savings and optimised facilities usage with a focus on safety compliance at the yard. Both parties are also working jointly on another software programme for dock block planning to better serve the full range of vessels repaired.

The yard is also collaborating with the National University of Singapore to design a dock block lifter capable of shifting and repositioning dock blocks in tight corners during drydocking. In an earlier project with the university, Jurong SML's integrated telescopic gangway that allows for safer and faster ship boarding at different tidal conditions clinched the bronze Workplace Safety and Health (WSH) Innovation Award at the industry level in 2013.

Culture of Continuous Improvement

Beyond specific research and development projects, the Group fosters a strong innovation culture among employees to drive continuous improvement at the workplace. Employees actively participate in staff suggestion schemes and innovation competitions which promote and reward creative problem-solving. Viable solutions, originating from staff ideas, are constantly implemented at the yards to increase workplace safety and productivity while reducing operational costs.

One such event in 2013 was the 13th Innovation Carnival which showcased more than 30 innovative exhibits developed by the Group's yards to enhance safety, efficiency and cost savings. Jurong Shipyard, Sembawang Shipyard and Jurong SML also organised innovation competitions during the year to encourage staff teams to innovate work processes for safety and productivity.

Outstanding projects from the Group which exemplified the best in workplace safety and health (WSH) were submitted for national competitions. Many of them achieved awards at the annual national WSH Awards, organised by the WSH Council, and the industry-level WSH Innovation Convention organised by the Association of Singapore Marine Industries.



Sembcorp Marine President & CEO Mr Wong Weng Sun viewing an innovation project developed by employees.

Award-winning Innovations in 2013



Auto-Rotor-Out

Winner of WSH Innovation Award,
National WSH Award
Developed by: Jurong Shipyard

- Minimises leakage of grit dust during tank blasting and risks of slips, trips and falls from grit-covered surfaces
- Improves productivity with fewer work disruptions required to fix leakages



Flanges Splitter

Winner of WSH Innovation Award,
National WSH Award
Developed by: Jurong Shipyard

- Eliminates pinch point contact and reduces hand and finger injuries when splitting flanges for gasket insertion and removal
- Increases productivity, efficiency and safety



C-Dile Machine

Winner of ASMI WSH Innovation Award (Gold Award)
Developed by: Jurong Shipyard

- Enables hydraulic pistons to be disassembled with greater safety, precision and efficiency during repairs
- Reduces the need for manual handling, minimises the risk of injuries and enhances work efficiency



T-Joint Connector

Winner of ASMI WSH Innovation Award (Gold Award)
Developed by: Sembawang Shipyard

- Eliminates the use of two power cables for heating the quiver and the electrode holder
- Increases welding productivity



D-Fender Holding Bar

Winner of ASMI WSH Innovation Award (Silver Award)
Developed by: Jurong SML

- Eliminates the application of hot works in the process of removal and refit of rubber d-fenders
- Reduces the need for manual handling, minimises the risk of injuries and enhances work efficiency



Integrated Telescopic Gangway

Winner of ASMI WSH Innovation Award (Bronze Award)
Developed by: Jurong SML

- Improves safety by self-compensating against tide changes
- Eliminates the use of manpower to frequently monitor gangway movement

Human Capital

To nurture a strong and capable team to propel the Group forward, Sembcorp Marine invests in talent outreach and retention, continuous training and upgrading as well as employee care and engagement to further strengthen its human capital and competitive edge for sustainable growth.

Human Resource Strategy

Sembcorp Marine aligns its human resource strategy to the Group's business direction and objectives. The vision, mission and core values are the cornerstones for the formulation of the human resource strategy and all related systems and processes.

The Group's human capital strategy focuses on six key thrusts:

- **Manpower availability:
Getting the right people for the right job**
To ensure manpower availability, the Group proactively reaches out to secure a sustainable pool of talents through a wide range of recruitment strategies including career talks, scholarships and outreach programmes targeting displaced workers with transferable skills from other industries. Another key focus involves managing the contractor workforce to ensure an adequate supply of skilled manpower to complement the Group's workforce and operational requirements.
- **Manpower development:
Enhance training and skills development**
Continuous training and upgrading is a vital thrust in the Group's strategy of building a competitive workforce to meet the evolving requirements of the industry. A diverse mix of training and development programmes are provided to enhance employees' technical and functional competencies as well as leadership skills for optimal performance and work effectiveness.

- **Manpower retention:
Reward and retain a skilled workforce**
To retain capable talents, Sembcorp Marine and its yards provide competitive remuneration and benefits as well as progressive pathways for career development. The Group undertakes succession planning and leadership development to groom the next generation of leaders for long-term sustainable growth.
- **Conducive working environment:
Provide a healthy, safe and secure working environment**
Sembcorp Marine recognises the importance of creating a conducive work environment as part of its commitment towards employee care and welfare. Various workplace health, safety, security and environmental management systems are in place within the Group's yards to ensure high standards of occupational safety and health for the well-being of stakeholders. A wide range of health care programmes and wellness initiatives are organised to promote healthy and well-balanced lifestyles among employees.
- **Organisation development:
Develop organisational systems and structures to align with the Group's vision**
The development of organisational systems and structures in gearing employees to contribute towards corporate goals is another thrust of Sembcorp Marine's human resource strategy. This includes implementing systems to manage quality, productivity and innovation for business excellence and continuous improvement. The Group's yards align their people development systems with business excellence frameworks, including ISO 9001 and SPRING Singapore's Singapore Quality Class, Singapore Innovation Class and People Developer standards, which incorporate structured review and evaluation mechanisms to ensure continued competitiveness.
- **Organisation culture:
Inculcate and promote a sense of belonging to corporate values**
As part of its strategic human resource efforts, the Group focuses on forging a strong Sembcorp Marine identity through diverse platforms and channels. This includes inculcating in staff the Group's core values and corporate governance principles as well as fostering *esprit de corps* through employee engagement programmes and teambuilding activities. The Group also leverages on information technology and intranet portals to connect effectively with employees.

HR STRATEGIC THRUSTS

MANPOWER AVAILABILITY

Getting the right people for the right job

- Recruitment & Selection
- Scholarship Programmes
- Contractor Management

MANPOWER DEVELOPMENT

Enhance training & skills development

- People Developer
- Leadership Development
- Technical / Functional Competencies

MANPOWER RETENTION

Reward & retain a skilled workforce

- Succession Planning
- Talent Management
- Career Development
- Employees' Share Schemes

CONDUCTIVE WORKING ENVIRONMENT

Provide a healthy, safe and secure working environment

- Health Care Programmes
- Employee Wellness Programmes
- Workplace Safety & Health Programmes
- ISPS

ORGANISATION DEVELOPMENT

Develop organisational systems and structures to align with the Group's vision

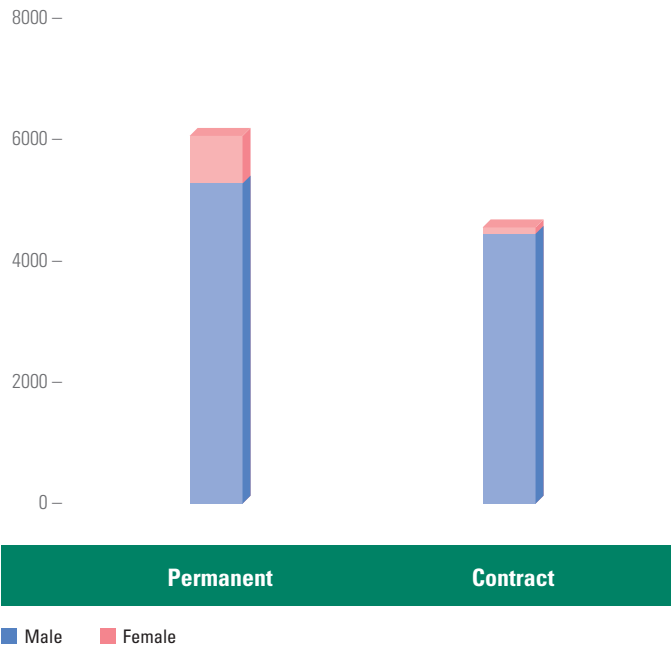
- Quality & Productivity Management
- Innovation Management
- Singapore Quality Class

ORGANISATION CULTURE

Inculcate and promote a sense of belonging to corporate values

- Core Values
- Corporate Governance
- Employee Engagement Programmes
- Employee Information Portals

Manpower Distribution By Employment Contract And Gender



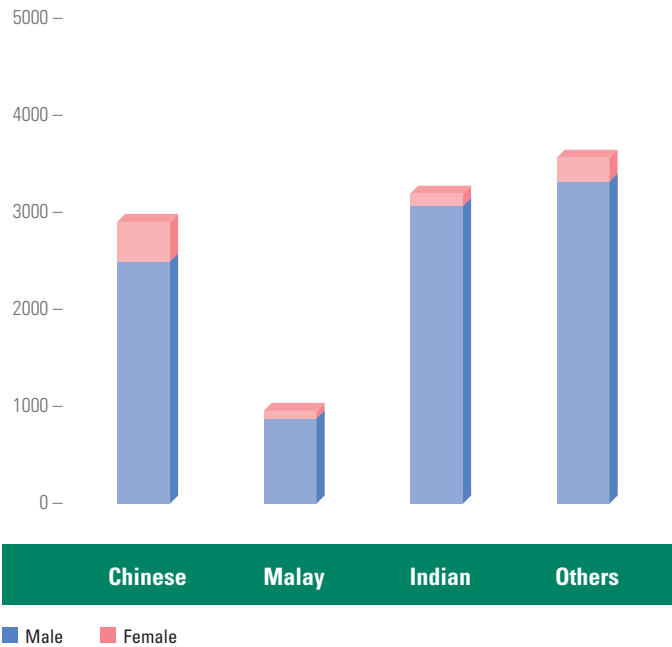
Manpower Distribution By Employment Category And Gender



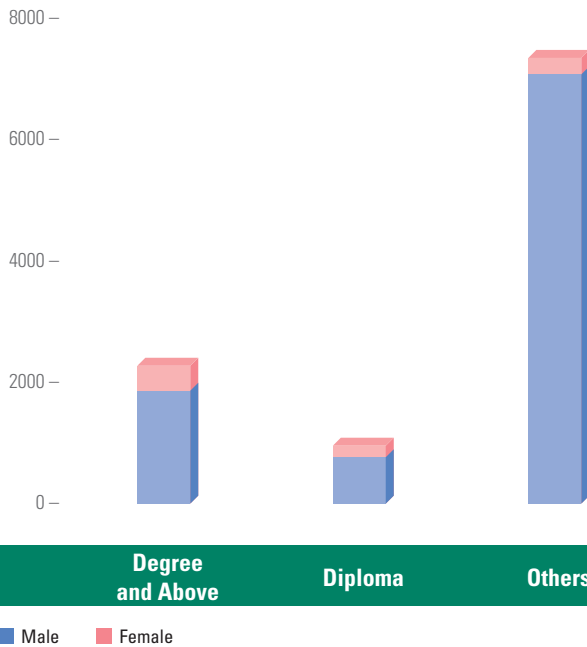
Manpower Distribution By Age Group And Gender



Manpower Distribution By Ethnic Group And Gender



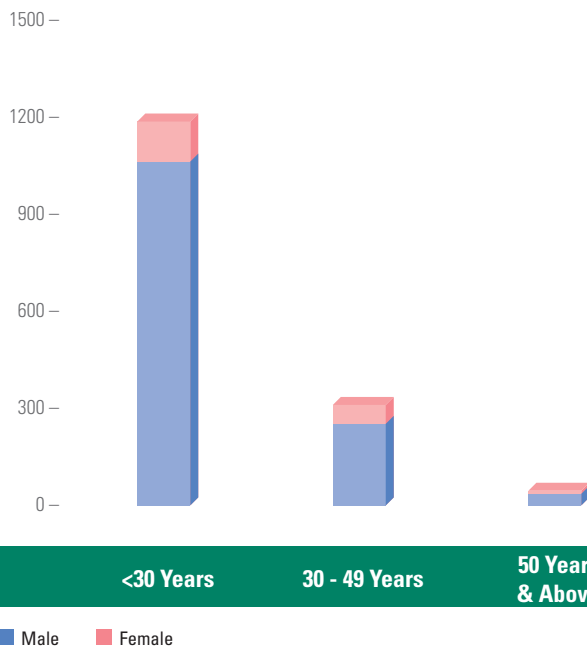
Manpower Distribution By Educational Level And Gender



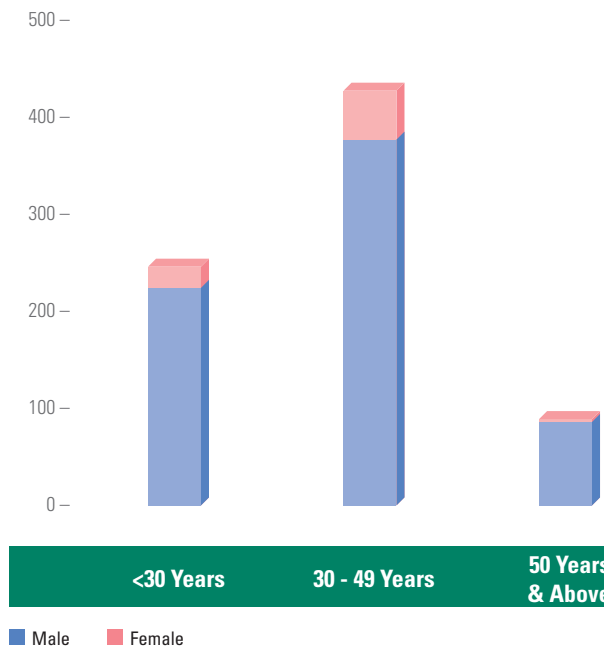
Manpower Distribution By Local/Non-Local Hire And Gender



New Recruit By Age Group And Gender



Turnover By Age Group And Gender



On an ongoing basis, regular employee feedback sessions, reports and comparative studies help Sembcorp Marine gauge the effectiveness of its human resource strategy. To further complement the Group's internal efforts, external human resource consultants are engaged to conduct benchmarking studies in the area of compensation and benefits to align with industry best practices in Singapore. With these results, the strategy is constantly reviewed to ensure that the systems and processes are relevant in supporting employee development and in helping the Group attain its business goals.

Workforce Profile

A substantial portion of work within the Group's yards is performed by employees or supervised employees of contractors. There were no significant variations in employment numbers during the year with Sembcorp Marine recording a workforce strength of 10,608 employees as at end-2013.

By employment type, 58 per cent of these were production workers, with the remaining 42 per cent in management and support functions.

The total workforce comprised 92 per cent males and eight per cent females, consistent with the workforce profile in the marine and offshore industry. Males constituted 93 per cent of the production staff and 84 per cent of the management and support staff.

At the senior management level, the Group had 13 men and six women. Of these 19 in the senior management team, all were Singaporeans; six were in the age category of 40 to 49 years old and 13 were aged 50 and above. Further details can be found at the Senior Management section of the Annual Report.

Fair Employment Practices and Diversity

The Group values diversity in the workforce, believing that a fair and inclusive working environment is essential to its long-term success. Its human resource policies adhere to the Tripartite Guidelines on Fair Employment Practices formulated by the Singapore Tripartite Alliance. The Group abides by the guidelines in its handling of recruitment, training and development, performance appraisal and employee grievances such as harassment and discrimination.

Adopting a merit-based hiring policy, the Group provides equal opportunities to potential candidates and adopts a fair and non-discriminatory approach, from the placement of



Students learning about Sembcorp Marine's capabilities at the newly opened ITE-SCM Marine Engineering & Quality Centre.

recruitment advertisements to the interviews and final selections. Employees are welcomed to provide suggestions or feedback on any grievances in confidence to their respective human resource departments or union representatives. Under Sembcorp Marine's group-wide whistle-blowing policy, employees are also encouraged to report any inappropriate conduct without fear of reprisals through easily accessible channels including mail, email and fax. Whistle-blowing complaints will be handled confidentially and investigated promptly. In 2013, the Group did not receive any reports on employee discrimination.

All yards, subcontractors and vendors are further required to follow Singapore's employment legislations, including the use of child or forced labour, and to comply with the labour rights of workers. There were no reports arising from the use of child or forced labour during the year.

Recruiting and Retaining the Right Employees

Sembcorp Marine taps on a variety of channels to attract and recruit the best possible people and to build a robust and diverse workforce. A competency framework is used to determine if a candidate has the right set of knowledge, skills, attitude and qualities required for effective performance. After recruitment, the Group's rewards and performance management system is key to the growth, development and retention of the employees.

Talent Recruitment

The Group engages students proactively to promote the exciting career opportunities in the marine and offshore industry. During the year, it held 23 career fairs and recruitment talks at tertiary and vocational institutions and organised yard

tours for more than 370 students. These close engagements with learning institutions pave the way to attract talents, strengthen capabilities and raise standards of excellence within the industry.

One such collaboration with the Institute of Technical Education led to the opening of the ITE-SCM Marine Engineering and Quality Centre at the institute's new College Central Campus in 2013. The new centre provides a fun and interactive learning space for students and stakeholders to learn about Sembcorp Marine's capabilities as well as operations within the marine and offshore industry.

The Group has also been awarding scholarships to outstanding students from vocational institutions up to the university levels. In 2013, 82 scholarships were given out, and a total of 48 scholars graduated to begin their careers at the subsidiary yards. In addition to full scholarships, Sembcorp Marine offered about 102 internships and industrial attachments for students to gain practical work experience and exposure at the yards.

Sembcorp Marine has also been supporting the re-employability of older employees even before the Retirement and Re-employment Act was enforced. In fact, the Group re-employs eligible employees beyond the statutory retirement age of 62, as outlined by the Act. Of the 555 employees who were above the age of 62 in 2013, about 540 were re-employed on an annual contract basis. The yards also organised talks to prepare those employees who opted for a smooth transition to retirement instead.

Talent Retention

Sembcorp Marine rewards the contribution of its people with a comprehensive compensation, benefits and recognition programme. Apart from offering competitive basic pay packages commensurate with skills and experience, employees receive performance-linked incentives. These include annual salary increments, annual performance bonuses, incentive bonuses as well as equity-based reward plans.

To determine if employees have met their specific performance indicators, the Group has an objective and well-structured appraisal system in place. Full-time employees are appraised twice a year on measurable key performance indicators and behavioural traits, with rewards tied in to individual contribution as well as the Group's performance. The system also allows employees to discuss work achievements against targets, to provide feedback and to set future objectives with their supervisors.

At Sembcorp Marine, staff are accorded health and welfare benefits, group insurance plans, leave entitlements, transportation and subsidised lodging. The Group also makes

mandatory contributions towards the Central Provident Fund, a national social security savings plan enabling working Singaporeans and permanent residents to have a secure retirement in their old age. Childcare leave, maternity leave and paternity leave are also granted, in line with Singapore's legislation. Of the 42 employees who took maternity leave in 2013, five left the Group while the rest returned to work within the year.

Additionally, the Group offers a flexible benefits scheme enabling staff to customise a package of additional benefits they require from a wide array of offerings. According to their personal needs, they can choose their flexible benefits from health screenings and self-improvement courses to vacation travel, health club memberships and childcare fees.

Flexible work options, such as compressed work schedules, telecommuting and part-time work, are open to employees with special health and work demands. Employees can discuss these special work arrangements with their superiors and respective human resource departments. Such flexibility has enabled the Group to recruit and retain employees as well as increase morale and productivity.

Employees on contractual terms enjoy similar basic healthcare and leave entitlements as the full-time staff although some incentives, such as variable compensation and flexible benefits, may differ depending on their respective employment contracts.

Talent Recognition

Loyal service and outstanding performance do not go unrecognised at Sembcorp Marine. In 2013, the Group presented long-service awards to 505 employees, more than half of whom had served for at least 20 years. In addition, employees who made outstanding contributions to innovation, safety and quality are recognised with special awards.

Enhancing Employee Competency and Resilience

To build up the right competencies and skill sets for employees, Sembcorp Marine offers a wide range of personal and professional development opportunities for its people. In 2013, the Group invested about \$6 million on training and development, providing each employee with an average of close to 40 learning hours from structured programmes to enhance their technical and functional competencies.

In addition, Sembcorp Marine provides employees with a variety of learning avenues including on-the-job training, technical briefings, job rotation, mentoring programmes and practical attachments. Training opportunities are offered to personnel based on job requirements and merit.



On-the-job training underway.

Orientation Programme

Training starts from the first day of work. All new staff attend a comprehensive orientation course to learn about Sembcorp Marine's eight core values, organisational profile, core businesses as well as human resource and corporate governance policies such as the whistle-blowing policy. It is compulsory for newcomers to undergo safety induction to be familiar with the high standards of quality, productivity, safety and security required in the Group's operations. Depending on their job requirements, employees also go through safety attachment programmes, which range from a few days to three weeks, to gain deeper insights into the Group's safety culture.

As required by the Workplace Safety and Health Act under the Ministry of Manpower, the yards organise compulsory training courses for staff in production and project management roles prior to work commencement. At Jurong Shipyard and Sembawang Shipyard, all newly hired engineers have to complete technical competency programmes conducted by Ngee Ann Polytechnic, before embarking on production or project management work. Other yards also conduct various accredited training courses to further strengthen the capabilities and competencies of their production and project management personnel.

Continuous Learning & Upgrading

Employees at all levels undergo continuous training programmes throughout their career to update or upgrade their technical and management skills to meet current and future business challenges.

The Group works closely with local educational institutions, industry associations and certified training providers to conduct specialised professional competency and personal

development courses for staff members. Employees also attended professional training including courses under the Singapore's National Skills Recognition Scheme and Workforce Skills Qualification scheme from the Workforce Development Authority.

The Group culture also encourages employees to share best practices through participation in seminars, conferences and other events organised locally or internationally. Senior management representatives often sit on the boards of industry and educational institutions – including the Association of Singapore Marine Industries, the Workplace Safety and Health Council and Ngee Ann Polytechnic – to raise standards and to attract new entrants to the industry.

Leadership Development

The Group continues to invest in leadership development and talent management programmes to build up the leadership pipeline over the mid to long term. A broad-based talent management and succession planning framework ensures continuity in key and critical positions of both business units and corporate functions. The framework is managed at the Group level and reviewed by the Executive Resource and Compensation Board Committee.

The structured framework identifies potential leaders and successors, builds on their strengths and tracks their growth within the Group. Promising individuals are groomed through leadership development programmes conducted in collaboration with local tertiary institutions such as the Singapore Management University and the Singapore Institute of Management. About 396 management staff attended these customised leadership programmes in 2013.



Safety induction for new employees in progress.

Building Employee Engagement

The work culture at Sembcorp Marine encourages open and two-way communication with employees. The Group reaches out to its people by providing regular updates, listening to feedback and encouraging innovation on the job. The Group also works closely with the unions to strengthen tripartite relations and to build a supportive and harmonious work environment.



Engaging employees in the Group's transformation initiatives.

People Engagement

As part of Sembcorp Marine's efforts to engage employees in line with its transformation initiatives, staff dialogue sessions were held in September 2013 involving 130 participants from different age groups across the Group's subsidiaries. Besides reaching out to employees and understanding their concerns through these dialogue sessions, the feedback gathered would serve as a basis in planning the Group's transformation strategies going forward.

The Group communicates regularly to employees via intranet portals, regular briefings, toolbox meetings, emails, company memos and other established channels. At the yards, newsletters provide further updates, while staff suggestion schemes engage employees in contributing innovative ideas.

To build camaraderie among employees, the yards also organise regular social and recreational activities including team-building events, retreats, nature walks and festive celebrations. These help to encourage bonding and foster greater interaction among staff from different job levels and business units. Sembawang Shipyard also hosts quarterly informal management-staff dialogue tea sessions.

Workers' Welfare

The Group supports the professional and welfare needs of its 6,160 non-local employees, who complement the local workforce. Orientation programmes, mandatory safety courses, English language lessons and intensive on-the-job training to help them adjust to the new working environment were held.

To take care of their living arrangements, the Group works closely with the sub-contractors to provide accommodation and transport. In addition to dormitory facilities at Cassia@Penjuru, Avery Lodge and Alaunia Lodge, the newest dormitory opened at the Sembmarine Integrated Yard @ Tuas during the year (see feature on 'Redefining Employee Care for Our Foreign Workforce' on page 104).

The Group also organises social activities, sporting events and festive celebrations to provide opportunities for closer interaction and bonding among workers and management.

Labour and Union Relations

As at end 2013, there were about 2,703 unionised members in Sembcorp Marine's yards. Unions that the yards work closely with are the Shipbuilding and Marine Engineering Employees' Union (Jurong Shipyard Branch) and the Sembawang Shipyard Employees' Union.

Committed to achieving tripartite synergy, Sembcorp Marine's subsidiary yards and their unions actively engage in frequent dialogues and meetings concerning the benefits, safety and training opportunities for the Group's employees. To continuously strengthen partnerships, the yards and their unions also organise joint events, such as the National Day Observance ceremony in Jurong Shipyard and the Sembawang Shipyard 45th Anniversary Carnival in 2013.



Having a fun time at Sembawang Shipyard's 45th Anniversary Carnival.

Redefining Employee Care for Our Workforce

Sembcorp Marine redefines employee care at the new Sembmarine Integrated Yard @ Tuas by providing its foreign workforce with comfortable dormitory lodgings right within the yard premises. Besides saving time and energy on commuting, this in-yard living arrangement allows workers ample time to rest after work, translating to greater productivity and efficiency on the job.

Capable of housing 4,520 people when fully occupied, the dormitory precinct features a wide range of amenities, including recreational and fitness facilities, to keep employees meaningfully occupied. Residents can relax in a multimedia room to catch the latest films and movies during their leisure time. The dormitory also features relaxation areas for reading and television watching, a multi-purpose hall with a performance stage, a well-equipped gymnasium, indoor badminton courts, roof-top street soccer courts, and facilities for table tennis, sepak takraw, cricket and basketball. A mini-mart, barber shop, remittance services and ATM facilities are also easily accessible within the premises.

The dietary needs of the people are also well taken care of via an innovative centralised kitchen that enables the efficient preparation and serving of meals within the dormitory's annex block and at various multi-function halls during lunch hours. In-house laundry services are also provided to ease the wash load of residents so that they can maximise their rest time after work.



Watching movies at the multi-media room.



Enjoying a game at the roof-top street soccer court.



In-house laundry services are provided to residents.



Relaxation areas for interaction.

Promoting Healthy Lifestyles

The Group's commitment towards employee care and welfare is evident from the awards and accolades garnered. These include the Work-Life Achiever Award conferred on Sembcorp Marine by the Tripartite Committee on Work-Life Strategy in 2012 and the Platinum H.E.A.L.T.H (Helping Employees Achieve Life-time Health) Award from the Health Promotion Board attained by Jurong Shipyard, Sembawang Shipyard and Jurong SML in recent years.

Sembcorp Marine's work-life initiatives and programmes complement its human resource strategy to help employees achieve total wellness and balanced lifestyles.



Strong camaraderie and team spirit among employees.

Employee Health

Employees can access medical centres located conveniently at the yards for free medical consultations or seek treatment from a network of public hospitals or polyclinics. At Jurong Shipyard, subsidised medical care is extended to the Group's retired employees through a collaboration with Jurong Health.

The yards also partner with established health institutions to offer free preventive health screenings, stop-smoking programmes as well as chronic illness management programmes. Employees from Jurong Shipyard and Sembawang Shipyard benefited from medical tests for chronic illnesses such as high cholesterol, high blood pressure, coronary heart disease, stroke, hypertension and diabetes. Those at risk were put through early intervention programmes to manage their conditions.

Through collaborations with Jurong Medical Centre and Khoo Teck Puat Hospital, employees have access to direct referrals for specialist treatments, radiology, clinical measurements, faster treatment for industrial accidents as well as pandemic event support.

Active and Healthy Living

The yards continue to organise sports and health-related activities to promote healthy lifestyles and active living. Each working day at the yards begins with a daily five-minute exercise routine; and each month, a dedicated ACTIVE (All Companies Together in Various Exercises) Day includes a mass workout conducted by fitness instructors.

Within the yards, employees can further take control of their health and fitness by working out at gymnasiums located at the yards or signing up for a range of exercise classes including yoga, pilates, aerobics and mind & body classes. The yards also organise various sporting and recreational activities throughout the year, including nature walks, bowling tournaments and futsal competitions.

Employees can also attend health-related talks to find out more about balanced lifestyles, good nutrition and a range of health issues. At Jurong Shipyard, monthly treats of healthy snacks are distributed to employees to encourage good nutritional habits.



ACTIVE Day mass workout.

Workplace Safety and Security

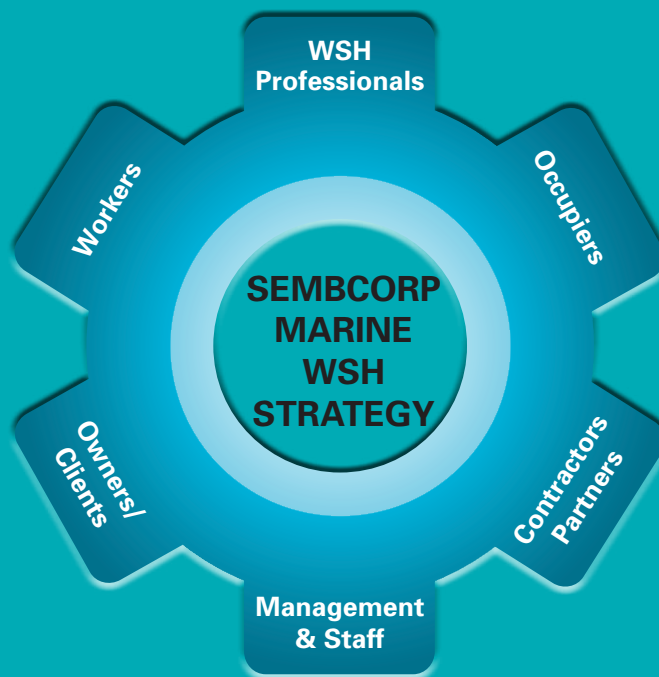
To achieve operational excellence, Sembcorp Marine places the highest priority on its workplace safety, health and security systems. In addition to identifying, managing and reducing risks, the Group enhances these systems constantly to comply with international and national standards, such as the OHSAS 18001 Occupational Health and Safety Management System and the Singapore Workplace Safety and Health Council's WSH 2018 plan.

Workplace Safety and Health (WSH) Strategy

Upholding safety and health at the workplace is the responsibility of all levels of management and staff, extending from the Board's Risk and Enterprise Risk Management Committees to the Group, yard department and sub-trade functions. Top management, Group-level strategy formulators and yard-level specialists jointly develop robust and structured WSH systems to safeguard the safety and well-being of the Group's 10,608 staff as well as its contractors, clients, shipyard occupiers and other stakeholders.

Four safety strategic thrusts guide Sembcorp Marine's activities towards its vision of zero incidents. The risk management performance each year is monitored and evaluated against the four severity parameters of 1) people, 2) assets and consequential loss, 3) environment, and 4) reputation. This assessment then identifies the five key risk areas to focus on for the following year. In 2013, the five key risk areas identified were 'fire and explosion', 'falling from height', 'equipment or material failure and damage', 'dropped objects', and 'structure failure'.

To address these identified risk areas, the Group adapts the programmes in its strategic thrusts for deployment at various levels. Bi-monthly monthly and quarterly meetings are held by representatives in the Group Health, Safety and Environment Committee to ensure the strategy remains responsive, relevant and effective.



WSH Performance in 2013

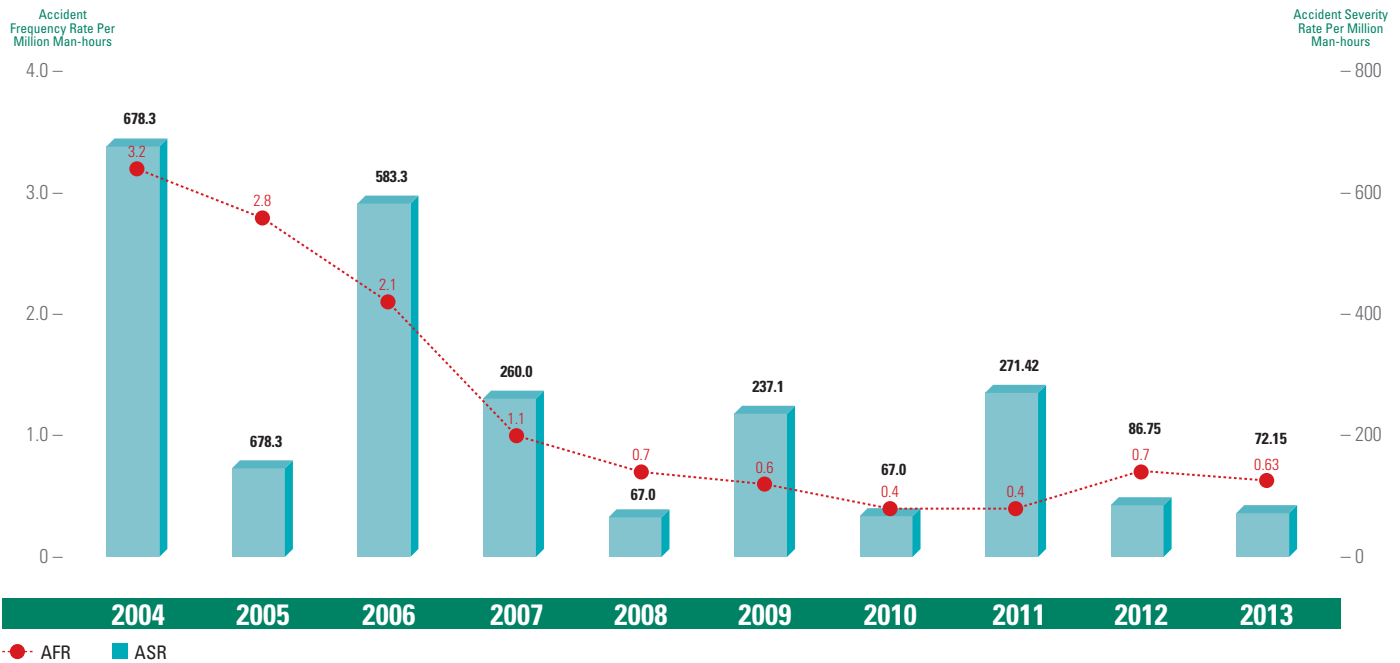
Sembcorp Marine's yards monitor their WSH performance using several indicators, including near misses, hazards reported and occupational disease rate, to assess the safety performance of employees and business partners. Such monitoring efforts enable the yards to customise appropriate WSH strategies and programmes to address specific areas of focus within their operations.

In 2013, the Group achieved a better Accident Frequency Rate (AFR) of 0.63, from 0.70 in 2012. It also improved its Accident Severity Rate (ASR) from 86.75 the year before to 72.15. The AFR measures the frequency of workplace incidents per million man-hours, while the ASR indicates the number of man days lost per million man-hours worked in the workplace.

The Group also improved its workplace injury rate (WIR), a record of workplace injuries that require more than three days of medical leave per million man-hours, from 378.81 in 2012 to 214.81 in 2013. The WIR was introduced in 2011 to improve the Group's assessment and monitoring of safety standards in the workplace.

During the year, there was a fatal traffic incident that involved an employee at Sembawang Shipyard. The Group deeply regrets this loss of life and has revised the control measures for forklift driving across all its yards.

Sembcorp Marine's Safety Performance



Further enhancements were also made to the ongoing hazard-spotting incentive programmes in the Group's yards to encourage more personnel to provide feedback on safety gaps and unsafe work conditions.

Benchmarking to International Standards

All the Group's yards undergo twice yearly surveillance audits and a renewal audit once every four years as required under their OHSAS 18001 certification, to ensure that their occupational safety and health management systems are in compliance with the Singapore legislation and international standards related to the Oil Companies International Marine

Forum. In general, recommendations were made to further enhance stakeholder engagement for hazard identification and refine WSH risk assessment and control measures.

Mandatory WSH Management System audits are conducted annually by Ministry of Manpower approved auditors to ensure the yards' compliance with the Singapore Standard SS506: Part 1: 2009 / ASMI: Code for the Establishment of Shipyard Safety Management Systems, Workplace Safety and Health Act, WSH (Shipbuilding and Ship-repairing) regulations and other subsidiary legislations.

At least once a year, the Singapore Civil Defence Force performs Company Emergency Response Team audits on each yard. This involves using documental checks and practical assessments to validate the yard's emergency response plan, training programmes, equipment readiness and maintenance records as well as response capabilities in incident size-up, fire-fighting and hazardous materials handling.

Sembawang Shipyard, which received the International Sustainability Rating System's (ISRS) Lifetime Achievement Award in 2012, has further incorporated the ISRS system developed by international audit classification society Det Norske Veritas into its operations for over two decades. Using a range of well-established tools to develop, train, implement and audit its operations, the yard ensures that high standards of business excellence, safety and sustainability are upheld for customers, stakeholders and the community.



Employees presenting their innovative projects during a WSH Innovation Teams Convention.

Strategic Thrusts in Health,



Continuous Enhancement in HSE Competencies & Capabilities

To create and foster an internalised safety culture including proactive risk management and shared ownership by all stakeholders.

Activities include:

- Raising of HSE competencies across 13 specialist trades through WSQ Trades and WSH competency training with the WSH Council, higher learning institutes and other Ministry of Manpower-accredited training providers.
- Enhancement of on-the-job training with a specific focus on safety aspects relating to hotwork, working at height, lifting operations, electrical work, structure and stability and confined space work.
- Workshops and talks on topics such as occupational health, chemical-handling safety and noise-induced deafness, often in collaboration with health authorities or clients.
- Annual safety innovation competitions by the yards for employees and contractor partners to develop process and equipment solutions that improve safety and efficiency.
- Rewards and incentives for employees to use hazard observation cards to feedback on safety gaps and potentially unsafe work conditions
- Awards recognition, such as WSH Best Supervisor and Best Worker, to recognise supervisors and employees who are role models in championing workplace safety and health excellence.
- Recognition and incentives, such as HSE Excellence Award and the HSE STAR Award programmes, to motivate contractor partners to achieve zero-incidents.



Commitment & Leadership Building towards a Better WSH Culture

To enhance capability building of all stakeholders and encourage innovation in promoting safety and health. Continuous assessment to ensure the highest standards of WSH.

Activities include:

- Best HSE Practices Manual developed and improved by the Group's yards.
- HSE Officers Inter-yard Exchange Programme which enhances Group-level sharing of good WSH practices for implementation in the respective yards.
- WSH promotional activities to further reinforce a proactive HSE culture, such as innovation and WSH carnivals for HSE improvement, yard and inter-yard quizzes and competitions on WSH-related topics.
- Prominent WSH posters and signs around the yards to engage employees, contractors and stakeholders.
- Daily reminders and work safety highlights during morning toolbox briefings and other WSH meetings.

Safety and Environment (HSE)



Involvement & Support from Stakeholders

To increase the connectivity and communication networks to enhance outreach to all relevant stakeholders through promotion activities and information sharing portals.

Activities include:

- Building up of capabilities and the safety management systems of contractor partners by encouraging them to progress towards third-party certification and independent audits through programmes such as bizSAFE 'STAR'.
- Enhanced audit systems and on-site inspection guidelines for contractor partners.
- Sharing of good WSH practices and lessons learnt through discussion forums for HSE professionals from the business units.
- Regular formal and informal interaction platforms for senior management and operations personnel to interact and stay connected with contractor partners and clients.
- Proactive inclusion of contractors, clients, shipyard occupiers and other relevant stakeholders in WSH enhancement activities such as training programmes and emergency drills.



Improvements in Risk & Safety Management Systems

To develop and enhance the HSE management system through the development of benchmarking and statistical tools, incident reporting and continuous improvement. To develop focused intervention programmes for identified high risks to reduce incidents, including risk assessments, trade specific guides and industry best practices.

Activities include:

- Review, Educate & Validate (REV) programme used by the yards and their contractor partners to address key risk areas such as working at height, lifting operations, confined space, hotwork and structure and stability.
- Annual review of key risks and mitigating measures to proactively manage and bring down risks to target levels
- Safety checklists and permit-to-work systems
- Alignment of the Group's Focused Risk Intervention Programme to the Association of Singapore Marine Industries' 2015 Work Plan initiatives, in collaboration with WSH Council, covering areas such as safety during confined space operations, work-at-height safety operations and lifting processes.
- WSH Council's bizSAFE five-step programme to guide contractor partners towards integrated risk management.



Display of innovation entries at the annual innovation carnival.

WSH at Work

Emergency Preparedness

Sembcorp Marine has established an integrated crisis response framework involving representatives from the key functions of Health, Safety and Environment (HSE), human resource, communications and legal. This framework clearly defines emergency response procedures, roles and responsibilities as well as lines of reporting to ensure business continuity for the Group.

The Group's yards are equipped to provide timely crisis response, with teams of HSE personnel and medical professionals on standby around the clock to render medical help and emergency aid should an incident occur.

To ensure that shipyard operations are well-prepared to respond promptly to emergencies, the Group and its yards conducted 167 drills, involving all five identified groups of stakeholders, in 2013. Held at various locations, including offices, workshops and onboard vessels, these drills kept HSE personnel familiar and ready with crisis response strategies for various emergency scenarios, including fire and explosion, rescue and evacuation, environmental pollution, security threats and business risk drills.

Safety Education

Safety education and training are important aspects of the Group's HSE strategy to ensure safe work operations. In 2013, employees and contractors underwent a total of 279,495 hours in safety training. These included courses on risk management, work-at-height, confined space, fire-fighting and occupational first aid as well as trade-specific safety training for forklift operations, signalling and rigging, scaffolding, self-propelled platform operations, welding, pipefitting, painting and blasting, steel fitting, tank cleaning, electrical installation, mechanical installation and crane operations.

In 2013, the Group introduced a new MoveSMART safety training programme to educate yard personnel on techniques for handling of tools and materials, improving balance and reducing falls, preventing injuries and reducing strain at work.

Safe Working Environments

The yards exercise great care to ensure safe work environments for the well-being of their employees and stakeholders. Regular environmental checks – including air particulate monitoring, noise mapping and boundary noise monitoring – are performed to ensure that air quality and sound levels are within safe levels.

Under the yards' hearing conservation and respiratory protection programmes, employees who are exposed to these occupational health risks are identified and monitored on a periodic basis through annual medical check-ups and annual audiometric tests.

Mosquitoes are of particular concern as they carry diseases such as dengue, chikungunya or malaria. Various control strategies are in place, ranging from fumigation to regular site inspections as well as identifying and eliminating potential mosquito breeding grounds. In the area of mozzies prevention, Jurong SML initiated a Neighbourhood Environmental Safety and Health Committee to engage its industrial neighbours to conduct joint 'search and destroy' walkabouts to spot mosquito breeding grounds in the vicinity.

Shipyard and Community Security

Sembcorp Marine and its shipyards have stringent security management systems to protect critical assets and the well-being of employees and stakeholders. All the Group's yards comply with the International Ship and Port Facility Security Code, a comprehensive and standardised framework to evaluate and mitigate the risks associated with the vulnerability of ships and port facilities



Safety drills and environmental checks are regularly conducted across the Group to ensure emergency preparedness and safe working environment.



Presentation of Sembcorp Marine's emergency preparedness strategies to the WSH Council Marine Industries Committee during their visit to the Sembmarine Integrated Yard @ Tuas.

Several of the Group's yards are involved in community Security & Safety Watch Groups and partner closely with other companies and Home Team agencies, such as the Singapore Police Force and the Singapore Civil Defence Force, to build up security capabilities. Joint emergency response drills and exercises are also held regularly with their neighbouring companies and the Singapore Civil Defence Force to ensure community vigilance and emergency readiness.

Reward and Recognition

The Sembcorp Marine Group received a total of 17 awards in five categories at the Workplace Safety and Health Awards in 2013 (see page 87 for the list of awards). These included two awards won by PPL Shipyard and Jurong SML for their robust risk management systems, 11 awards recognising projects with good safety performance, two innovation-focused awards and two individual safety awards. The awards are presented annually by the WSH Council to honour organisations and individuals from a range of industries who have contributed to achieving WSH excellence.

To spur employees and contractor partners towards WSH excellence, the Group's shipyards have in place structured reward and incentive systems, including merit and demerit point programmes, which serve to encourage good safety performance and sound risk management practices. These initiatives are continuously reviewed to ensure alignment to industry best practices and evolving WSH requirements.

WSH in the Community

The Group regularly supports events and platforms that champion WSH education and promotion, such as the National WSH Campaign organised by the WSH Council. The programme extends beyond the marine and offshore industry to promote workplace safety and health in different work sectors of Singapore.

Sembcorp Marine's yards also cooperate with external agencies such as the Ministry of Manpower, the WSH Council, the Workforce Development Agency and the Association of Singapore Marine Industries in the area of WSH training and education to enhance occupational health and safety standards within the industry.

Environmental Protection

Sembcorp Marine is committed to reducing its carbon footprint and nurturing a culture of environmental consciousness among its employees, partners, clients and local communities. All the yards have an Environmental Management System, with Sembawang Shipyard and SMOE certified to ISO 14001 Environmental Management Standards. Beyond the Group's operations, Sembcorp Marine actively seeks to develop technologies that reduce environmental impacts across the value chain.



Launch of the Green Wave Environmental Care Competition 2014 by Mr Lawrence Wong, Acting Minister for Culture, Community and Youth and Senior Minister of State, Ministry of Communications and Information, and Mr Ong Poh Kwee, Sembcorp Marine's Deputy President.

Environmental Management

To minimise the environmental impact of production operations, the Group's yards implement comprehensive environmental management systems to ensure compliance with government regulations, including the 'Environmental Protection and Management Act', 'Environmental Public Health Act', 'Sewage and Drainage Act', and 'Hazardous Waste (Control of Export, Import and Transit) Act' by the National Environment Agency as well as the 'Prevention of Pollution of the Sea Act' by the Maritime and Port Authority of Singapore. In 2013, the Group did not receive any environmental related fines and there were no reports of significant oil spills or environmental incidents of non-compliance.

Energy Management

The Group's electricity supply is derived from the national energy grid, which is formed by a combination of 84.3 per cent natural gas, 12.3 per cent petroleum products and 3.4 per cent from other energy products (e.g. municipal waste)*. Total energy usage of the Group saw a 6.9 per cent decrease from 1.473 million GJ to 1.371 million GJ in 2013 due to a reduction in electricity consumption. The use of electricity, an indirect source of energy, fell 16.3 per cent to 0.515 million GJ in 2013. Energy usage from direct energy sources, including diesel and

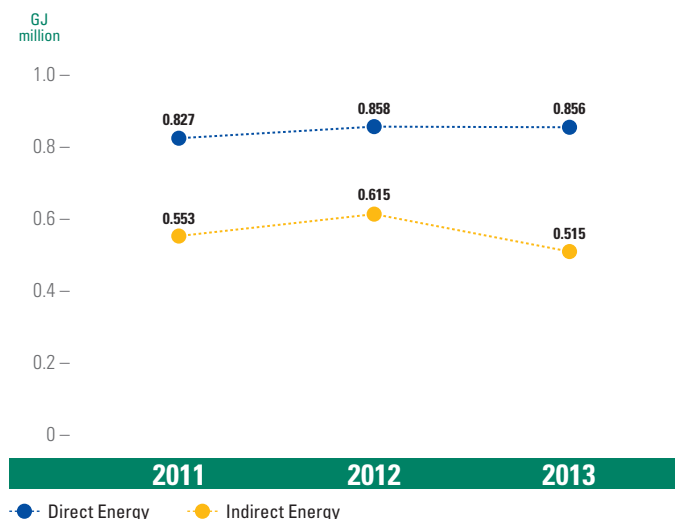
gases for cutting and welding operations, at 0.856 million GJ in 2013 is comparable to 0.858 million GJ in 2012.

Total greenhouse gas (GHG) emissions for the Group fell by 15.2 per cent from 360,249 tCO₂e in 2012 to 305,513 tCO₂e in 2013 due to reductions in usage of electricity and liquefied gases. Direct GHG emissions, which accounted for 77 per cent, reduced 14.6 per cent while indirect GHG emissions, which constituted 23 per cent, decreased 19 per cent in 2013.

The new Sembmarine Integrated Yard @ Tuas, which commenced operations in August 2013, is designed with green technologies for enhanced energy efficiency. These include an intelligent energy monitoring system for effective power management and conservation as well as innovative dock dewatering processes, which involve the sharing of one pump room by two drydocks to optimise power generation. The buildings within the new yard were built with recyclable construction materials and were installed with eco-friendly air-conditioning, lighting, utilities and power systems. These buildings met the Building and Construction Authority's Green Mark certification standards for energy efficiency, water efficiency, environmental protection and indoor environmental quality.

* Figures as referenced from "Energising Our Nation: Singapore Energy Statistics 2013", pg 17: Electricity Generation Fuel Mix 2012, Research and Statistics Unit, Energy Market Authority, Republic of Singapore.

Energy Consumption



Other energy conservation efforts by the Group's yards include using Light Emitting Diode (LED) lighting within workshops, offices and facilities where feasible, maximising the use of natural lighting in workshops during the day as well as control measures to minimise lighting and air-conditioning operations after working hours. During the year, SMOE replaced 215 sets of lights with LED units in its workshops as part of its LED lighting replacement programme. The change in lighting brought about a decrease in electricity consumption from about 423,765 KWH yearly to 103,478 KWH, representing significant energy savings of about 76 per cent.

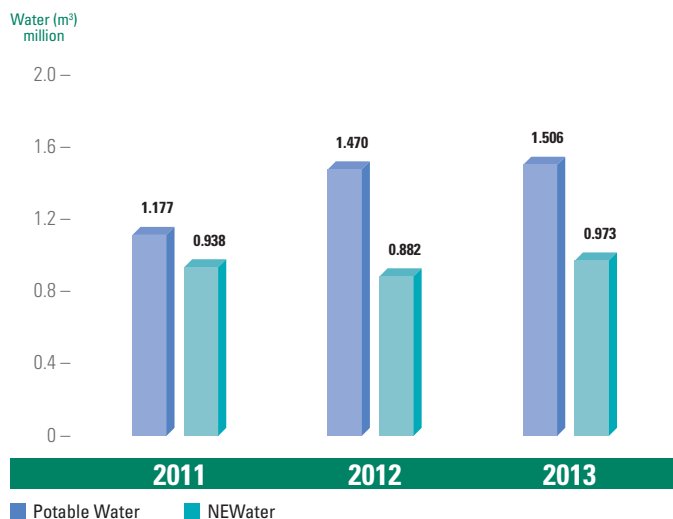
The use of video-conferencing and web-conferencing facilities to communicate with overseas counterparts and business partners is being increasingly adopted within the Group. Besides reducing business travel and its resulting carbon footprint, these cost-efficient modes of communication also increase business productivity and global competitiveness.

Water Management

Water consumption of the Group is from the Singapore Public Utilities Board. During the year, the Group's water usage increased 5.4 per cent to 2,479,247.8 m³, with potable water at 61 per cent and NEWater at 39 per cent.

Water conservation initiatives within the Group included educating personnel and contractors to be responsible when using water and installing flow restrictors in taps to moderate water flow. On the operational front, yards are encouraged to use reclaimed water, such as NEWater, for production activities whenever possible.

Water Consumption

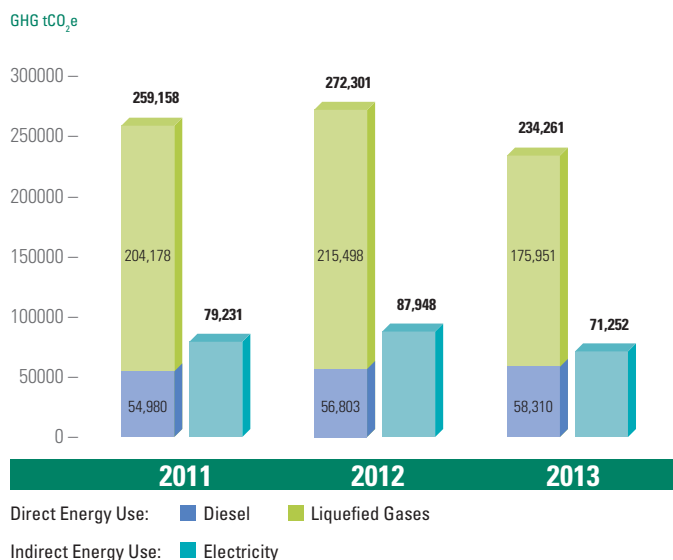


Note: Sembawang Shipyard and SMOE, which share the same premises, as well as PPL Shipyard are only supplied with potable water due to infrastructure limitations.

Air Quality Management

To manage air quality, the use of enclosed blasting and painting is preferred to prevent the spread of airborne particulates. However, if no other alternatives are available, the yards observe mandatory regulations for open blasting operations to be sheltered by canvas or netting to minimise airborne particulates.

GHG Emissions



Note: Liquefied gases used in shipyard operations such as welding and cutting include LPG, CNG, CO₂ and Acetylene. Figures have been updated according to Energy Market Authority's revision of Singapore's historical Electricity Grid Emission Factors. Source: National Environment Agency press release: Information on Emission Factors (16 July 2013)

Sembawang Shipyard and SMOE, which are ISO 14001 certified, practise the policy of ceasing outdoor blasting work when wind speeds in the work area exceed eight knots. As part of their environmental management systems, both yards take additional measures to monitor the perimeter air quality on a daily basis using the Particulate Matter (PM-10) standard set by the United States Environment Protection Agency to measure air particulates. The yards also observe other environmental discharge mitigation procedures and programmes to manage and control their environmental impact on the community, employees, customers and other stakeholders.

Eco-friendlier options for steel treatment are increasingly being offered to customers, including the replacement of copper grit used in conventional blasting to steel and garnet abrasives, which emit less dust. Other greener alternatives that minimise the environmental impact on air quality include hydrojet services, which use high-powered water jets to clean surfaces, and vacuum blasting, which combines the processes of blasting and abrasive-vacuuming.

Materials Management

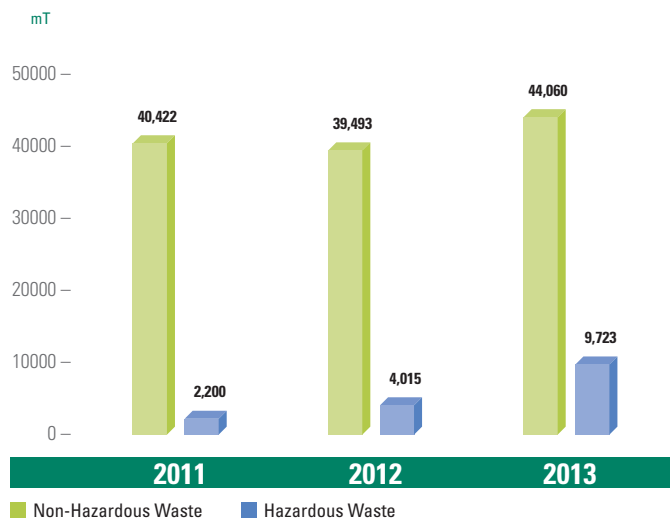
Steel is widely used in the marine and offshore industry for renewal and upgrading works as well as newbuilding operations. In 2013, steel consumption by the Group decreased by 21 per cent to 128,279 mT due to the variations in timing of project stages which require heavy steelwork.

Several types of wastes are produced during yard operations which are classified by the Group as recyclable, hazardous or non-hazardous. Recyclable waste produced consists of scrap steel after the cutting of steel sheets and pipes as well as copper grit or slag following blasting works to treat steel surfaces during repair and newbuild projects. The scrap steel is reused in other yard operations where possible, while used copper slag is recycled and upcycled by the Group through subsidiary JPL Industries to produce building bricks and pavement blocks for sale and yard development purposes.

Hazardous waste substances are mostly residual products which are cleansed out from vessels during the ship overhaul process, while non-hazardous waste typically consists of wood, scrap material or general refuse which cannot be reintegrated for use in the yards. All waste disposal contractors engaged by the Group are licensed by the Singapore National Environment Agency which adheres to the Basel Convention, a global environmental agreement on the control of trans-boundary

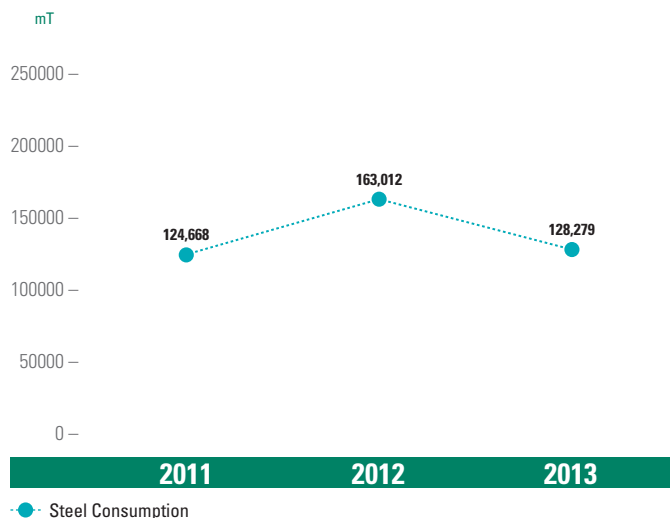
movement of hazardous waste. These licensed waste contractors ensure that hazardous and non-hazardous waste materials are properly managed and treated prior to disposal, recycling, or incineration.

Types of Waste



Note: Figures exclude PPL Shipyard, where waste disposal volume was not tracked through its outsourced licensed disposal vendors.

Steel Consumption





Conducting land-based testing on the Semb-Eco L-UV Ballast Water Treatment System, the first in the world to use LED-UV and biofouling control technologies to treat ballast water.

Innovation for Sustainable Solutions

To address the call for sustainable shipping and maritime solutions, Sembawang Shipyard and Ecospec Global Technology are jointly developing innovative and cost-effective environmental technologies for water ballast treatment, emissions abatement and corrosion control that are geared to meet future maritime regulatory requirements affecting ships trading in the Emission Control Area.

Among the new-generation technologies being developed are two world's firsts – the Semb-Eco L-UV Ballast Water Treatment System and the revolutionary CSNOx Emission Abatement System. The former is the first to use LED-UV and biofouling control technologies to treat ballast water, while the latter is the first commercially viable system that reduces sulphur dioxide, nitrogen oxides and carbon dioxide in one single process.

Ecospec, in which the Group owns a 20 per cent stake, has developed other patented technologies including BioMag, a biofouling control system; ElMag, a corrosion control system; and ScaMag, an ultra-low frequency electronic boiler water treatment system.

Community Engagement

Sembcorp Marine's annual Green Wave Environmental Care Competition organised by Sembawang Shipyard continued to

garner strong participation, with 270 project entries from 1,100 students from schools and tertiary institutions in 2013.

Currently in its 11th year, the Green Wave competition reflects Sembcorp Marine's continuous commitment towards environmental sustainability. Through this outreach programme, the Group seeks to raise green awareness and encourage youths to harness their creativity in developing projects for environmental protection and conservation.

The Green Wave competition has received strong support over the years, with corporate partners Shell International Trading and Shipping Company Limited and BP Shipping sponsoring the top prizes. They also provide development attachments to the top winners in the junior college and Institute of Technical Education category and the tertiary category.

In 2014, the Green Wave competition will be extended, for the first time, to tertiary institutions in the neighbouring countries. This major breakthrough in the Group's environmental outreach will provide opportunities for students from Singapore to share knowledge and exchange ideas for environmental improvement with their counterparts from other countries.

To promote greater awareness of its copper slag recycling capabilities, the Group's subsidiary JPL Industries participated in the Eco Products International Fair in March 2013. With the theme 'One Environment, One Future: Towards a Sustainable and Greener Asia', the exhibition allowed the company to showcase its range of industrial products for building and road works which are made from recycled copper slag.

Community Outreach

Sembcorp Marine maintains a steadfast commitment to be a responsible corporate citizen. The Group seeks to support long-term, sustained community initiatives with a key focus in education, the under privileged and the local community and also actively supports industry engagement efforts. In 2003, the Group's community investments amounted to more than \$3.6 million.

Educating Future Generations

The Group supports the education of children and youths to help them realise their full potential. One of the Group's key initiatives is the School Book Assistance Grant (SchoolBAG) programme, which has disbursed more than \$3 million to benefit almost 15,000 needy students since it was launched

in 2001. This included nearly \$300,000 given out by the Group and its subsidiaries in 2013 to support 1,306 students from 83 schools.

The SchoolBAG programme supplements the basic education needs for children and youths from financially disadvantaged families. Besides subsidising the cost of basic school supplies such as textbooks, uniforms and stationery, the grants can be used for enrichment activities to augment students' holistic development. The scheme is open to primary and secondary school students as well as youths from the junior college, pre-university and Institute of Technical Education levels.

To promote academic excellence, the Group also awards scholarships and bursaries to recipients who have demonstrated outstanding academic and co-curricular performance. In 2013, 82 scholarships were presented to employees and students from tertiary institutions such as National University of Singapore, Nanyang Technological University, Ngee Ann Polytechnic, Singapore Polytechnic, Singapore Institute of Technology and Institute of Technical Education.



Annual SchoolBAG presentation ceremony.



Bursaries are awarded to support the education of children and youths.

Both Jurong Shipyard and Sembawang Shipyard further awarded 42 bursaries, amounting to \$49,000 to staff. In addition, staff are encouraged to help less-privileged students in Singapore by contributing a portion of their salaries to education assistance programmes run by the Chinese Development Assistance Council, Yayasan MENDAKI, the Singapore Indian Development Association and the Eurasian Association.

A strong supporter of education and research, the Group has committed \$10 million over a period of five years to set up the Sembcorp Marine Lab @ NTU, a new research facility in Nanyang Technological University (NTU). The Sembcorp Marine Lab will serve as a nucleus for new discoveries with a focus on productivity enhancement solutions and innovative technologies for the industry's sustainable growth.

Helping the Needy

Sembcorp Marine supports numerous fundraising activities and renders assistance to benefit the less privileged in Singapore. In 2013, the Group made donations to charitable organisations such as the NTUC U-Care Fund, the NTUC 50 Development Fund, the Tan Tock Seng Hospital Community Charity Fund and the Muscular Dystrophy Association.

Demonstrating its commitment towards community care, the Group contributed \$100,000 to the ComChest Heartstrings Walk 2013 @ Marina Bay, a 4km Charity Walk organised by Community Chest to raise funds for Singapore's many charities.



Mr Lim Swee Say, Minister in the Prime Minister's Office and NTUC Secretary-General, presenting a token of appreciation to Sembcorp Marine for its contribution to the NTUC U-Care Fund.

Sembawang Shipyard continued to match its employees' monthly contributions dollar-for-dollar, supporting the Community Chest of Singapore as a Corporate SHARE (Social Help and Assistance Raised by Employees) partner. In 2013, its cash contributions amounted to \$89,789 to provide much needed financial assistance to beneficiaries.

Staff were also active in offering their time to care for the less fortunate. PPL Shipyard volunteers brought cheer to residents of Assisi Hospice during the Assisi Christmas Light Up in 2013. Employees at Jurong Shipyard also brought joy to elderly residents at Bethany Nursing Home by presenting them with gifts during festive occasions. In addition, employees across the Group volunteered their time to help in the spring-cleaning of homes of physically and mentally impaired residents at the SWAMI Event 2013.



Presentation of a \$100,000 cheque in support of the Community Chest Heartstrings Walk 2013.



Sembcorp Marine's senior management and employees supporting Community Chest's Heartstrings Walk in 2013.

Celebrating with the Nation

Supporting events of national significance, Sembcorp Marine was a major sponsor of the National Day Parade (NDP) celebrations for the seventh consecutive year. In addition, more than 50 staff volunteers were involved in the Group's participation as a marching contingent in the parade and ceremony segment. Sembcorp Marine's NDP involvement provided opportunities for participants to forge closer bonds and to share the nation's pride and joy on this memorable occasion.

The Christmas season brought another opportunity for Sembcorp Marine to join in the celebrations while making a positive difference to the community. The Group supported the Community Chest in its Christmas ChariTress @ Marina Bay 2013 project by adopting two Christmas ChariTrees with a donation of \$25,000. Besides illuminating the Marina Bay Waterfront Promenade from November to December 2013, the ChariTrees served to further raise awareness of the various beneficiaries under the Community Chest.

Promoting the Arts

Sembcorp Marine and its yards continued to promote the arts through supporting various cultural initiatives during the year. Sembawang Shipyard was a strong supporter of the Carnival of Drums, a fund-raising performance by the Students Care Service (Yishun Branch) which showcased different cultural drums at Marina Bay. The proceeds served to bolster the

Centre's ability to provide financial assistance to student beneficiaries from underprivileged families and helping those with special needs. The yard also sponsored the Art Attitude Club at the Centre to help youths develop useful skills and boost their self-confidence.

Advancing the Industry

As a leading industry player, the Group participates actively in business and community initiatives that raise the profile of Singapore's marine and offshore industry as well as encourage further collaboration between stakeholders. Industry development activities throughout the year sought to attract talents, promote knowledge sharing and build up capabilities for the sector's sustainable growth.

In 2013, Sembcorp Marine and its yards participated in the Offshore Technology Conference (OTC) in the United States and the Nor-Shipping exhibition in Norway, which attracted more than 90,000 and 40,000 visitors respectively. During these overseas exhibitions, the Group took the opportunity to host corporate receptions for customers and key partners in celebration of its 50th anniversary celebrations. The Group was also an exhibitor in SeaAsia, a maritime tradeshow in Singapore, which attracted 13,168 participants from 68 countries.

Progress with



Singapore!



Many Stories...
One Singapore

Sembcorp Marine has spent the last 50 years building a reputation for quality, service and reliability that extends across our diverse product lines, including rig building, ship repair & conversion, and offshore engineering & construction. We are proud to be part of Singapore's journey of progress.

Happy 48th Birthday, Singapore!



**sembcorp
marine**

50 YEARS BUILDING A REPUTATION... AND MORE.

Jurong Shipyard • Sembawang Shipyard • SMOE • PPL Shipyard • JSML
Estaleiro Jurong Aracruz • Sembmarine Kakinada • Sembmarine SLP



Sembcorp Marine delegation at the Offshore Technology Conference held in Houston, USA.

In Singapore, the Group continued its efforts to collaborate with government agencies such as International Enterprise Singapore, Economic Development Board, Ministry of Manpower, National Environment Agency and SPRING Singapore. It also worked closely with trade associations and industry partners including Association of Singapore Marine Industries, National Safety and Security Watch Group, Singapore Business Federation, Singapore First Aid Training Centre, Singapore International Chamber of Commerce, Singapore Maritime Foundation, Singapore National Employers Federation and the Society of Naval Architects and Marine Engineers (Singapore). At the same time, the Group reached out to students and future talents by strengthening its linkages with tertiary institutions such as the Institute of Technical Education, Nanyang Technological University, National University of Singapore and SIM University.

The Group's support for these partner organisations included participating in training courses, knowledge exchange forums, dialogue sessions, research collaborations, award presentations as well as networking activities held by these organisations. In 2013, the Group took part in the Amazing Maritime Adventure, an industry outreach and awareness programme jointly organised by the Maritime and Port Authority of Singapore, the Singapore Maritime Foundation, the Singapore Shipping Association and the Association of Singapore Marine Industries. Employees from the subsidiary yards came together at this event to form 21 teams to compete in a series of fun maritime-themed games.



Sembcorp Marine President & CEO Mr Wong Weng Sun sharing insights at a luncheon talk during the Offshore Technology Conference 2013.

The Group's employees also shared knowledge and best practices at industry conferences and events held throughout the year. At an OTC luncheon talk, Mr Wong Weng Sun, Sembcorp Marine's President & CEO, was invited as a distinguished guest speaker to share on the development

of next-generation shipyards to support the needs of the offshore industry in a competitive market. Management representatives also presented their knowledge and expertise during other forums including the Africa Asia Oil and Gas Summit organised by Singapore Business Federation.

At the 10th Latin Asia Business Forum, organised by International Enterprise Singapore, Sembcorp Marine returned as a key sponsor. The one-day event brought industry leaders together for a fruitful time of learning and exchange to boost bilateral ties as well as to foster investments and trade opportunities between Latin America and Singapore. The Guest-of-Honour was Mr Tharman Shanmugaratnam, Deputy Prime Minister and Minister for Finance.

Throughout the year, the Group and its yards also hosted visitors regularly. Visitors to the yards included government officials, students and partners from China, Japan, Mexico, Brazil and Singapore who gained deeper insights into the marine and offshore industry as well as the Group's capabilities from the corporate presentations and yard tours.



Strengthening Brazilian ties: Ms Magda Chambriard, Director General of the Brazilian National Agency for Petroleum, Natural Gas and Biofuels, as well as officials from the Brazilian agency and Embassy of Brazil commemorating their visit to the Sembmarine Integrated Yard @ Tuas.

GENERAL STANDARD DISCLOSURES			
Standard Disclosure	Standard Disclosure Title	Annual Report Sections	Page Reference
STRATEGY AND ANALYSIS			
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	Letter to Shareholders	21-22
G4-2	Description of key impacts, risks, and opportunities	Letter to Shareholders Risk Management	21-22 48-51
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation	Corporate Vision & Profile	1
G4-4	Primary brands, products, and/or services	Corporate Vision & Profile	1
G4-5	Location of organisation's headquarters	Corporate Directory	59
G4-6	Number and names of countries where the organisation operates	Corporate Vision & Profile	1
G4-7	Nature of ownership and legal form	Corporate Directory	59
G4-8	Markets served	Corporate Vision & Profile	1
G4-9	Scale of the organisation	Corporate Vision & Profile	1
G4-10	Workforce statistics	Human Capital	98-100
G4-11	Percentage of total employees covered by collective bargaining agreements	Human Capital	103
G4-12	Description of organisation's supply chain	Competitive Strengths	93
G4-13	Significant changes during the reporting period	Sustaining the Future	28
G4-14	Application of precautionary approach or principle	Sustaining the Future	26
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Certifications Sustaining the Future Corporate Governance Human Capital Workplace Safety & Security Environmental Protection	25 26 36-47 100 106-111 112
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	Community Outreach	118-120
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Coverage of entities in relation to organisation's consolidated financial statements or equivalent documents	Sustaining the Future Corporate Structure	28 58
G4-18	Process for defining report content and Aspect Boundaries	Sustaining the Future	26-28
G4-19	Material Aspects identified	Sustaining the Future	28
G4-20	Aspect Boundaries within the organisation for each material Aspect	Sustaining the Future	28
G4-21	Aspect Boundaries outside the organisation for each material Aspect	In the process of improving disclosure to meet this indicator fully in future	
G4-22	Restatements	Nil	-
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Sustaining the Future	28

STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups engaged by the organisation	Sustaining the Future	26-27
G4-25	Basis for identification and selection of stakeholders with whom to engage	Sustaining the Future	26
G4-26	Organisation's approach to stakeholder engagement	Sustaining the Future Competitive Strengths	26-27 92-93
G4-27	Key topics and concerns raised through stakeholder engagement	In the process of collating information to meet this indicator fully in future	
REPORT PROFILE			
G4-28	Reporting period	Sustaining the Future	28
G4-29	Date of most recent previous report	Sustaining the Future	28
G4-30	Reporting cycle	Sustaining the Future	28
G4-31	Contact point for questions regarding the report or its contents	Sustaining the Future	28
G4-32	'In accordance' option	Sustaining the Future	28
G4-33	Policy and current practice with regard to seeking external assurance of the report	Sustaining the Future	28
GOVERNANCE			
G4-34	Governance structure of the organisation	Board of Directors Senior Management Corporate Governance	30-33 34 36-47
ETHICS AND INTEGRITY			
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Corporate Governance	36-47
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistle-blowing mechanisms or hotlines	Corporate Governance Risk Management	46 50-51

SPECIFIC STANDARD DISCLOSURES			
Standard Disclosure	Standard Disclosure Title	Annual Report Sections	Page Reference
CATEGORY: ECONOMIC			
ASPECT: ECONOMIC PERFORMANCE			
G4-DMA	Generic Disclosures on Management Approach	Letter to Shareholders Corporate Governance Risk Management Financial Review Operations Review	16-23 44-46 50 60-71 72-75
G4-EC1	Direct economic value generated and distributed	Financial Review	61-69
CATEGORY: ENVIRONMENTAL			
ASPECT: MATERIALS			
G4-DMA	Generic Disclosures on Management Approach	Environmental Protection	112-115
G4-EN1	Materials used by weight or volume	Sustaining the Future Environmental Protection	29 114
ASPECT: ENERGY			
G4-DMA	Generic Disclosures on Management Approach	Environmental Protection	112-115
G4-EN3	Energy consumption within the organisation	Sustaining the Future Environmental Protection	29 112-113
G4-EN6	Reduction of energy consumption	Environmental Protection	112-113
G4-EN7	Reductions in energy requirements of products and services	Competitive Strengths Environmental Protection	93-94 113
ASPECT: WATER			
G4-DMA	Generic Disclosures on Management Approach	Environmental Protection	112-115
G4-EN8	Total water withdrawal by source	Sustaining the Future Environmental Protection	29 113
ASPECT: EMISSIONS			
G4-DMA	Generic Disclosures on Management Approach	Environmental Protection	112-115
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	Sustaining the Future Environmental Protection	29 112-113
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Sustaining the Future Environmental Protection	29 112-113
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Sustaining the Future Environmental Protection	29 112-113
ASPECT: EFFLUENTS AND WASTE			
G4-DMA	Generic Disclosures on Management Approach	Environmental Protection	112-115
G4-EN23	Total weight of waste by type and disposal method	Sustaining the Future Environmental Protection	29 114
G4-EN24	Total number and volume of significant spills	No significant spills took place during the reporting period	
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Environmental Protection	114

ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Environmental Protection	112-115
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No significant fines or sanctions took place during the reporting period	
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK			
ASPECT: EMPLOYMENT			
G4-DMA	Generic Disclosures on Management Approach	Corporate Governance Human Capital	40-44 96-105
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Sustaining the Future Human Capital	29 99
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	Human Capital	101
G4-LA3	Return to work and retention rates after parental leave, by gender	Human Capital	101
ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	Workplace Safety & Security	106-111
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	Workplace Safety & Security	106
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	Workplace Safety & Security	106-107
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Workplace Safety & Security	110
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Human Capital	103
ASPECT: TRAINING AND EDUCATION			
G4-DMA	Generic Disclosures on Management Approach	Human Capital	101-102
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Human Capital	101
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Human Capital	101
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Human Capital	101
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA	Generic Disclosures on Management Approach	Human Capital	100
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Human Capital	98-100
SUB-CATEGORY: HUMAN RIGHTS			
ASPECT: NON-DISCRIMINATION			
G4-DMA	Generic Disclosures on Management Approach	Human Capital	100
G4-HR3	Total number of incidents of discrimination and corrective actions taken	Human Capital	100

SPECIFIC STANDARD DISCLOSURES			
Standard Disclosure	Standard Disclosure Title	Annual Report Sections	Page Reference
ASPECT: CHILD LABOUR			
G4-DMA	Generic Disclosures on Management Approach	Human Capital	100
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	Competitive Strengths Human Capital	93 100
ASPECT: FORCED OR COMPULSORY LABOUR			
G4-DMA	Generic Disclosures on Management Approach	Competitive Strengths Human Capital	93 100
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	Competitive Strengths Human Capital	93 100
SUB-CATEGORY: SOCIETY			
ASPECT: LOCAL COMMUNITIES			
G4-DMA	Generic Disclosures on Management Approach	Risk Management Community Outreach	50 116-121
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Workplace Safety & Security Environmental Protection Community Outreach	110 112-115 116-121
G4-SO2	Operations with significant actual and potential negative impacts on local communities	Environmental Protection	112-114
ASPECT: ANTI-CORRUPTION			
G4-DMA	Generic Disclosures on Management Approach	Risk Management	50-51
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Risk Management	50-51
G4-SO4	Communication and training on anti-corruption policies and procedures	Risk Management	51
G4-SO5	Confirmed incidents of corruption and actions taken	Risk Management	51
ASPECT: ANTI-COMPETITIVE BEHAVIOUR			
G4-DMA	Generic Disclosures on Management Approach	Risk Management	48-51
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	No significant legal actions took place during the reporting period	
ASPECT: COMPLIANCE			
G4-DMA	Generic Disclosures on Management Approach	Risk Management	48-51
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No significant fines or sanctions took place during the reporting period	
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-DMA	Generic Disclosures on Management Approach	Competitive Strengths	92-95
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Competitive Strengths Workplace Safety & Security	93 108-109
ASPECT: PRODUCT AND SERVICE LABELING			
G4-DMA	Generic Disclosures on Management Approach	Competitive Strengths	92-95
G4-PR5	Results of surveys measuring customer satisfaction	Competitive Strengths	92

Contents

<i>General Information</i>	128
<i>Directors' Report</i>	129
<i>Statement by Directors</i>	145
<i>Independent Auditors' Report</i>	146
<i>Balance Sheets</i>	148
<i>Consolidated Income Statement</i>	149
<i>Consolidated Statement of Comprehensive Income</i>	150
<i>Consolidated Statement of Changes in Equity</i>	151
<i>Consolidated Statement of Cash Flows</i>	153
<i>Notes to the Financial Statements</i>	155
<i>Supplementary Information</i>	239
<i>Major Properties</i>	241
<i>Notice of Annual General Meeting</i>	243
<i>Proxy Form</i>	247

General Information

Directors

Goh Geok Ling	Chairman
Tan Sri Mohd Hassan Marican	Deputy Chairman
Wong Weng Sun	President and CEO
Ajaib Haridass	
Tang Kin Fei	
Ron Foo Siang Guan	
Lim Ah Doo	
Koh Chiap Khiong	
Eric Ang Teik Lim	Appointed on 30 April 2013
Eddie Teh Ewe Guan	Appointed on 30 April 2013

Joint Company Secretaries

Tan Yah Sze
Kwong Sook May

Registrar

KCK Corpserve Pte Ltd
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

Registered Office

29 Tanjong Kling Road
Singapore 628054

Auditors

KPMG LLP
Audit Partner
Kenny Tan (Appointed since 2013)

Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2013.

Directors

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

Goh Geok Ling	Chairman
Tan Sri Mohd Hassan Marican	Deputy Chairman
Wong Weng Sun	President and CEO
Ajaib Haridass	
Tang Kin Fei	
Ron Foo Siang Guan	
Lim Ah Doo	
Koh Chiap Khiong	
Eric Ang Teik Lim	Appointed on 30 April 2013
Eddie Teh Ewe Guan	Appointed on 30 April 2013

Directors' interests in shares, share options and debentures

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

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014
Goh Geok Ling								
Sembcorp Marine Ltd	Ordinary shares	—	335,540	369,340	369,340	—	—	—
	Conditional award of 29,000 restricted shares to be delivered after 2010 (Note 3a)	—	14,500	—	—	—	—	—
Sembcorp Industries Ltd	Ordinary shares	—	503,874	518,254	518,254	47,000	47,000	47,000
	Conditional award of 13,700 restricted shares to be delivered after 2010 (Note 3b)	—	5,480	—	—	—	—	—
Tan Sri Mohd Hassan Marican								
Sembcorp Marine Ltd	Ordinary shares	—	—	—	—	1,800	11,500	11,500
Sembcorp Industries Ltd	Ordinary shares	—	—	—	—	10,100	19,000	19,000

Directors' Report

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014
Wong Weng Sun								
Sembcorp Marine Ltd	Ordinary shares	—	2,730,084	3,178,751	3,178,751	—	—	—
	Conditional award of 250,000 performance shares to be delivered after 2012 (Note 1a)	—	Up to 375,000	—	—	—	—	—
	Conditional award of 250,000 performance shares to be delivered after 2013 (Note 2a)	—	Up to 375,000	Up to 375,000	Up to 375,000	—	—	—
	Conditional award of 250,000 performance shares to be delivered after 2014 (Note 2b)	—	Up to 375,000	Up to 375,000	Up to 375,000	—	—	—
	Conditional award of 250,000 performance shares to be delivered after 2015 (Note 2c)	—	—	Up to 375,000	Up to 375,000	—	—	—
	Conditional award of 75,000 restricted shares to be delivered after 2010 (Note 3c)	—	37,500	—	—	—	—	—
	Conditional award of 100,000 restricted shares to be delivered after 2011 (Note 4a)	—	100,000	50,000	50,000	—	—	—
	Conditional award of 100,000 restricted shares to be delivered after 2012 (Note 5a)	—	Up to 150,000	77,333	77,333	—	—	—
	Conditional award of 85,000 restricted shares to be delivered after 2013 (Note 6a)	—	Up to 127,500	Up to 127,500	Up to 127,500	—	—	—
	Conditional award of 85,000 restricted shares to be delivered after 2014 (Note 6b)	—	—	Up to 127,500	Up to 127,500	—	—	—
	Sembcorp Industries Ltd	Ordinary shares	—	79,000	79,000	79,000	—	—
Ajaib Haridass								
Sembcorp Marine Ltd	Ordinary shares	—	570,310	595,710	595,710	—	—	—
	Conditional award of 19,000 restricted shares to be delivered after 2010 (Note 3d)	—	9,500	—	—	—	—	—

Directors' Report

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014
Tang Kin Fei								
Sembcorp Marine Ltd	Ordinary shares	—	209,670	232,970	232,970	—	—	—
	Conditional award of 17,000 restricted shares to be delivered after 2010 (Note 3e)	—	8,500	—	—	—	—	—
Sembcorp Industries Ltd	Ordinary shares	—	3,936,206	4,776,546	4,776,546	—	—	—
	Options to subscribe for ordinary shares							
	- at \$2.36 per share	22/11/2006 to 21/11/2015	150,000	—	—	—	—	—
	- at \$2.52 per share	10/06/2007 to 09/06/2016	300,000	300,000	300,000	—	—	—
	Conditional award of 400,000 performance shares to be delivered after 2012 (Note 1b)	—	Up to 600,000	—	—	—	—	—
	Conditional award of 400,000 performance shares to be delivered after 2013 (Note 2a)	—	Up to 600,000	Up to 600,000	Up to 600,000	—	—	—
	Conditional award of 400,000 performance shares to be delivered after 2014 (Note 2b)	—	Up to 600,000	Up to 600,000	Up to 600,000	—	—	—
	Conditional award of 300,000 performance shares to be delivered after 2015 (Note 2c)	—	—	Up to 450,000	Up to 450,000	—	—	—
	Conditional award of 126,000 restricted shares to be delivered after 2010 (Note 3f)	—	50,400	—	—	—	—	—
	Conditional award of 126,000 restricted shares to be delivered after 2011 (Note 4b)	—	101,640	50,820	50,820	—	—	—
	Conditional award of 126,000 restricted shares to be delivered after 2012 (Note 5b)	—	Up to 189,000	114,240	114,240	—	—	—
	Conditional award of 126,000 restricted shares to be delivered after 2013 (Note 6a)	—	Up to 189,000	Up to 189,000	Up to 189,000	—	—	—
	Conditional award of 180,000 restricted shares to be delivered after 2014 (Note 6b)	—	—	Up to 270,000	Up to 270,000	—	—	—

Directors' Report

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014
Tang Kin Fei (cont'd)								
Sembcorp Industries Ltd (cont'd)	Subordinated Perpetual Security issued on 21 Aug 2013 under the \$2 Billion Multicurrency Debt Issuance Programme (Note 7)	–	Principal Amount: –	Principal Amount: \$1,000,000	Principal Amount: \$1,000,000	–	–	–
Sembcorp Financial Services Pte Ltd	Fixed Rate Notes issued under the \$2 Billion Multicurrency Debt Issuance Programme (Note 8)							
	- Due 2014	–	Principal Amount: \$500,000	Principal Amount: \$500,000	Principal Amount: \$500,000	–	–	–
	- Due 2020	–	Principal Amount: \$500,000	Principal Amount: \$500,000	Principal Amount: \$500,000	–	–	–
Ron Foo Siang Guan								
Sembcorp Marine Ltd	Ordinary shares	–	101,680	122,080	122,080	28,000	28,000	28,000
	Conditional award of 17,000 restricted shares to be delivered after 2010 (Note 3e)	–	8,500	–	–	–	–	–
Sembcorp Industries Ltd	Ordinary shares	–	52,820	52,820	52,820	–	–	–
Lim Ah Doo								
Sembcorp Marine Ltd	Ordinary shares	–	30,100	45,700	45,700	–	–	–
	Conditional award of 9,000 restricted shares to be delivered after 2010 (Note 3g)	–	4,500	–	–	–	–	–
Sembcorp Industries Ltd	Ordinary shares	–	9,768	9,768	9,768	–	–	–
Koh Chiap Khiong								
Sembcorp Marine Ltd	Ordinary shares	–	–	–	–	3,700	10,900	10,900
Sembcorp Industries Ltd	Ordinary shares	–	–	–	–	152,105	267,710	267,710
	Conditional award of 50,000 performance shares to be delivered after 2012 (Note 1c)	–	Up to 75,000	–	–	–	–	–
	Conditional award of 80,000 performance shares to be delivered after 2013 (Note 2a)	–	Up to 120,000	Up to 120,000	Up to 120,000	–	–	–

Directors' Report

Name of director and corporation in which interests (are) held	Description of interests	Exercise period	Shareholdings registered in the name of director, spouse or infant children			Other shareholdings in which the director is deemed to have an interest		
			At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014	At beginning of the year/ At date of appointment	At end of the year	At 21/01/2014
Koh Chiap Khiong (cont'd)								
Sembcorp Industries Ltd (cont'd)	Conditional award of 80,000 performance shares to be delivered after 2014 (Note 2b)	—	Up to 120,000	Up to 120,000	Up to 120,000	—	—	—
	Conditional award of 75,000 performance shares to be delivered after 2015 (Note 2c)	—	—	Up to 112,500	Up to 112,500	—	—	—
	Conditional award of 31,500 restricted shares to be delivered after 2010 (Note 3h)	—	12,600	—	—	—	—	—
	Conditional award of 31,500 restricted shares to be delivered after 2011 (Note 4c)	—	25,410	12,705	12,705	—	—	—
	Conditional award of 52,500 restricted shares to be delivered after 2012 (Note 5c)	—	Up to 78,750	47,600	47,600	—	—	—
	Conditional award of 52,500 restricted shares to be delivered after 2013 (Note 6a)	—	Up to 78,750	Up to 78,750	Up to 78,750	—	—	—
	Conditional award of 65,000 restricted shares to be delivered after 2014 (Note 6b)	—	—	Up to 97,500	Up to 97,500	—	—	—
	Subordinated Perpetual Security issued on 21 Aug 2013 under the \$2 Billion Multicurrency Debt Issuance Programme (Note 7)	—	Principal Amount: —	Principal Amount: \$250,000	Principal Amount: \$250,000	—	—	—

Directors' Report

Note 1: The actual number to be delivered will depend on the achievement of set targets over a 3-year period from 2010 to 2012. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

- (a) For this period, 322,500 shares were released on 15 March 2013.
- (b) For this period, 532,000 shares were released on 27 March 2013.
- (c) For this period, 66,500 shares were released on 27 March 2013.

Note 2: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

- (a) Period from 2011 to 2013
- (b) Period from 2012 to 2014
- (c) Period from 2013 to 2015

Note 3: The actual number to be released will depend on the achievement of set targets over a 2-year period from 2009 to 2010. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- (a) For this period, 14,500 shares (final release of 1/3 of the 43,500 shares) were released under the award on 15 March 2013. The 1st and 2nd release of 14,500 shares each have been released on 15 March 2011 and 5 March 2012 respectively.
- (b) For this period, 5,480 shares (final release of 1/3 of the 16,440 shares) were released under the award on 27 March 2013. The 1st and 2nd release of 5,480 shares each have been released on 23 March 2011 and 26 March 2012 respectively.
- (c) For this period, 37,500 shares (final release of 1/3 of the 112,500 shares) were released under the award on 15 March 2013. The 1st and 2nd release of 37,500 shares each have been released on 15 March 2011 and 5 March 2012 respectively.
- (d) For this period, 9,500 shares (final release of 1/3 of the 28,500 shares) were released under the award on 15 March 2013. The 1st and 2nd release of 9,500 shares each have been released on 15 March 2011 and 5 March 2012 respectively.
- (e) For this period, 8,500 shares (final release of 1/3 of the 25,500 shares) were released under the award on 15 March 2013. The 1st and 2nd release of 8,500 shares each have been released on 15 March 2011 and 5 March 2012 respectively.
- (f) For this period, 50,400 shares (final release of 1/3 of the 151,200 shares) were released under the award on 27 March 2013. The 1st and 2nd release of 50,400 shares each have been released on 23 March 2011 and 26 March 2012 respectively.
- (g) For this period, 4,500 shares (final release of 1/3 of the 13,500 shares) were released under the award on 15 March 2013. The 1st and 2nd release of 4,500 shares each have been released on 15 March 2011 and 5 March 2012 respectively.
- (h) For this period, 12,600 shares (final release of 1/3 of the 37,800 shares) were released under the award on 27 March 2013. The 1st and 2nd release of 12,600 shares each have been released on 23 March 2011 and 26 March 2012 respectively.

Note 4: The actual number to be released will depend on the achievement of set targets over a 2-year period from 2010 to 2011. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- (a) For this period, 50,000 shares (2nd release of 1/3 of the 150,000 shares) were released under the award on 15 March 2013 and the remaining 50,000 shares will be vested in year 2014. The 1st release of 50,000 shares has been released on 5 March 2012.

Directors' Report

- (b) For this period, 50,820 shares (2nd release of 1/3 of the 152,460 shares) were released under the award on 27 March 2013 and the remaining 50,820 shares will be vested in year 2014. The 1st release of 50,820 shares has been released on 26 March 2012.
- (c) For this period, 12,705 shares (2nd release of 1/3 of the 38,115 shares) were released under the award on 27 March 2013 and the remaining 12,705 shares will be vested in year 2014. The 1st release of 12,705 shares has been released on 26 March 2012.

Note 5: The actual number to be released will depend on the achievement of set targets over a 2-year period from 2011 to 2012. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- (a) For this period, 38,667 shares (1/3 of the 116,000 shares) were released under the award on 15 March 2013 and the remaining 77,333 shares will be vested in year 2014/2015.
- (b) For this period, 57,120 shares (1/3 of the 171,360 shares) were released under the award on 27 March 2013 and the remaining 114,240 shares will be vested in year 2014/2015.
- (c) For this period, 23,800 shares (1/3 of the 71,400 shares) were released under the award on 27 March 2013 and the remaining 47,600 shares will be vested in year 2014/2015.

Note 6: The actual number to be released will depend on the achievement of set targets at the end of the 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

- (a) Period from 2012 to 2013
- (b) Period from 2013 to 2014

Note 7: Subordinated Perpetual Securities issued on 21 August 2013 under the \$2 Billion Multicurrency Debt Issuance Programme.

Note 8: Fixed Rate Notes issued under the \$2 Billion Multicurrency Debt Issuance Programme of Sembcorp Financial Services Pte Ltd, a related company of Sembcorp Industries Group.

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2014.

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

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

- (a) Key management personnel compensation as disclosed in Note 35 to the financial statements; and
- (b) Remuneration received in those capacities by certain directors who have employment relationships with the holding company.

Directors' Report

Share-based Incentive Plans

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 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 31 May 2000 and expired in 2010.

The Executive Resource and 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:

Goh Geok Ling	Chairman
Tang Kin Fei	
Ajaib Haridass	

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM 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 Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM 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 SCM RSP 2010 and the SCM 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 associates 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.

Directors' Report

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

(a) Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or associate 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 2013 and 2012, all options were either settled by the issuance of treasury shares or by the issuance of new shares.
- (iv) The options granted expire after 5 years for non-executive directors and employees of the Company's associates, and 10 years for the employees of Group and Parent Group. There are no outstanding share options for non-executive directors.

(a) Share Option Plan (cont'd)

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

Proceeds on options exercised during the year credited to share capital									
\$'000									
Exercise period									
Date of grant of options	Exercise price per share	Options outstanding at 1 January	Options exercised	Options cancelled/lapsed/not accepted	Options outstanding at 31 December	Numbers of options holders (including directors) at 31 December	Number of options exercisable at 1 January	Number of options exercisable at 31 December	
2013									
08/08/2003	\$0.71	70,420	(19,670)	(50,750)	–	–	70,420	–	14
10/08/2004	\$0.74	189,410	(19,300)	(1,400)	168,710	42	189,410	168,710	14
11/08/2005	\$2.11	948,100	(84,810)	(6,150)	857,140	88	948,100	857,140	179
02/10/2006	\$2.38	1,308,327	(157,943)	(16,055)	1,134,329	188	1,308,327	1,134,329	376
		2,516,257	(281,723)	(74,355)	2,160,179		2,516,257	2,160,179	583
2012									
07/11/2002	\$0.64	125,650	(11,900)	(113,750)	–	–	125,650	–	8
08/08/2003	\$0.71	73,420	(3,000)	–	70,420	15	73,420	70,420	2
10/08/2004	\$0.74	241,010	(47,400)	(4,200)	189,410	51	241,010	189,410	35
11/08/2005	\$2.11	1,503,750	(551,450)	(4,200)	948,100	103	1,503,750	948,100	1,164
02/10/2006	\$2.38	1,856,482	(525,830)	(22,325)	1,308,327	223	1,856,482	1,308,327	1,251
		3,800,312	(1,139,580)	(144,475)	2,516,257		3,800,312	2,516,257	2,460

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.

Directors' Report

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

The options of the Company exercised in 2013 resulted in 281,723 (2012: 1,139,580) ordinary shares being issued at a weighted average price of \$3.38 (2012: \$2.16). The options were exercised on a regular basis throughout the year. The weighted average share price during the year was \$4.46 (2012: \$4.78).

The details of options of the Company awarded/exercised since commencement of the Scheme (aggregate) to 31 December 2013 were as follows:

Option participants	Aggregate options granted	Aggregate options cancelled/lapsed/not accepted	Aggregate options exercised	Aggregate options outstanding
Directors of the Company				
Goh Geok Ling	196,000	–	(196,000)	–
Wong Weng Sun	1,208,500	–	(1,208,500)	–
Ajaib Haridass	403,000	–	(403,000)	–
Tang Kin Fei	124,000	–	(124,000)	–
Ron Foo Siang Guan	28,000	–	(28,000)	–
Former Directors of the Company	14,715,800	–	(14,715,800)	–
Other executives	115,977,395	(14,377,346)	(99,439,870)	2,160,179
At 31 December 2013	132,652,695	(14,377,346)	(116,115,170)	2,160,179

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

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

(b) Performance Share Plan

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

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

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2013 to 2015 will be vested to the senior management participants only if the restricted shares for the performance period 2014 to 2015 are vested, subject to the achievement of the performance conditions for the respective performance periods.

Directors' Report

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

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.

The details of the movement of the performance shares of the Company awarded during the financial year since commencement of the Performance Share Plan (aggregate) were as follows:

Performance Shares participants	At 1 January	Movements during the year				At 31 December
		Conditional performance shares awarded	Conditional performance shares released	Conditional performance shares lapsed	Additional performance shares awarded arising from targets met	
2013						
Director of the Company						
- Wong Weng Sun	750,000	250,000	(322,500)	–	72,500	750,000
Key management and executives of the Group	1,115,000	405,000	(379,833)	(60,556)	85,389	1,165,000
	1,865,000	655,000	(702,333)	(60,556)	157,889	1,915,000
2012						
Director of the Company						
- Wong Weng Sun	650,000	250,000	(225,000)	–	75,000	750,000
Key management and executives of the Group	1,115,000	425,000	(497,084)	(93,610)	165,694	1,115,000
	1,765,000	675,000	(722,084)	(93,610)	240,694	1,865,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2012 (2012: performance period 2009 to 2011), a total of 702,333 (2012: 722,084) performance shares were released via the issuance of treasury shares.

In 2013, there were additional 157,889 (2012: 240,694) performance shares awarded for over-achievement of the performance targets for the performance period 2010 to 2012 (2012: performance period 2009 to 2011).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2013, was 1,915,000 (2012: 1,865,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,872,500 (2012: 2,797,500) performance shares.

Directors' Report

(c) Restricted Share Plan

Under the Restricted Share Plan ("SCM 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 Capital Employed and Earnings Before Interest and Taxes for awards granted in 2013.

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 the SCM 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 Marine Challenge Bonus.

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

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

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCM RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2013 and 2012, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price ("VWAP") 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 Annual General Meeting ("AGM"). In the event that no dividend is declared at the AGM, the VWAP will be based on a share on the SGX-ST over the 14 trading days immediately following the date of the AGM. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

Directors' Report

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

The details of the movement of the restricted shares of the Company awarded during the financial year since commencement of the Restricted Share Plan (aggregate) were as follows:

Restricted Shares participants	At 1 January	Movements during the year				At 31 December
		Conditional restricted shares awarded	Conditional restricted shares released	Conditional restricted shares lapsed	Additional restricted shares awarded arising from targets met	
2013						
Directors of the Company						
Goh Geok Ling	14,500	19,300	(33,800)	–	–	–
Tan Sri Mohd Hassan Marican	–	9,700	(9,700)	–	–	–
Wong Weng Sun	322,500	85,000	(126,167)	–	16,000	297,333
Ajaib Haridass	9,500	15,900	(25,400)	–	–	–
Tang Kin Fei	8,500	14,800	(23,300)	–	–	–
Ron Foo Siang Guan	8,500	11,900	(20,400)	–	–	–
Lim Ah Doo	4,500	11,100	(15,600)	–	–	–
Koh Chiap Khiong	–	7,200	(7,200)	–	–	–
Former directors of the Company	–	4,000	(4,000)	–	–	–
Other executives	9,175,530	2,627,810	(3,633,397)	(370,858)	448,732	8,247,817
	9,543,530	2,806,710	(3,898,964)	(370,858)	464,732	8,545,150
2012						
Directors of the Company						
Goh Geok Ling	40,000	17,000	(42,500)	–	–	14,500
Tan Sri Mohd Hassan Marican	–	1,800	(1,800)	–	–	–
Wong Weng Sun	300,000	85,000	(112,500)	–	50,000	322,500
Ajaib Haridass	28,500	10,700	(29,700)	–	–	9,500
Tang Kin Fei	23,000	12,600	(27,100)	–	–	8,500
Ron Foo Siang Guan	25,500	10,200	(27,200)	–	–	8,500
Lim Ah Doo	9,000	9,600	(14,100)	–	–	4,500
Koh Chiap Khiong	–	3,700	(3,700)	–	–	–
Former directors of the Company	22,000	19,000	(41,000)	–	–	–
Other executives	9,702,285	2,695,100	(4,114,458)	(523,398)	1,416,001	9,175,530
	10,150,285	2,864,700	(4,414,058)	(523,398)	1,466,001	9,543,530

Directors' Report

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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2011 to 2012, a total of 1,242,654 (2012: Nil) restricted shares were released. For awards in relation to the performance period 2010 to 2011, a total of 1,325,800 (2012: 1,709,403) restricted shares were released. For awards in relation to the performance period 2009 to 2010, a total of 1,236,610 (2012: 1,434,630) restricted shares were released. In 2012, 1,185,425 restricted shares were released for awards in relation to the performance period 2008 to 2009. In 2013, there were 93,900 (2012: 84,600) restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2013, additional 464,732 (2012: 1,466,001) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2011 to 2012 (2012: performance period 2010 to 2011).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2013, was 8,545,150 (2012: 9,543,530). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,243,250 (2012: 5,688,200). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 7,864,875 (2012: 8,532,300) restricted shares.

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2011 to 2012 (2012: performance period 2010 to 2011), a total of \$5,027,602 (2012: \$8,163,619), equivalent to 1,129,037 (2012: 1,533,650) notional restricted shares, were paid.

A total of 1,091,350 (2012: 1,031,300) notional restricted shares were awarded on 31 May 2013 (2012: 21 May 2012) 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 31 December 2013, was 1,886,000 (2012: 1,974,400). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 2,829,000 (2012: 2,961,600).

(d) Maximum Number of Shares Issuable

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

Directors' Report

Audit Committee

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

Lim Ah Doo Chairman
Ron Foo Siang Guan
Tan Sri Mohd Hassan Marican

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

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance and its Terms of Reference.

The Audit Committee also reviewed the following:

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

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

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

Auditors

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

On behalf of the Board of Directors



GOH GEOK LING

Director



WONG WENG SUN

Director

Singapore

24 February 2014

Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 148 to 238 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the Board of Directors



GOH GEOK LING

Director



WONG WENG SUN

Director

Singapore

24 February 2014

Independent Auditors' Report

Members of the Company
Sembcorp Marine Ltd

Report on the financial statements

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2013, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 148 to 238.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

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



KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

24 February 2014

Balance Sheets

As at 31 December 2013

	Note	Group 2013 \$'000	2012 \$'000	Company 2013 \$'000	2012 \$'000
Non-current assets					
Property, plant and equipment	4	2,394,167	1,476,206	87,744	99,618
Investment properties	5	–	–	24,632	31,123
Investments in subsidiaries	6	–	–	506,791	451,573
Investments in associates and joint ventures	7	445,743	417,329	107,369	107,369
Other financial assets	8	107,166	154,332	68,666	98,664
Trade and other receivables	9	44,482	61,674	74,374	66,435
Intangible assets	11	30,341	33,653	184	122
Deferred tax assets	12	7,108	2,388	–	–
		3,029,007	2,145,582	869,760	854,904
Current assets					
Inventories and work-in-progress	13	2,083,586	1,731,227	–	–
Trade and other receivables	9	442,410	468,264	52,951	82,543
Tax recoverable		196	83	–	–
Other financial assets	8	–	32,394	–	–
Cash and cash equivalents	14	1,694,901	1,408,907	49,860	75,900
		4,221,093	3,640,875	102,811	158,443
Total assets		7,250,100	5,786,457	972,571	1,013,347
Current liabilities					
Trade and other payables	15	1,781,118	1,687,321	18,553	64,643
Progress billings in excess of work-in-progress	13	1,440,812	884,038	–	–
Provisions	17	23,057	17,463	–	–
Other financial liabilities	18	8,775	1,428	–	–
Current tax payable		110,533	94,983	5,080	2,629
Interest-bearing borrowings	19	166,111	32,981	–	–
		3,530,406	2,718,214	23,633	67,272
Net current assets		690,687	922,661	79,178	91,171
Non-current liabilities					
Deferred tax liabilities	12	123,066	131,131	12,064	23,556
Provisions	17	96,573	44,243	27,895	27,895
Other financial liabilities	18	10,523	78	–	–
Interest-bearing borrowings	19	600,000	300,000	–	–
Other payables	15	80,020	45,766	19,233	–
		910,182	521,218	59,192	51,451
Total liabilities		4,440,588	3,239,432	82,825	118,723
Net assets		2,809,512	2,547,025	889,746	894,624
Equity attributable to owners of the Company					
Share capital	20	484,288	480,086	484,288	480,086
Other reserves	21	(76,179)	(26,335)	(4,051)	28,583
Revenue reserve		2,268,927	1,984,773	409,509	385,955
		2,677,036	2,438,524	889,746	894,624
Non-controlling interests		132,476	108,501	–	–
Total equity		2,809,512	2,547,025	889,746	894,624

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

Consolidated Income Statement

Year ended 31 December 2013

	Note	Group 2013 \$'000	2012 \$'000
Turnover	22	5,525,882	4,430,123
Cost of sales		(4,818,071)	(3,735,622)
Gross profit		707,811	694,501
Other operating income		87,281	33,579
Other operating expenses		(2,393)	(24,598)
General and administrative expenses		(148,442)	(149,264)
Operating profit	23	644,257	554,218
Finance income	24	8,200	21,439
Finance costs	24	(8,072)	(3,262)
Investment income	25	2,228	3,421
Non-operating income	26	3,027	127
Non-operating expenses	26	(269)	(2,566)
Share of results of associates and joint ventures	27	15,603	56,270
Profit before tax		664,974	629,647
Tax expense	28	(76,714)	(62,209)
Profit for the year		588,260	567,438
Profit attributable to:			
Owners of the Company		555,747	538,453
Non-controlling interests	30	32,513	28,985
Profit for the year		588,260	567,438
Earnings per share (cents)	31		
Basic		26.61	25.81
Diluted		26.59	25.80

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	Note	Group 2013 \$'000	2012 \$'000
Profit for the year		588,260	567,438
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		40,356	(57,759)
Net change in fair value of cash flow hedges		(47,079)	34,043
Net change in fair value of available-for-sale financial assets		(29,013)	11,360
Other comprehensive income for the year, net of tax	29	(35,736)	(12,356)
Total comprehensive income for the year		552,524	555,082
Total comprehensive income attributable to:			
Owners of the Company		517,031	531,870
Non-controlling interests		35,493	23,212
Total comprehensive income for the year		552,524	555,082

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company										
	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Foreign currency translation reserve \$'000	Share-based compensation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Group											
At 1 January 2013	480,086	(3,223)	25,574	(104,782)	(17,991)	33,894	40,193	1,984,773	2,438,524	108,501	2,547,025
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	555,747	555,747	32,513	588,260
Other comprehensive income											
Foreign currency translation differences	-	-	-	37,376	-	-	-	-	37,376	2,980	40,356
Net change in fair value of cash flow hedges	-	-	-	-	-	(47,079)	-	-	(47,079)	-	(47,079)
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(29,013)	-	(29,013)	-	(29,013)
Total other comprehensive income	-	-	-	37,376	-	(47,079)	(29,013)	-	(38,716)	2,980	(35,736)
Total comprehensive income for the year	-	-	-	37,376	-	(47,079)	(29,013)	555,747	517,031	35,493	552,524
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Issue of new shares	4,202	-	-	-	(4,202)	-	-	-	-	-	-
Purchase of treasury shares	-	(20,366)	-	-	-	-	-	-	(20,366)	-	(20,366)
Issue of treasury shares	-	15,830	-	-	(15,416)	-	-	-	414	-	414
Dividends paid to											
- owners of the Company (Note 32)	-	-	-	-	-	-	-	(271,593)	(271,593)	-	(271,593)
- non-controlling interests	-	-	-	-	-	-	-	-	-	(11,518)	(11,518)
Share-based payments	-	-	-	-	13,026	-	-	-	13,026	-	13,026
Total contributions by and distributions to owners	4,202	(4,536)	-	-	(6,592)	-	-	(271,593)	(278,519)	(11,518)	(290,037)
At 31 December 2013	484,288	(7,759)	25,574	(67,406)	(24,583)	(13,185)	11,180	2,268,927	2,677,036	132,476	2,809,512

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

Attributable to owners of the Company											
Group	Share capital \$'000	Reserve for own shares \$'000	Capital reserves \$'000	Foreign currency translation reserve \$'000	Share-based compensation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 January 2012	470,596	(10,555)	25,574	(52,796)	(15,602)	(149)	28,833	1,968,356	2,414,257	91,823	2,506,080
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	538,453	538,453	28,985	567,438
Other comprehensive income											
Foreign currency translation differences	-	-	-	(51,986)	-	-	-	-	(51,986)	(5,773)	(57,759)
Net change in fair value of cash flow hedges	-	-	-	-	-	34,043	-	-	34,043	-	34,043
Net change in fair value of available-for-sale financial assets	-	-	-	-	-	-	11,360	-	11,360	-	11,360
Total other comprehensive income	-	-	-	(51,986)	-	34,043	11,360	-	(6,583)	(5,773)	(12,356)
Total comprehensive income for the year	-	-	-	(51,986)	-	34,043	11,360	538,453	531,870	23,212	555,082
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Issue of new shares	9,490	-	-	-	(8,908)	-	-	-	582	-	582
Purchase of treasury shares	-	(5,234)	-	-	-	-	-	-	(5,234)	-	(5,234)
Issue of treasury shares	-	12,566	-	-	(10,735)	-	-	-	1,831	-	1,831
Dividends paid to											
- owners of the Company (Note 32)	-	-	-	-	-	-	-	(522,060)	(522,060)	-	(522,060)
- non-controlling interests	-	-	-	-	-	-	-	-	-	(7,128)	(7,128)
Return of unclaimed dividends	-	-	-	-	-	-	-	24	24	-	24
Share-based payments	-	-	-	-	17,335	-	-	-	17,335	-	17,335
Transfer of reserve upon liquidation of a subsidiary	-	-	-	-	(81)	-	-	-	(81)	-	(81)
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	594	594
Total contributions by and distributions to owners	9,490	7,332	-	-	(2,389)	-	-	(522,036)	(507,603)	(6,534)	(514,137)
At 31 December 2012	480,086	(3,223)	25,574	(104,782)	(17,991)	33,894	40,193	1,984,773	2,438,524	108,501	2,547,025

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

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	Group 2013 \$'000	2012 \$'000
Cash flows from operating activities			
Profit for the year		588,260	567,438
Adjustments for:			
Finance income		(8,200)	(21,439)
Finance costs		8,072	3,262
Investment income		(2,228)	(3,421)
Depreciation of property, plant and equipment		97,251	90,632
Amortisation of intangible assets		3,356	3,356
Share of results of associates and joint ventures		(15,603)	(56,270)
Gain on disposal of property, plant and equipment, net		(14,760)	(484)
Gain on liquidation of subsidiary		–	(81)
Gain on disposal of other investments		–	(46)
Gain on disposal of an associate		(2,816)	–
Fair value adjustment of hedging instruments		1,231	(1,647)
Fair value adjustment of other financial assets		(211)	–
Share-based payment expenses		16,948	24,135
Assets written off		268	459
Impairment loss on intangible assets		–	5
Allowance made for impairment on other long-term equity investments, net		269	2,566
Tax expense	28	76,714	62,209
Operating profit before working capital changes		748,551	670,674
Changes in working capital:			
Inventories and work-in-progress		(23,117)	(276,356)
Trade and other receivables		42,947	25,306
Trade and other payables		222,690	(145,057)
Cash generated from operations		991,071	274,567
Investment and interest income received		10,530	24,872
Interest paid		(10,889)	(1,685)
Tax paid		(53,547)	(90,218)
Net cash generated from operating activities		937,165	207,536
Cash flows from investing activities			
Purchase of property, plant and equipment		(814,916)	(516,797)
Proceeds from sale of property, plant and equipment		17,893	496
Proceeds from sale of other investment		–	349
Purchase of intangible assets		(62)	(19)
Acquisition of subsidiary, net of cash acquired	33	–	1,575
Additional investment/acquisition of associates		(457)	(13,706)
Additional investment in a joint venture		(5,590)	–
Acquisition of other financial assets		(1,450)	–
Capital contribution by non-controlling interests		–	594
Proceeds from disposal of an associate		5,726	–
Dividend from associate		1,175	823
Net cash used in investing activities		(797,681)	(526,685)

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

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Note	Group 2013 \$'000	2012 \$'000
Cash flows from financing activities			
Proceeds from borrowings		738,185	350,000
Repayment of borrowings		(300,000)	(50,000)
Proceeds from share options exercised		583	2,460
Purchase of treasury shares		(20,366)	(5,234)
Dividends paid to owners of the Company	32	(271,593)	(522,060)
Dividends paid to non-controlling interests of subsidiaries		(11,518)	(7,128)
Return of unclaimed dividends		–	24
Net cash generated from/(used in) financing activities		135,291	(231,938)
Net increase/(decrease) in cash and cash equivalents		274,775	(551,087)
Cash and cash equivalents at beginning of the year		1,408,907	1,989,612
Effect of exchange rate changes on balances held in foreign currencies		11,219	(29,618)
Cash and cash equivalents at end of the year	14	1,694,901	1,408,907

Significant non-cash transactions

During the year, there was a reclassification of \$227.5 million from 'inventories and work-in-progress' to 'property, plant and equipment' for a vessel by a subsidiary (see Note 4).

Arising from the divestment of 30 per cent shareholding in HQSM Engineering Pte Ltd ("HQSM") (previously at 49 per cent) by a subsidiary, the retained 19 per cent equity stake in HQSM was fair valued at \$2.7 million and reclassified to 'other financial assets'.

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 24 February 2014.

1. Domicile and activities

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 29 Tanjong Kling Road, Singapore 628054. Its immediate and ultimate holding company is Sembcorp Industries Ltd ("SCI") which is incorporated in the Republic of Singapore. Related companies in these financial statements refer to subsidiaries and associates of SCI.

The financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and joint ventures.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries, associates and joint ventures are stated in Note 41.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

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 are discussed in Note 40.

2.5 Changes in accounting policies

With effect from 1 January 2013, the Group adopted the new or revised FRS that are mandatory for application from that date. The adoption of these new or revised FRS does not have any significant impact on the financial statements.

(i) Fair value measurement

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures*.

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(ii) Presentation of items of other comprehensive income

From 1 January 2013, as a result of the amendments to FRS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to FRS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in Note 2.5, which address changes in accounting policies.

3.1 Basis of consolidation

(i) Business combinations

Acquisitions on or after 1 January 2010

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

Acquisitions on or after 1 January 2010 (cont'd)

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

Acquisitions prior to 1 January 2010

All business combinations are accounted for using the purchase method. 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 the acquisition is credited to profit or loss in the period of the acquisition.

(ii) Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

(iii) Subsidiaries

Subsidiaries are those entities that are controlled by the Group.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that 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.

3.1 Basis of consolidation (cont'd)

(iv) 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.

(v) 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 between 20% and 50% of the voting power of another entity.

Associates are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

(vi) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

Joint ventures are accounted for using the equity method of accounting from the date joint control commences until the day that the joint control ceases.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

3.1 Basis of consolidation *(cont'd)*

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains resulting 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.

(viii) Accounting for subsidiaries, associates and joint ventures

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

3.2 Foreign currencies

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at 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 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 rates at the date of the transaction.
- Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

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

Foreign currency differences arising from non-monetary items are recognised directly in other comprehensive income when non-monetary items' gains or losses are recognised directly in other comprehensive income. Conversely, when non-monetary items' gains or losses are recognised directly in profit or loss, foreign 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 the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

3.2 Foreign currencies *(cont'd)*

(ii) Foreign operations

The results and financial positions of foreign operations (none of which have 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 currency differences are taken to the foreign currency translation reserve in other comprehensive income.

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 (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(iii) Net investment in a foreign operation

Foreign currency 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 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.

3.3 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 assets 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 cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

3.3 Property, plant and equipment (cont'd)

(ii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(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) 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.

(v) Depreciation

Depreciation is calculated using the straight-line method to allocate the cost less its residual values so as to write off items of property, plant and equipment over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of an item is depreciated separately. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	Lease period of 3 to 60 years
Buildings	50 years or lease period of 3 to 60 years
Quays and dry docks	60 years or lease period of 6 to 22 years
Marine vessels, launches, cranes and floating docks	3 to 30 years
Plant, machinery and tools	3 to 30 years
Motor vehicles	3 to 10 years
Furniture and office equipment	3 to 5 years
Utilities and fittings	30 years
Computer equipment	1 to 5 years

The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. During the year, the Group revised the useful lives of certain property, plant and equipment, whose financial effects are disclosed in Note 4.

No depreciation is provided on freehold land or construction-in-progress. Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

3.3 *Property, plant and equipment* (cont'd)

(vi) *Investment properties*

Investment properties comprise significant portions of land and buildings and quays that are held for long-term rental yields or for capital appreciation, or for both.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 45 to 60 years or the lease period of 15 to 16 years. The depreciation methods, useful lives and residual values of investment properties are reviewed, if not insignificant, annually, and adjusted if appropriate.

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

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

3.4 *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 existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.10.

(ii) *Negative goodwill*

Negative goodwill arising on acquisition represents the excess of the net fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired over the cost of acquisition and are credited to profit or loss in the period of acquisition.

3.4 Intangible assets *(cont'd)*

(ii) Negative goodwill *(cont'd)*

Fair values assigned to the identifiable assets, liabilities and contingent liabilities can be estimated provisionally in the initial accounting for a business combination. The Group will recognise adjustments to those provisional fair values upon finalising the fair values within twelve months from the acquisition date (the measurement period). The corresponding adjustment, if any, will be made by restating the previously reported goodwill or negative goodwill. After the measurement period, any adjustments to the goodwill will be recognised in profit or loss in the year in which the adjustments are identified.

(iii) Other intangible assets

Other intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful life for the current and comparative years for intellectual property rights is 10 years.

Amortisation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate.

3.5 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, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. 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.

3.5 Financial assets (cont'd)**(i) Financial assets at fair value through profit or loss**

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

(ii) 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, less any impairment losses. 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, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

(iii) 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, are recognised in other comprehensive income and presented in the fair value reserve in equity. 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.

3.6 Impairment of financial assets

The Group assesses at each balance sheet date to determine whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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 against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

3.7 *Derivative financial instruments*

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

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.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as described below.

(i) Fair value hedges

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with any gain or loss recognised in profit or loss.

(ii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. The ineffective part of any gain or loss is recognised immediately in profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, then hedge accounting is discontinued prospectively. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

3.8 *Inventories and work-in-progress*

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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.

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. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes 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.

Work-in-progress at the balance sheet date are recorded in the balance sheet at cost plus attributable profit less recognised losses, net of progress billings and allowance for foreseeable losses, and are presented in the balance sheet as 'inventories and work-in-progress' (as an asset) or 'progress billings in excess of work-in-progress' (as a liability), as applicable. Long-term contract costs include the cost of direct materials, direct labour and costs incurred in connection with the project. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3.9 *Government grants*

Government grants are recognised initially as deferred income 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 a systematic basis over the useful life of the asset.

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.

3.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs) and then, to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

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

(i) Calculation of recoverable amount

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

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

(ii) Reversals of impairment

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

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

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

3.11 Financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables, and interest-bearing liabilities.

3.12 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

(ii) 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.

(iii) 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 benefit plan or, in respect of unionised employees who joined on or before 31 December 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 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.

3.12 Employee benefits (cont'd)

(iv) 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 Group 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 compensation 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 compensation reserve.

Performance Share Plan

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

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

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based compensation 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 the account the probability of achieving the performance conditions in the future.

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

3.12 Employee benefits (cont'd)

(iv) Equity and equity-related compensation benefits (cont'd)

Restricted Share Plan (cont'd)

At the balance sheet date, the Group 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 compensation 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 compensation 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.

(v) Cash-related compensation benefits

Sembcorp Marine 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 it is 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.

3.13 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.

3.14 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint ventures 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 tax 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.

3.15 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, net of any tax effects, 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.

3.16 Dividends

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares classified as equity are accounted for as movements in revenue reserve.

3.17 Revenue recognition

(i) **Contract revenue**

Revenue from ship and rig repair, building, conversion and offshore are recognised on the percentage of completion method, provided the work is at least 20% complete and the outcome of the contract can be reliably estimated. The percentage of completion is assessed by reference to surveys of work performed.

When the outcome of a contract can be estimated reliably, contract revenue and costs are recognised as income and expense respectively using the percentage of completion method. When an outcome of a 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.

(ii) **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 on other service work is recognised when the work is completed.

(iii) **Charter hire and rental income**

Charter hire and rental income receivable under operating leases 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 the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.18 Dividend and interest income

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

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

3.19 Leases

(i) **Operating lease**

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made.

(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.

3.19 Leases (cont'd)

(ii) Finance lease (cont'd)

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.20 Finance costs

Interest expense and similar charges expensed in profit or loss in the period using the effective interest rate method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare the asset for its intended use or sale. The interest component of finance lease payments is recognised in profit or loss using the effective interest rate method.

3.21 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit attributable to owners of the Company 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 share options granted to employees.

3.22 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's President & CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment capital expenditure is the total costs incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.23 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

4. Property, plant and equipment

Group	Land and buildings		Construction-in-progress		Docks, quays, launches, cranes and marine vessels ⁽¹⁾		Plant, machinery and tools		Total ⁽²⁾	
	Freehold \$'000	Leasehold \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost/valuation										
Balance at 1 January 2012										
At cost	12,225	347,307	424,629	581,072	363,681	65,835	1,794,749			
At valuation	-	-	-	25,152	-	-	25,152			
Translation adjustments	12,225	347,307	424,629	606,224	363,681	65,835	1,819,901			
Additions	(1,406)	(6,250)	(3,350)	(12)	(5,508)	(761)	(17,287)			
Reclassifications	5,125	10,566	391,612	20,018	101,621	7,019	535,961			
Disposals	-	18,839	(129,045)	20,460	88,221	1,525	-			
Write-offs	-	(1)	-	-	(5,263)	(203)	(5,467)			
Acquisition of subsidiaries	-	(452)	-	(542)	(2,015)	(2,017)	(5,026)			
Balance at 31 December 2012	1,189	3,489	210	-	1,822	337	7,047			
	17,133	373,498	684,056	646,148	542,559	71,735	2,335,129			
Balance at 1 January 2013										
At cost	17,133	373,498	684,056	620,996	542,559	71,735	2,309,977			
At valuation	-	-	-	25,152	-	-	25,152			
Translation adjustments	17,133	373,498	684,056	646,148	542,559	71,735	2,335,129			
Additions	(331)	3,229	(29,275)	3,090	2,597	213	(20,477)			
Reclassifications	-	4,595	759,410	8,201	32,635	10,075	814,916			
Transferred from work-in-progress	-	308,783	(924,652)	526,800	84,411	4,658	-			
Disposals	-	-	-	227,532	-	-	227,532			
Write-offs	-	(2,582)	-	(1,468)	(1,692)	(397)	(6,139)			
Balance at 31 December 2013	(73)	(123)	-	(311)	(1,447)	(526)	(2,480)			
	16,729	687,400	489,539	1,409,992	659,063	85,758	3,348,481			
Balance at 31 December 2013										
At cost	16,729	687,400	489,539	1,384,840	659,063	85,758	3,323,329			
At valuation	-	-	-	25,152	-	-	25,152			
	16,729	687,400	489,539	1,409,992	659,063	85,758	3,348,481			

4. Property, plant and equipment (cont'd)

Group	Land and buildings		Construction-in-progress		Docks, quays, launches, cranes and marine vessels ⁽¹⁾		Plant, machinery and tools		Total ⁽³⁾	
	Freehold \$'000	Leasehold \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated depreciation and impairment losses										
Balance at 1 January 2012	2,472	145,891	–	–	307,254	275,066	54,873	785,556		
Translation adjustments	(127)	(2,136)	–	–	(12)	(4,350)	(618)	(7,243)		
Depreciation for the year	339	17,330	–	–	25,702	40,800	6,461	90,632		
Reclassifications	–	(15)	–	–	–	–	15	–		
Disposals	–	–	–	–	–	(5,253)	(202)	(5,455)		
Write-offs	–	(145)	–	–	(542)	(1,867)	(2,013)	(4,567)		
Balance at 31 December 2012	2,684	160,925	–	–	332,402	304,396	58,516	858,923		
Translation adjustments	16	1,078	–	–	(3)	2,011	273	3,375		
Depreciation for the year	127	24,294	–	–	33,971	31,376	7,483	97,251		
Disposals	–	(584)	–	–	(1,242)	(788)	(392)	(3,006)		
Write-offs	(73)	(65)	–	–	(311)	(1,359)	(421)	(2,229)		
Balance at 31 December 2013	2,754	185,648	–	–	364,817	335,636	65,459	954,314		
Carrying amounts										
At 1 January 2012	9,753	201,416	424,629	298,970	88,615	10,962	1,034,345			
At 31 December 2012	14,449	212,573	684,056	313,746	238,163	13,219	1,476,206			
At 31 December 2013	13,975	501,752	489,539	1,045,175	323,427	20,299	2,394,167			

4. Property, plant and equipment *(cont'd)*

Company	Docks, launches, cranes and marine vessels ⁽¹⁾ \$'000	Plant, machinery and tools \$'000	Others ⁽²⁾ \$'000	Total \$'000
Cost/valuation				
Balance at 1 January 2012				
At cost	163,709	7,609	7,070	178,388
At valuation	25,152	–	–	25,152
	188,861	7,609	7,070	203,540
Additions	–	–	443	443
Disposals	–	–	(87)	(87)
Balance at 31 December 2012	188,861	7,609	7,426	203,896
Balance at 1 January 2013				
At cost	163,709	7,609	7,426	178,744
At valuation	25,152	–	–	25,152
	188,861	7,609	7,426	203,896
Additions	–	–	897	897
Balance at 31 December 2013	188,861	7,609	8,323	204,793
Balance at 31 December 2013				
At cost	163,709	7,609	8,323	179,641
At valuation	25,152	–	–	25,152
	188,861	7,609	8,323	204,793
Accumulated depreciation				
Balance at 1 January 2012	81,648	6,740	3,734	92,122
Depreciation for the year	11,888	64	291	12,243
Disposals	–	–	(87)	(87)
Balance at 31 December 2012	93,536	6,804	3,938	104,278
Depreciation for the year	11,675	68	1,028	12,771
Balance at 31 December 2013	105,211	6,872	4,966	117,049
Carrying amounts				
At 1 January 2012	107,213	869	3,336	111,418
At 31 December 2012	95,325	805	3,488	99,618
At 31 December 2013	83,650	737	3,357	87,744

4. Property, plant and equipment (cont'd)

- ⁽¹⁾ The carrying amounts of docks, launches, cranes and marine vessels included certain docks stated at Directors' valuation of \$25,152,000 in the year 1973. Subsequent additions to these docks were stated at cost. The revaluation was done on a one-off basis and accordingly, the transitional provision in FRS 16 *Property, Plant and Equipment* was adopted to continue with its existing policy of stating these docks at cost and revalued amounts. If the following re-valued assets of the Group and Company had been included in the financial statements at cost less accumulated depreciation, the net written down value would have been:

	Group and Company	
	2013	2012
	\$'000	\$'000
Docks	–	1,189

As at 31 December 2013, the re-valued net book value of the docks was nil (2012: \$2,008,000).

During the year, arising from the default of a customer's payment obligations for the conversion of a vessel by a subsidiary, the subsidiary exercised its voting rights to acquire all of the shares in an entity, as pledged by the customer. As a result, there was a reclassification of \$227.5 million from 'inventories and work-in-progress' to 'property, plant and equipment'.

- ⁽²⁾ Others comprise motor vehicles, furniture and office equipment, utilities and fittings and computer equipment.
- ⁽³⁾ Includes provision for restoration costs amounting to \$60,254,000 (2012: \$43,734,000).

Change in estimates

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

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

5. Investment properties

	Company	
	2013 \$'000	2012 \$'000
Cost		
Balance at 1 January and 31 December	95,361	95,361
Accumulated depreciation		
Balance at 1 January	64,238	57,347
Depreciation for the year	6,491	6,891
Balance at 31 December	70,729	64,238
Carrying amounts		
At 31 December	24,632	31,123

The investment properties of the Company are used by the Group in carrying out its principal activities and are accounted for as property, plant and equipment at the Group.

The following amounts are recognised in profit or loss:

	Company	
	2013 \$'000	2012 \$'000
Rental income	(37,313)	(36,362)
Operating expenses arising from rental of investment properties	35,536	34,597

6. Investments in subsidiaries

	Company	
	2013 \$'000	2012 \$'000
Unquoted shares, at cost	522,042	466,824
Allowance for impairment loss	(15,251)	(15,251)
	506,791	451,573

Details of the Company's subsidiaries are set out in Note 41.

7. Investments in associates and joint ventures

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Investments in associates	384,368	359,625	107,369	107,369
Investments in joint ventures	61,375	57,704	–	–
	445,743	417,329	107,369	107,369

Details of the Group's associates and joint ventures are set out in Note 41.

Summarised financial information of associates, not adjusted for the percentage ownership held by the Group, is as follows:

	Group	
	2013 \$'000	2012 \$'000
Combined results		
Turnover	3,514,066	3,782,363
Profit for the year	45,009	107,796
Combined assets and liabilities		
Non-current assets	2,381,800	2,330,030
Current assets	6,070,747	4,916,891
Total assets	8,452,547	7,246,921
Current liabilities	(4,587,890)	(3,667,508)
Non-current liabilities	(1,981,899)	(1,818,359)
Total liabilities	(6,569,789)	(5,485,867)

Summarised financial information of joint ventures, representing the Group's share, is as follows:

	Group's share	
	2013 \$'000	2012 \$'000
Combined results		
Turnover	29,809	30,818
Expenses	(28,556)	(17,784)
Profit before tax	1,253	13,034
Tax expense	(1,101)	(1,234)
Profit for the year	152	11,800
Combined assets and liabilities		
Non-current assets	164,784	169,516
Current assets	15,974	10,346
Current liabilities	(23,823)	(6,597)
Non-current liabilities	(95,560)	(115,561)
Net assets	61,375	57,704

8. Other financial assets

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Non-current assets				
Available-for-sale financial assets:				
- Quoted equity securities, at fair value	99,300	135,425	68,250	98,350
- Unquoted non-equity securities, at fair value	416	314	416	314
- Unquoted equity securities, at cost ⁽¹⁾	2,642	78	–	–
	102,358	135,817	68,666	98,664
Financial assets at fair value through profit or loss, on initial recognition:				
- Quoted equity securities, at fair value	3	8	–	–
- Unquoted non-equity securities, at fair value	1,510	–	–	–
	1,513	8	–	–
Cash flow hedges:				
- Forward foreign currency contracts	322	18,507	–	–
- Interest rate swap	2,973	–	–	–
	3,295	18,507	–	–
	107,166	154,332	68,666	98,664
(b) Current assets				
Cash flow hedges:				
- Forward foreign currency contracts	–	32,394	–	–

- ⁽¹⁾ Unquoted equity securities which have no market prices and whose fair value cannot be reliably measured using other valuation techniques are stated at cost less impairment losses.

9. Trade and other receivables

		Group		Company	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Non-current assets					
Trade receivables		–	74	–	–
Amounts due from related parties	10	–	–	27,397	19,533
Staff loans	(c)	22	83	–	–
Loans and receivables		22	157	27,397	19,533
Amounts due from related parties	10	44,460	61,517	46,977	46,902
		44,482	61,674	74,374	66,435
(b) Current assets					
Trade receivables		343,662	391,383	–	–
Allowance for doubtful receivables		(858)	(1,827)	–	–
		342,804	389,556	–	–
Amounts due from related parties	10	3,367	11,144	49,360	78,350
GST refundable		38,616	34,489	128	31
Interest receivable		114	216	–	–
Sundry receivables		11,858	8,469	2,413	3,151
Unbilled receivables		14,339	1,080	–	–
Recoverable		872	1,054	–	–
Staff loans	(c)	506	677	–	–
Deposits		2,968	2,565	–	–
Loans and receivables		415,444	449,250	51,901	81,532
Prepayments and advances		26,966	19,014	1,050	1,011
		442,410	468,264	52,951	82,543

(c) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2012: 3.0%) per annum.

10. Amounts due from related parties

	Note	Group 2013 \$'000	Group 2012 \$'000	Company 2013 \$'000	Company 2012 \$'000
Subsidiaries					
- Trade		–	–	58,645	95,780
- Non-trade		–	–	18,100	2,103
- Loans and advances		–	–	46,977	46,902
		–	–	123,722	144,785
Associates and joint ventures					
- Trade		2,519	10,800	–	–
- Non-trade		24	191	–	–
- Loans and advances		44,460	61,517	–	–
		47,003	72,508	–	–
Related companies					
- Trade		772	103	12	–
- Non-trade		1	1	–	–
		773	104	12	–
Non-controlling interests					
- Non-trade		51	49	–	–
Total					
- Trade		3,291	10,903	58,657	95,780
- Non-trade		76	241	18,100	2,103
- Loans and advances		44,460	61,517	46,977	46,902
		47,827	72,661	123,734	144,785
Amount due within 1 year	9	(3,367)	(11,144)	(49,360)	(78,350)
	9	44,460	61,517	74,374	66,435

The trade amounts due from related parties are unsecured, repayable on demand and interest-free, except for an amount of \$27,397,000 (2012:\$19,533,000) which is not expected to be repayable within the next twelve months.

The non-trade amounts due from related parties comprise mainly payments on behalf which are unsecured, repayable on demand and interest-free.

The loans and advances to related parties are unsecured and interest-free, except for \$44,460,000 (2012: \$47,210,000) of loan to a joint venture that bears a weighted average rate of 0.25% (2012: 0.41%) per annum. The settlement of loans and advances to related parties is neither planned nor likely to occur in the foreseeable future. As these are, in substance, a part of the Company's net investment in these entities, they are stated at cost.

No impairment loss has been recognised in respect of amounts due from related parties.

11. Intangible assets

Group	Goodwill ⁽¹⁾	Club	Intellectual	Total
Cost	\$'000	memberships	property rights	\$'000
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2012	8,485	840	33,559	42,884
Translation adjustments	(21)	(1)	–	(22)
Additions	–	19	–	19
Balance at 31 December 2012	8,464	858	33,559	42,881
Translation adjustments	9	(1)	–	8
Additions	–	62	–	62
Write-offs	–	(17)	–	(17)
Balance at 31 December 2013	8,473	902	33,559	42,934
Accumulated amortisation and impairment losses				
Balance at 1 January 2012	2,545	658	2,685	5,888
Translation adjustments	(21)	–	–	(21)
Amortisation for the year	–	–	3,356	3,356
Impairment loss	–	5	–	5
Balance at 31 December 2012	2,524	663	6,041	9,228
Translation adjustments	9	–	–	9
Amortisation for the year	–	–	3,356	3,356
Balance at 31 December 2013	2,533	663	9,397	12,593
Carrying amounts				
At 1 January 2012	5,940	182	30,874	36,996
At 31 December 2012	5,940	195	27,518	33,653
At 31 December 2013	5,940	239	24,162	30,341

11. Intangible assets *(cont'd)*

	Club memberships	
	2013 \$'000	2012 \$'000
Company		
Cost		
Balance at 1 January	590	590
Additions	62	–
Balance at 31 December	652	590
Accumulated impairment losses		
Balance at 1 January and 31 December	468	468
Carrying amounts		
At 1 January	122	122
At 31 December	184	122

⁽¹⁾ **Goodwill**

Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments. The aggregate carrying amounts of goodwill allocated to each segment are as follows:

	Group	
	2013 \$'000	2012 \$'000
Ship and rig repair, building and conversion	4,917	4,917
Others	1,023	1,023
Total	5,940	5,940

For goodwill impairment testing, the recoverable amounts of cash-generating units of the Group are determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management for the next financial year. These cash flow projections cover a period of 5 years and are based on long-term secured contracts with customers, updated with new contracts over the financial year; and discounted at 6.6% (2012: 6.9%).

12. Deferred tax assets and liabilities

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

Group	At 1 January 2012 \$'000	Recognised in other comprehensive income (Note 29) \$'000				Translation adjustments \$'000	At 31 December 2012 \$'000	Recognised in other comprehensive income (Note 28) \$'000				Translation adjustments \$'000	At 31 December 2013 \$'000
		Recognised in profit or loss (Note 28) \$'000	Recognised comprehensive income (Note 29) \$'000	Acquisition of subsidiary (Note 33) \$'000	Translation adjustments \$'000			Recognised in profit or loss (Note 28) \$'000	Recognised comprehensive income (Note 29) \$'000	Translation adjustments \$'000			
Deferred tax liabilities													
Property, plant and equipment	73,828	48,600	–	127	(67)		122,488	34,905	–	21		157,414	
Investment in associates	7,571	1,641	–	–	–		9,212	743	–	–		9,955	
Other financial assets	8,813	–	6,514	–	(1)		15,326	–	(15,326)	–		–	
Trade and other receivables	7	455	–	–	–		462	96	–	–		558	
Provisions	–	–	–	–	–		–	22	–	–		22	
Other items	719	494	–	–	(4)		1,209	616	–	–		1,825	
	90,938	51,190	6,514	127	(72)		148,697	36,382	(15,326)	21		169,774	
Deferred tax assets													
Property, plant and equipment	–	(737)	–	–	17		(720)	82	–	(20)		(658)	
Trade and other receivables	(400)	400	–	–	–		–	(239)	–	–		(239)	
Unutilised tax losses, capital and investment allowances	–	(14,847)	–	–	4		(14,843)	(21,247)	–	(4)		(36,094)	
Provisions	(5,023)	2,014	–	–	–		(3,009)	(10,829)	–	(10)		(13,848)	
Other financial liabilities	(2,204)	–	829	–	–		(1,375)	–	(1,252)	–		(2,627)	
Other items	(8)	1	–	–	–		(7)	(342)	(1)	–		(350)	
	(7,635)	(13,169)	829	–	21		(19,954)	(32,575)	(1,253)	(34)		(53,816)	
Net deferred tax liabilities	83,303	38,021	7,343	127	(51)		128,743	3,807	(16,579)	(13)		115,958	
Company													
Deferred tax liabilities													
Property, plant and equipment	19,309	(4,061)	–	–	–		15,248	(2,036)	–	–		13,212	
Other financial assets	8,082	–	238	–	–		8,320	–	(8,320)	–		–	
	27,391	(4,061)	238	–	–		23,568	(2,036)	(8,320)	–		13,212	
Deferred tax assets													
Provisions	(10)	(2)	–	–	–		(12)	(1,136)	–	–		(1,148)	
Net deferred tax liabilities	27,381	(4,063)	238	–	–		23,556	(3,172)	(8,320)	–		12,064	

12. Deferred tax assets and liabilities (cont'd)

Deferred tax liabilities and assets are set off when there is a legally enforceable right to set off 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 sheets are as follows:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deferred tax liabilities	123,066	131,131	12,064	23,556
Deferred tax assets	(7,108)	(2,388)	–	–
	115,958	128,743	12,064	23,556

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

	Group	
	2013 \$'000	2012 \$'000
Deductible temporary differences	4,109	5,611
Tax losses	56,945	24,461
Capital allowances	1,496	2,739
	62,550	32,811

Tax losses of the Group amounting to \$1,954,000 (2012: \$2,891,000) applicable to certain foreign subsidiaries will expire in 2016 (2012: 2016). The deductible temporary differences, the remaining tax losses and the capital allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the above temporary differences in accordance with Note 3.14 and under the following circumstances:

- Where they qualify for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; and
- Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

13. Inventories and work-in-progress

	Note	Group 2013 \$'000	2012 \$'000
Materials	(a)	15,535	18,977
Finished goods	(a)	2,029	2,432
Work-in-progress	(b)	2,066,022	1,709,818
		2,083,586	1,731,227

(a) Materials and finished goods are stated after deducting \$4,334,000 (2012: \$3,588,000) of allowance for inventories obsolescence. In 2013, the write-down of materials and finished goods to net realisable value by the Group amounted to \$1,947,000 (2012: \$300,000). The reversal of write-downs by the Group in 2013 amounted to \$627,000 (2012: \$4,000). The write-down and reversal are included in cost of sales.

(b) Work-in-progress

	Group 2013 \$'000	2012 \$'000
Costs and attributable profits less allowance for foreseeable losses	5,227,749	5,025,644
Progress billings	(4,602,539)	(4,199,864)
	625,210	825,780
Comprising:		
Work-in-progress	2,066,022	1,709,818
Progress billings in excess of work-in-progress	(1,440,812)	(884,038)
	625,210	825,780

Information about critical judgement in determining the allowance for foreseeable losses is included in Note 40.

14. Cash and cash equivalents

	Note	Group 2013 \$'000	2012 \$'000	Company 2013 \$'000	2012 \$'000
Fixed deposits	(a)	194,615	847,721	–	34,605
Cash and bank balances	(b)	1,500,286	561,186	49,860	41,295
Cash and cash equivalents in the consolidated statement of cash flows		1,694,901	1,408,907	49,860	75,900

14. Cash and cash equivalents *(cont'd)*

- (a) Fixed deposits of the Group placed with financial institutions have maturity periods ranging from 6 to 120 days (2012: 3 to 78 days) from the financial year-end and interest rates ranging from 0.05% to 9.21% (2012: 0.05% to 7.00%) per annum, which are also the effective interest rates. In 2012, fixed deposit of the Company placed with financial institution has a maturity period of 59 days from the financial year-end and interest rates of 0.3% per annum, which is also the effective interest rate.
- (b) Included in the Group's cash and bank balances at the balance sheet date are amounts of \$433,328,000 (2012: \$55,257,000) placed with a bank under the Group's cash pooling arrangement by the Company. During the year, the cash pooling balances earn interest rates ranging from 0.24% to 0.69% (2012: 0.21% to 0.25%) per annum, which are also the effective interest rates. The remaining bank balances during the year earn interest rates at floating rates based on daily bank deposit rates of up to 0.60% (2012: up to 0.27%) and up to 0.16% (2012: up to 0.08%) per annum, for the Group and the Company respectively, which are also the effective interest rates.

15. Trade and other payables

		Group		Company	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Current liabilities					
Trade payables		1,761,358	1,670,783	14,792	32,603
Amounts due to related companies	16	3,839	3,907	463	837
		1,765,197	1,674,690	15,255	33,440
Deposits received		2,403	2,406	26	26
GST payables		998	1,009	–	–
Interest payable		1,906	365	–	–
Other creditors		9,894	8,120	83	83
Amounts due to related companies	16	720	731	3,189	31,094
		15,921	12,631	3,298	31,203
Total		1,781,118	1,687,321	18,553	64,643
(b) Non-current liabilities					
Accrued operating expenses		80,020	45,766	19,233	–

16. Amounts due to related parties

		Group		Company	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Immediate holding company					
- Trade		269	543	251	517
Subsidiaries					
- Trade		–	–	111	–
- Non-trade		–	–	3,189	31,094
		–	–	3,300	31,094
Associates and joint ventures					
- Trade		3,360	2,824	–	–
- Non-trade		22	–	–	–
		3,382	2,824	–	–
Related companies					
- Trade		210	540	101	320
- Non-trade		698	731	–	–
		908	1,271	101	320
Total					
- Trade	15	3,839	3,907	463	837
- Non-trade	15	720	731	3,189	31,094
		4,559	4,638	3,652	31,931

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

17. Provisions

Group	Retirement gratuities \$'000	Warranty \$'000	Restoration costs \$'000	Total \$'000
2013				
Balance at 1 January	988	16,984	43,734	61,706
Translation adjustments	–	156	20	176
Provision (written-back)/made during the year, net	(114)	41,362	16,500	57,748
Balance at 31 December	874	58,502	60,254	119,630
Provisions due:				
- within 1 year	479	22,578	–	23,057
- after 1 year	395	35,924	60,254	96,573
	874	58,502	60,254	119,630
2012				
Balance at 1 January	1,176	46,855	29,645	77,676
Translation adjustments	–	(426)	(47)	(473)
Provision (written-back)/made during the year, net	(188)	(29,445)	14,136	(15,497)
Balance at 31 December	988	16,984	43,734	61,706
Provisions due:				
- within 1 year	479	16,984	–	17,463
- after 1 year	509	–	43,734	44,243
	988	16,984	43,734	61,706

	Restoration costs	
Company	2013 \$'000	2012 \$'000
Balance at 1 January and 31 December	27,895	27,895
Provisions due:		
- after 1 year	27,895	27,895

Warranty

The provision for warranty is based on estimates made from historical warranty data associated with similar projects and adjusted by weighting all possible outcomes by their associated probabilities.

Restoration costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The Group expects to incur the liability upon termination of the lease.

18. Other financial liabilities

	Group	
	2013 \$'000	2012 \$'000
(a) Current liabilities		
Cash flow hedges:		
- Forward foreign currency contracts	8,775	1,428
(b) Non-current liabilities		
Cash flow hedges:		
- Forward foreign currency contracts	10,523	78

19. Interest-bearing borrowings

	Group	
Note	2013 \$'000	2012 \$'000
Current liabilities		
Unsecured bank loans	(a) 166,111	32,981
Non-current liabilities		
Unsecured bank loans	(b) 400,000	300,000
Loan from a related company	(c) 200,000	–
Total interest-bearing borrowings	600,000	300,000

(a) The short-term loans are unsecured and bear interest rate ranging from 0.85% to 9.48% (2012: 1.63%) per annum.

(b) The long-term loans are unsecured and guaranteed by the Company. The terms and conditions are as follows:

	Effective interest rate	Year of maturity	Face value \$'000	Carrying amount \$'000
2013				
Unsecured bank loan – fixed rate	1.53%	2017	300,000	300,000
Unsecured bank loan – floating rate	0.83%	2018	100,000	100,000
			400,000	400,000
2012				
Unsecured bank loan – floating rate	0.78%	2017	300,000	300,000

The floating interest rate bank loan is repriced on a monthly basis for 2013 and 2012.

(c) In 2013, the loan from a related company is unsecured, to be settled in cash and not expected to be repayable within the next twelve months. The loan bears an effective interest rate of 0.6% per annum and is repriced on a monthly basis.

19. Interest-bearing borrowings *(cont'd)*

- (d) The Company has a \$2,000,000,000 Multicurrency Multi-issuer Debt Issuance Programme (the "Programme") pursuant to which the Company, together with its subsidiaries - Jurong Shipyard Pte Ltd, Sembawang Shipyard Pte Ltd and SMOE Pte Ltd ("Issuing Subsidiaries"), may from time to time issue the Notes (as defined below), subject to availability of funds from the market. The obligations of Issuing Subsidiaries under the Notes are fully guaranteed by the Company.

Under the Programme, the Company or any of the Issuing Subsidiaries may from time to time issue notes in series or tranches in Singapore dollars or any other currency (the "Notes"). Such Notes are listed on the Singapore Exchange Securities Trading Limited and are cleared through the Central Depository (Pte) Ltd. The Notes are redeemable at par.

As at 31 December 2013 and 2012, there were no outstanding Notes.

20. Share capital

	Group and Company No. of ordinary shares	
	2013	2012
Issued and fully paid, with no par value:		
Balance at 1 January	2,088,526,225	2,085,163,488
Exercise of share options, release of performance shares and restricted shares	1,233,882	3,362,737
Balance at 31 December	2,089,760,107	2,088,526,225

The holders of ordinary shares (excluding treasury 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 (excluding treasury shares) rank equally with regard to the Company's residual assets.

The Company issued 3,649,138 (2012: 2,912,985) treasury shares during the year pursuant to its share based incentive plans (Note 34).

21. Other reserves

		Group		Company	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Distributable					
Reserve for own shares	(a)	(7,759)	(3,223)	(7,759)	(3,223)
Non-distributable					
Foreign currency translation reserve	(b)	(67,406)	(104,782)	–	–
Share-based compensation reserve	(c)	(24,583)	(17,991)	(22,526)	(16,106)
Fair value reserve	(d)	11,180	40,193	25,274	46,952
Hedging reserve	(e)	(13,185)	33,894	–	–
Other capital reserves	(f)	25,574	25,574	960	960
		(76,179)	(26,335)	(4,051)	28,583

- (a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2013, the Company holds 1,798,762 (2012: 739,000) of its own shares as treasury shares.
- (b) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.
- (c) Share-based compensation 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.
- (d) Fair value reserve records the cumulative net change in fair value of available-for-sale financial assets until the investments are derecognised or impaired.
- (e) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.
- (f) Other capital reserves comprise:
- (i) asset revaluation reserve of \$960,000 (2012: \$960,000) associated with the one-time revaluation conducted in 1973 (see Note 4) for both the Group and Company; and
 - (ii) reserves (transferred from revenue reserve) set aside to comply with the regulations of the foreign jurisdiction in which some of the Group's associates operate.

22. Turnover

Turnover represents sales from the various activities described in Note 1 and Note 41, including the revenue recognised on contracts relating to ship and rig repair, building, conversion and offshore.

	Group	
	2013 \$'000	2012 \$'000
Contract revenue	5,455,820	4,407,969
Charter hire income	42,164	–
Services rendered	8,533	5,227
Sale of goods	19,365	16,927
	5,525,882	4,430,123

23. Operating profit

The following items have been included in arriving at operating profit:

	Note	2013 \$'000	2012 \$'000
Amortisation of intangible assets	11	3,356	3,356
Audit fees paid/payable			
- auditors of the Company		520	505
- overseas affiliates of the auditors of the Company		142	80
- other auditors		36	36
Non-audit fees paid/payable			
- auditors of the Company		374	349
- overseas affiliates of the auditors of the Company		71	–
- other auditors		334	190
Depreciation of property, plant and equipment	4	97,251	90,632
Staff costs	(a)	585,859	486,270
Operating lease expenses		32,061	27,406
Property, plant and equipment written off		251	459
Gain on disposal of property, plant and equipment, net		(14,760)	(484)
Foreign currency exchange (gain)/loss, net		(30,314)	23,953
Fair value adjustment on hedging instruments		1,231	(1,647)
(a) Staff costs			
Salaries and bonus		507,313	400,102
Defined contribution plan		24,989	22,850
Share-based compensation		16,948	24,135
Directors' fee		2,023	1,657
Other employee benefits		34,586	37,526
		585,859	486,270

24. Finance income and Finance costs

	Group	
	2013 \$'000	2012 \$'000
Finance income		
Interest income from:		
- Trade receivables	97	16,781
- Fixed deposits and bank balances	7,999	4,454
- Joint venture	104	204
	8,200	21,439
Finance costs		
Interest paid and payable to:		
- Bank and others	6,104	962
Commitment and facility fee	1,968	2,300
	8,072	3,262

25. Investment income

	Group	
	2013 \$'000	2012 \$'000
Net dividend from:		
- Quoted equity shares	2,228	3,421

26. Non-operating income and Non-operating expenses

	Group	
	2013 \$'000	2012 \$'000
Non-operating income:		
- Gain on disposal of an associate	2,816	–
- Net change in fair value of other financial assets at fair value through profit or loss	211	–
- Gain on disposal of available-for-sale financial assets	–	46
- Gain on liquidation of subsidiary	–	81
	3,027	127
Non-operating expenses:		
- Impairment of available-for-sale financial assets	(269)	(2,566)

27. Share of results of associates and joint ventures

	Note	2013 \$'000	Group 2012 \$'000
Share of profit for the year		15,603	56,270
Share of tax for the year	28	(4,437)	(12,269)
		11,166	44,001

28. Tax expense

	Note	2013 \$'000	Group 2012 \$'000
Current tax expense			
Current year		82,759	58,349
Over provided in prior years	(a)	(14,289)	(46,430)
		68,470	11,919
Deferred tax expense			
Movements in temporary differences		23,759	37,351
(Over)/under provided in prior years	(a)	(19,952)	670
		3,807	38,021
Share of tax of associates and joint ventures			
	27	4,437	12,269
Tax expense		76,714	62,209
Reconciliation of effective tax rate			
Profit for the year		588,260	567,438
Tax expense		76,714	62,209
Share of results of associates and joint ventures		(15,603)	(56,270)
Profit before share of results of associates and joint ventures and tax expense		649,371	573,377
Tax calculated using Singapore tax rate of 17% (2012: 17%)		110,393	97,474
Exempt income, capital gains and tax incentives/concessions		(20,204)	(8,210)
Effect of different tax rates in foreign jurisdictions		(961)	(4,738)
Effect on utilisation of deferred tax assets not previously recognised		(146)	(146)
Non-deductible expenses		7,338	9,635
Over provision in respect of prior years	(a)	(34,241)	(45,760)
Deferred tax assets not recognised		12,079	2,386
Others		(1,981)	(701)
Share of tax of associates and joint ventures		4,437	12,269
Tax expense		76,714	62,209

28. Tax expense *(cont'd)*

(a) In 2013, the Group wrote back \$30,365,000 of tax provision for recognition of tax incentives. In 2012, the Group wrote back \$41,317,000 of tax provision relating to prior year's gain on disposal of equity investments.

As at 31 December 2013, certain subsidiaries have unutilised tax losses and capital and investment allowances of \$58,441,000 (2012: \$27,200,000) and other temporary differences of \$4,109,000 (2012: \$5,611,000) available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

29. Other comprehensive income

Tax effects relating to each component of other comprehensive income are set out below:

Group	Before tax \$'000	2013 Tax expense \$'000	Net of tax \$'000	Before tax \$'000	2012 Tax expense \$'000	Net of tax \$'000
Foreign currency translation differences	40,356	–	40,356	(57,759)	–	(57,759)
Fair value changes of cash flow hedges	(56,713)	9,634	(47,079)	41,008	(6,965)	34,043
Fair value changes of available-for-sale financial assets	(35,958)	6,945	(29,013)	11,738	(378)	11,360
Other comprehensive income	(52,315)	16,579	(35,736)	(5,013)	(7,343)	(12,356)

30. Non-controlling interests

On 15 May 2010, the Company commenced proceedings in the High Court of Singapore against PPL Holdings Pte Ltd and its wholly owned subsidiary, E-Interface Holdings Limited for various reliefs, including the transfer of the remaining 15 per cent of the shares in PPL Shipyard Pte Ltd ("PPLS") to the Company. On 30 May 2012, the High Court released its judgement together with the Grounds of Decision. The decision was not favourable to the Company. On 29 June 2012, the Company filed an appeal to the Court of Appeal which was heard on 8 November 2012.

On 25 July 2013, the Court of Appeal ruled, in favour of the Company, that certain provisions in the Joint Venture Agreement between the Company and PPL Holdings Pte Ltd premised on equal shareholding no longer applied when the Company increased its shareholding from 50 per cent to 85 per cent in PPLS. Arising from the decision of the Court of Appeal, the Company will have full control of PPLS Board. The Group will continue to consolidate its 85 per cent interest in PPLS and separately account for the 15 per cent as a "non-controlling interest".

31. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company of \$555,747,000 (2012: \$538,453,000) by the weighted average number of ordinary shares outstanding of 2,088,675,000 (2012: 2,085,879,000) as follows:

	Group	
	2013 \$'000	2012 \$'000
Profit attributable to owners of the Company	555,747	538,453
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,088,526	2,085,163
Effect of share options exercised, performance shares and restricted shares released	1,948	1,455
Effect of own shares held	(1,799)	(739)
Weighted average number of ordinary shares during the year	2,088,675	2,085,879

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit attributable to owners of the Company of \$555,747,000 (2012: \$538,453,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 2,089,795,000 (2012: 2,087,285,000) as follows:

	Group	
	2013 \$'000	2012 \$'000
Profit attributable to owners of the Company	555,747	538,453
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,088,675	2,085,879
Effect of dilutive share options	1,120	1,406
Weighted average number of ordinary shares during the year	2,089,795	2,087,285

32. Dividends

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final one-tier tax-exempt dividend of 6.0 cents per share (2012: 6.0 cents per share) and a special one-tier tax-exempt dividend of 2.0 cents per share (2012: 2.0 cents per share) amounting to an estimated net dividend of \$167,037,000 (2012: \$167,023,000) in respect of the year ended 31 December 2013, based on the number of issued shares as at 31 December 2013. The proposed dividend of 8.0 (2012: 8.0) cents per share has not been included as a liability in the financial statements.

	Group and Company	
	2013	2012
	\$'000	\$'000
Dividends paid		
Interim one-tier tax-exempt dividend of 5.0 cents per share in respect of year 2013 (2012: 5.0 cents per share in respect of year 2012)	104,464	104,382
Final one-tier tax-exempt dividend of 6.0 cents per share in respect of year 2012 (2012: 6.0 cents per share in respect of year 2011)	125,347	125,303
Special one-tier tax-exempt dividend of 2.0 cents per share in respect of year 2012 (2012: 14.0 cents per share in respect of year 2011)	41,782	292,375
	271,593	522,060

33. Acquisition of subsidiary

On 25 September 2012, the Group through its wholly-owned subsidiary, SMOE Pte Ltd ("SMOE") acquired from Smulders Group the entire share capital in its wholly-owned subsidiary, SLP Engineering Limited ("SLP").

On 27 September 2012, SLP, based in Lowestoft Suffolk, United Kingdom ("UK"), was renamed Sembmarine SLP Limited and was held through newly incorporated company, Sembmarine North Sea Limited ("SNS"). SNS is 70% owned by SMOE and 30% owned by eight members of the SLP Management team.

The principal activity of SLP is that of design, engineering, fabrication and installation of platforms, modules and structures for the oil and gas industry. This acquisition was strategic to the Group as the Group will now have a footprint in the UK, providing synergistic support and reach out to its North Sea clientele. SLP offers the opportunity for future growth in new business areas within the renewable energy sector as well as in the fabrication of minimum facilities platform for marginal oil and gas fields in the North Sea and Asia Pacific waters.

33. Acquisition of subsidiary *(cont'd)*

	Group 2012 \$'000
(a) Effect on cash flows of the Group	
Repayment of loan from Smulders Group (previous owner)	(4,947)
Less: Cash and cash equivalents in subsidiary acquired	6,522
Cash inflow on acquisition	1,575
(b) Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	7,047
Trade and other receivables	6,744
Inventories and work-in-progress	232
Cash and cash equivalents	6,522
Total assets	20,545
Trade and other payables	(9,860)
Progress billings in excess of work-in-progress	(3,202)
Provisions	(46)
Loan from related party	(4,947)
Deferred tax liabilities	(127)
Total liabilities	(18,182)
Total net identifiable assets	2,363
Less: Non-controlling interests	(709)
Less: Negative goodwill	(1,654)
Consideration transferred for the business (£1)	–

(c) Acquisition-related costs

Acquisition-related costs of \$880,000 were included in administrative expenses in the consolidated income statement.

(d) Acquired receivables

The fair value of trade and other receivables was \$6,744,000 and included trade receivables with fair value of \$6,245,000. The gross contractual amount for trade receivables due was \$6,245,000, of which none was expected to be uncollectible.

(e) Non-controlling interests

The Group had elected to measure the non-controlling interests at the non-controlling interests' proportionate share of SLP's net identifiable assets.

33. Acquisition of subsidiary *(cont'd)*

(f) Negative goodwill

Negative goodwill of \$1,654,000 arising from the acquisition was recognised in the consolidated income statement.

The Company's estimate of the net assets' fair value exceeded the estimated fair value of the total consideration paid which management believes resulted from Smulder Group's financial difficulties.

(g) Revenue and profit contribution

The acquired business contributed revenue of \$19,907,000 and loss for the year of \$452,000 to the Group for the period from 25 September 2012 to 31 December 2012.

Had SLP been consolidated from 1 January 2012, consolidated revenue and consolidated profit for the year ended 31 December 2012 would have been \$4,459,986,000 and \$574,307,000 respectively.

The significant accounting estimates and judgements applied towards the identifiable net assets acquired and the contingent liabilities assumed for this business combination are further discussed in Note 40.

34. Share-based incentive plans

The Company's Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010") (collectively, the "2010 Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 20 April 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 31 May 2000 and expired in 2010.

The Executive Resource and 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:

Goh Geok Ling	Chairman
Tang Kin Fei	
Ajaib Haridass	

The SCM RSP 2010 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM 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 Company designates Sembcorp Industries Ltd as the Parent Group.

The SCM RSP 2010 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM 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 SCM RSP 2010 and the SCM PSP 2010 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

34. Share-based incentive plans (cont'd)

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

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

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

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

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

(a) Share Option Plan

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or associate 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 2013 and 2012, all options were either settled by the issuance of treasury shares or by the issuance of new shares.
- (iv) The options granted expire after 5 years for non-executive directors and employees of the Company's associates, and 10 years for the employees of Group and Parent Group. There are no outstanding share options for non-executive directors.

34. Share-based incentive plans (cont'd)

(a) Share Option Plan (cont'd)

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

Proceeds on options exercised during the year credited to share capital \$'000									
Exercise period									

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.

34. Share-based incentive plans (cont'd)

(a) Share Option Plan (cont'd)

The options of the Company exercised in 2013 resulted in 281,723 (2012: 1,139,580) ordinary shares being issued at a weighted average price of \$3.38 (2012: \$2.16). The options were exercised on a regular basis throughout the year. The weighted average share price during the year was \$4.46 (2012: \$4.78).

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

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

To create alignment between senior management and other employees at the time of vesting, SCM PSP 2010 has in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2013 to 2015 will be vested to the senior management participants only if the restricted shares for the performance period 2014 to 2015 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.

The details of the movement of the performance shares of the Company awarded during the year are as follows:

	2013	2012
At 1 January	1,865,000	1,765,000
Conditional performance shares awarded	655,000	675,000
Conditional performance shares released	(702,333)	(722,084)
Conditional performance shares lapsed	(60,556)	(93,610)
Additional performance shares awarded arising from targets met	157,889	240,694
At 31 December	1,915,000	1,865,000

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2010 to 2012 (2012: performance period 2009 to 2011), a total of 702,333 (2012: 722,084) performance shares were released via the issuance of treasury shares.

34. Share-based incentive plans *(cont'd)*

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

In 2013, there were additional 157,889 (2012: 240,694) performance shares awarded for over-achievement of the performance targets for the performance period 2010 to 2012 (2012: performance period 2009 to 2011).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2013, was 1,915,000 (2012: 1,865,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 2,872,500 (2012: 2,797,500) performance shares.

Fair value of Performance Shares

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

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

Date of grant	31 May 2013	21 May 2012
Fair value at measurement date	\$2.31	\$3.76
Assumptions under the Monte Carlo model		
Share price	\$4.34	\$4.48
Expected volatility:		
Sembcorp Marine Ltd	31.5%	27.9%
Morgan Stanley Capital International ("MSCI") AC Asia Pacific excluding Japan Industrials Index	23.2%	21.8%
Correlation with MSCI	81.5%	84.3%
Risk-free interest rate	0.5%	0.5%
Expected dividend	4.2%	4.5%

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 \$2,012,000 (2012: \$2,275,000) to 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 ("SCM 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 Capital Employed and Earnings Before Interest and Taxes for awards granted in 2013.

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.

34. Share-based incentive plans *(cont'd)*

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

The managerial participants of the Group will be awarded restricted shares under the SCM 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 Marine Challenge Bonus.

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

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

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCM RSP 2010.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2013 and 2012, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director will be determined by reference to the volume-weighted average price ("VWAP") 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 Annual General Meeting ("AGM"). In the event that no dividend is declared at the AGM, the VWAP will be based on a share on the SGX-ST over the 14 trading days immediately following the date of the AGM. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

The details of the movement of the restricted shares of the Company awarded during the year are as follows:

	2013	2012
At 1 January	9,543,530	10,150,285
Conditional restricted shares awarded	2,806,710	2,864,700
Conditional restricted shares released	(3,898,964)	(4,414,058)
Conditional restricted shares lapsed	(370,858)	(523,398)
Additional restricted shares awarded arising from targets met	464,732	1,466,001
At 31 December	8,545,150	9,543,530

34. Share-based incentive plans *(cont'd)*

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

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2011 to 2012, a total of 1,242,654 (2012: Nil) restricted shares were released. For awards in relation to the performance period 2010 to 2011, a total of 1,325,800 (2012: 1,709,403) restricted shares were released. For awards in relation to the performance period 2009 to 2010, a total of 1,236,610 (2012: 1,434,630) restricted shares were released. In 2012, 1,185,425 restricted shares were released for awards in relation to the performance period 2008 to 2009. In 2013, there were 93,900 (2012: 84,600) restricted shares released to non-executive directors. The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2013, additional 464,732 (2012: 1,466,001) restricted shares were awarded for the over-achievement of the performance targets for the performance period 2011 to 2012 (2012: performance period 2010 to 2011).

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2013, was 8,545,150 (2012: 9,543,530). Of this, the total number of restricted shares in awards granted conditionally and representing 100% of targets to be achieved, but not released was 5,243,250 (2012: 5,688,200). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 7,864,875 (2012: 8,532,300) restricted shares.

Sembcorp Marine Challenge Bonus

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2011 to 2012 (2012: performance period 2010 to 2011), a total of \$5,027,602 (2012: \$8,163,619), equivalent to 1,129,037 (2012: 1,533,650) notional restricted shares, were paid.

A total of 1,091,350 (2012: 1,031,300) notional restricted shares were awarded on 31 May 2013 (2012: 21 May 2012) 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 31 December 2013, was 1,886,000 (2012: 1,974,400). Based on the multiplying factor, the number of notional restricted shares to be converted into the funding pool could range from zero to a maximum of 2,829,000 (2012: 2,961,600).

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:

Date of grant	31 May 2013	21 May 2012
Fair value at measurement date	\$3.39	\$3.92
Assumptions under the Monte Carlo model		
Share price	\$4.34	\$4.48
Expected volatility:		
Sembcorp Marine Ltd	31.5%	27.9%
Risk-free interest rate	0.3% - 0.7%	0.5% - 0.8%
Expected dividend	4.2%	4.5%

34. Share-based incentive plans *(cont'd)*

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

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 \$11,014,000 (2012: \$15,060,000) to 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 Marine Challenge Bonus

During the year, the Group charged \$3,922,000 (2012: \$6,800,000) to 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 the Sembcorp Marine Challenge Bonus and the market price at the vesting date.

35. Related parties

(a) Related party transactions

Significant transactions during the year between the Group and its related parties on terms as agreed between the respective parties and which are not otherwise disclosed elsewhere in these financial statements consist of:

	Group	
	2013 \$'000	2012 \$'000
Immediate holding company		
Management fee payable	250	250
Related companies		
Sales	10,210	6,790
Purchases	69,974	81,893
Others	41	78
Associates and joint ventures		
Sales	269	665
Purchases	23,482	20,288

(b) Compensation of key management personnel

The Group considers the directors of the Company, President & Chief Executive Officer/Managing Director of Jurong Shipyard Pte Ltd, Deputy President/Managing Director of Sembawang Shipyard Pte Ltd, Chief Financial Officer of the Company, Managing Director of PPL Shipyard Pte Ltd, Managing Director of SMOE Pte Ltd and Executive Director of Jurong SML Pte 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.

35. Related parties *(cont'd)*

(b) Compensation of key management personnel *(cont'd)*

The key management personnel compensation is as follows:

	Group	
	2013 \$'000	2012 \$'000
Directors' fees and remuneration	7,244	7,695
Other key management personnel remuneration	6,864	6,349
	14,108	14,044
Fair value of share-based compensation	1,778	2,145

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses.

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

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

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to 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 the Group to cover liquidity, counterparty risks, foreign exchange and derivative transactions and financing.

The Group utilises foreign currency contracts, interest rate swaps and various financial instruments to manage exposures to interest rate and foreign exchange 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.

36. Financial instruments (cont'd)

The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

(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 policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts, where working capital is financed mainly by variable rate loans while long term investments are financed mainly by fixed rate loans. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specific intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. After taking into account the effect of an interest rate swap, the Group's borrowings are substantially at a fixed rate of interest. Surplus funds, if any, are placed with reputable banks.

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

At the reporting date, the profile of the interest-bearing financial instruments was:

	Note	Group		Company	
		Carrying amount		Carrying amount	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<i>Fixed rate instruments</i>					
Fixed deposits	14	194,615	847,721	–	34,605
Interest-bearing borrowings	19	(300,000)	–	–	–
		(105,385)	847,721	–	34,605
<i>Variable rate instruments</i>					
Cash and bank balances	14	1,500,286	561,186	49,860	41,295
Interest-bearing borrowings	19	(466,111)	(332,981)	–	–
		1,034,175	228,205	49,860	41,295

Fair value sensitivity analysis for fixed rate instruments

The Group and Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss due to the short period to maturity. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

36. Financial instruments *(cont'd)*

(a) Market risk *(cont'd)*

(i) Interest rate risk *(cont'd)*

Cash flow sensitivity analysis for variable rate instruments

It is estimated that a 50 basis points ("bp") change in interest rate at the reporting date would have increased/ (decreased) profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2013		2012	
	Profit before tax		Profit before tax	
	50 bp Increase	50 bp Decrease	50 bp Increase	50 bp Decrease
	\$'000	\$'000	\$'000	\$'000
Group				
Variable rate instruments	5,171	(5,171)	1,141	(1,141)
Company				
Variable rate instruments	249	(249)	206	(206)

(ii) Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than the Singapore dollar, primarily the United States dollar ("USD") and the Euro ("EUR"). To minimise exposure on foreign currency risks, the Group usually settles such transactions within 30 day terms.

The Group also utilises forward foreign currency contracts to hedge foreign currency denominated financial assets, liabilities and firm commitments. Under this programme, increases or decreases in the Group's foreign currency denominated financial assets, liabilities and firm commitments are partially offset by gains and losses on the hedging instruments. The Group does not use forward foreign currency contracts for trading purpose.

36. Financial instruments (cont'd)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

The Group's and Company's foreign currency exposures are as follows:

Group	SGD \$'000	USD \$'000	EUR \$'000	Others \$'000	Total \$'000
2013					
Financial assets					
Cash and cash equivalents	2,132	133,862	109,271	9,264	254,529
Trade and other receivables	8,980	60,085	43,948	19,256	132,269
Other financial assets	–	–	–	15,753	15,753
	11,112	193,947	153,219	44,273	402,551
Financial liabilities					
Trade and other payables	(113,631)	(224,964)	(112,352)	(54,220)	(505,167)
Interest-bearing borrowings	–	(115,696)	–	–	(115,696)
	(113,631)	(340,660)	(112,352)	(54,220)	(620,863)
Net financial (liabilities)/assets, representing net exposure	(102,519)	(146,713)	40,867	(9,947)	(218,312)
Cash flow hedges for future dated transactions					
Forward foreign currency contracts	187,903	(1,376,916)	29,818	1,006	(1,158,189)
2012					
Financial assets					
Cash and cash equivalents	15,911	148,547	41,464	8,647	214,569
Trade and other receivables	7,143	139,281	16,041	22,758	185,223
Other financial assets	–	–	–	35,730	35,730
	23,054	287,828	57,505	67,135	435,522
Financial liabilities					
Trade and other payables	(90,646)	(179,502)	(81,888)	(50,458)	(402,494)
Interest-bearing borrowings	–	(32,981)	–	–	(32,981)
	(90,646)	(212,483)	(81,888)	(50,458)	(435,475)
Net financial (liabilities)/assets	(67,592)	75,345	(24,383)	16,677	47
Forward foreign currency contracts	–	(109,032)	–	4,013	(105,019)
Net exposure	(67,592)	(33,687)	(24,383)	20,690	(104,972)
Cash flow hedges for future dated transactions					
Forward foreign currency contracts	47,171	(1,463,530)	19,263	4,819	(1,392,277)

36. Financial instruments *(cont'd)*

(a) Market risk *(cont'd)*

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

Company	USD \$'000	Others \$'000	Total \$'000
2013			
Financial assets			
Cash and cash equivalents	356	–	356
Other financial assets	–	15,750	15,750
	356	15,750	16,106
2012			
Financial assets			
Cash and cash equivalents	1,387	–	1,387
Other financial assets	–	35,700	35,700
	1,387	35,700	37,087

The notional amount of the forward foreign currency contracts is set out below:

	2013		2012	
Group	Notional amount \$'000	Assets/ (Liabilities) \$'000	Notional amount \$'000	Assets/ (Liabilities) \$'000
Forward foreign currency contracts	1,624,387	(18,976)	1,620,202	49,395

As at 31 December 2013, the settlement dates on open derivative contracts range from 1 to 28 months (2012: 1 to 27 months).

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date for the Group's and Company's monetary items, including forward foreign currency contracts, would have increased/(decreased) equity (after tax) and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

36. Financial instruments (cont'd)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

	Group		Company	
	Equity \$'000	Profit before tax \$'000	Equity \$'000	Profit before tax \$'000
2013				
USD	(115,664)	22,117	–	36
EUR	2,350	4,229	–	–
SGD	590	7,330	–	–
Others	1,646	(2,053)	1,575	–
	(111,078)	31,623	1,575	36
2012				
USD	(105,561)	(10,828)	–	139
EUR	26	(543)	–	–
SGD	89	(2,258)	–	–
Others	3,363	(1,502)	2,963	–
	(102,083)	(15,131)	2,963	139

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Price risk

The Group is exposed to equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group manages the risk of unfavourable changes by cautious review of the investments before investing and continuous monitoring of the performance of investments held and assessing market risk relevant to which the investments operate.

Sensitivity analysis

If prices for equity securities increase by 10% with all other variables being held constant, the equity and profit before tax will increase by:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Equity	9,930	13,543	6,825	9,835
Profit before tax	–	1	–	–

A 10% decrease in the underlying equity prices (assuming impairment required on the equity securities) would decrease equity by \$8,355,000 (2012: \$13,543,000) and \$5,250,000 (2012: \$9,835,000) and profit before tax by \$15,277,000 (2012: \$1,000) and \$15,277,000 (2012: \$Nil), for the Group and Company respectively, including the transfer of fair value loss previously recognised in equity. The analysis is performed on the same basis for 2012 and assumes that all other variables remain constant.

36. Financial instruments *(cont'd)*

(b) Credit risk

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group manages credit risk arising from sales to customers through a stringent credit evaluation process and regular monitoring thereafter. The management of credit risk is on an aggregate basis by including all existing relationships with a particular customer or related entities of the same corporate organisation. There is no significant concentration of credit risk on the outstanding financial instruments as at year end.

The carrying amounts of trade and other receivables, cash and cash equivalents and derivatives with positive fair values represent the Group's maximum exposure to credit risk.

Cash and fixed deposits are placed in banks and financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by only investing in liquid securities and only with counterparties that have a sound credit rating.

The Group's and the Company's maximum exposure to credit risk for loans and receivables at the balance sheet date is as follows:

		Group		Company	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
By business activity					
Ship and rig repair, building and conversion		396,983	445,659	–	–
Ship chartering		11,701	–	–	–
Others		6,782	3,748	79,298	101,065
		415,466	449,407	79,298	101,065
Loans and receivables					
Non-current trade and other receivables	9	22	157	27,397	19,533
Current trade and other receivables	9	415,444	449,250	51,901	81,532
		415,466	449,407	79,298	101,065

36. Financial instruments *(cont'd)*

(b) Credit risk *(cont'd)*

The age analysis of loans and receivables for the Group is as follows:

	Gross 2013 \$'000	Impairment 2013 \$'000	Gross 2012 \$'000	Impairment 2012 \$'000
Group				
Not past due	393,150	–	375,101	–
Past due 0 to 3 months	14,789	–	57,896	–
Past due 3 to 6 months	5,160	–	10,484	–
Past due 6 to 12 months	1,574	135	5,031	752
More than 1 year	1,651	723	2,722	1,075
	416,324	858	451,234	1,827
Company				
Not past due	79,298	–	101,065	–

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

	Group	
	2013 \$'000	2012 \$'000
Balance at 1 January	1,827	2,400
Currency translation difference	(1)	(7)
Allowance made	292	943
Allowance written back	(979)	(589)
Allowance utilised	(281)	(914)
Disposal of subsidiary	–	(6)
Balance at 31 December	858	1,827

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

Based on historical default rates, the Group believes that the amount of impairment allowance made is adequate in respect of trade and other receivables. The remaining receivables not impaired are mainly arising from customers that have a good collection track record with the Group.

Trade receivables that are individually determined to be impaired at the balance sheet date relate to receivables that are in significant financial difficulty and have defaulted on payments.

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

Group	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
2013					
Derivative financial liabilities					
Forward foreign currency contracts	(19,298)				
- Inflow		1,418,619	767,351	651,268	–
- Outflow		(1,437,917)	(776,126)	(661,791)	–
Derivative financial assets					
Interest rate swap	2,973	(7,728)	(1,968)	(5,760)	–
Forward foreign currency contracts	322				
- Inflow		205,769	–	205,769	–
- Outflow		(205,447)	–	(205,447)	–
Non-derivative financial liabilities					
Trade and other payables*	(1,854,346)	(1,854,346)	(1,775,171)	(43,725)	(35,450)
Interest-bearing borrowings	(766,111)	(794,347)	(172,874)	(621,473)	–
	(2,636,460)	(2,675,397)	(1,958,788)	(681,159)	(35,450)
2012					
Derivative financial liabilities					
Forward foreign currency contracts	(1,506)				
- Inflow		72,867	71,494	1,373	–
- Outflow		(74,373)	(72,922)	(1,451)	–
Derivative financial assets					
Forward foreign currency contracts	50,901				
- Inflow		1,547,335	920,116	627,219	–
- Outflow		(1,496,434)	(887,722)	(608,712)	–
Non-derivative financial liabilities					
Trade and other payables*	(1,728,136)	(1,728,136)	(1,683,469)	(22,111)	(22,556)
Interest-bearing borrowings	(332,981)	(344,816)	(35,597)	(309,219)	–
	(2,011,722)	(2,023,557)	(1,688,100)	(312,901)	(22,556)

36. Financial instruments (cont'd)

(c) Liquidity risk (cont'd)

Company	Carrying amount \$'000	Cash flows			
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
2013					
Non-derivative financial liabilities					
Trade and other payables*	(37,760)	(37,760)	(18,527)	(19,233)	–
2012					
Non-derivative financial liabilities					
Trade and other payables*	(64,617)	(64,617)	(64,617)	–	–

* Excludes deposits received and advance payment from customers.

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact profit or loss:

Group	Carrying amount \$'000	Cash flows		
		Contractual cash flows \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000
2013				
Derivative financial liabilities				
Forward foreign currency contracts	(19,298)			
- Inflow		1,418,619	767,351	651,268
- Outflow		(1,437,917)	(776,126)	(661,791)
Derivative financial assets				
Interest rate swap	2,973	(7,728)	(1,968)	(5,760)
Forward foreign currency contracts	322			
- Inflow		205,769	–	205,769
- Outflow		(205,447)	–	(205,447)
	(16,003)	(26,704)	(10,743)	(15,961)
2012				
Derivative financial liabilities				
Forward foreign currency contracts	(1,506)			
- Inflow		72,867	71,494	1,373
- Outflow		(74,373)	(72,922)	(1,451)
Derivative financial assets				
Forward foreign currency contracts	50,901			
- Inflow		1,547,335	920,116	627,219
- Outflow		(1,496,434)	(887,722)	(608,712)
	49,395	49,395	30,966	18,429

36. Financial instruments *(cont'd)*

(d) Estimation of fair values

Securities

The fair value of financial assets at fair value through profit or loss, and available-for-sale financial assets, is based on quoted market prices (bid price) at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The fair value of forward foreign currency contracts is accounted for based on the difference between the contractual price and the current market price.

The fair value of interest rate swaps, based on current interest rates curves, is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

Non-derivative financial liabilities

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine the 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.

Non-current amount due from related parties

The impact of discounting to present value (i.e. fair value) is not expected to be material using the government bond rate as the discount rate; and since a significant portion of the amount is expected to be repaid over the next 2 to 5 years.

36. Financial instruments (cont'd)

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

Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3** – unobservable inputs for the assets or liability.

	Fair value measurement using:			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial assets and financial liabilities carried at fair value</i>				
Group				
At 31 December 2013				
Available-for-sale financial assets	99,300	416	–	99,716
Financial assets designated at fair value through profit or loss	3	1,510	–	1,513
Derivative financial assets	–	3,295	–	3,295
	99,303	5,221	–	104,524
Derivative financial liabilities	–	(19,298)	–	(19,298)
Total	99,303	(14,077)	–	85,226
At 31 December 2012				
Available-for-sale financial assets	135,425	314	–	135,739
Financial assets designated at fair value through profit or loss	8	–	–	8
Derivative financial assets	–	50,901	–	50,901
	135,433	51,215	–	186,648
Derivative financial liabilities	–	(1,506)	–	(1,506)
Total	135,433	49,709	–	185,142
Company				
At 31 December 2013				
Available-for-sale financial assets	68,250	416	–	68,666
At 31 December 2012				
Available-for-sale financial assets	98,350	314	–	98,664

36. Financial instruments (cont'd)

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

Fair value hierarchy (cont'd)

	Fair value measurement using:			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<i>Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed*</i>				
Group				
At 31 December 2013				
Trade and other receivables	–	22	–	22
Interest-bearing borrowings	–	(766,111)	–	(766,111)
Other payables	–	(80,020)	–	(80,020)
	–	(846,131)	–	(846,131)
Total	–	(846,109)	–	(846,109)
Company				
At 31 December 2013				
Trade and other receivables	–	27,397	–	27,397
Other payables	–	(19,233)	–	(19,233)
Total	–	8,164	–	8,164

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

36. Financial instruments (cont'd)

(e) Fair value versus carrying amounts

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

Group	Note	Designated at fair value through profit or loss \$'000	Fair value – hedging instruments \$'000	Available-for- sale \$'000	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$'000
At 31 December 2013								
Financial assets								
Cash and cash equivalents	14	–	–	–	1,694,901	–	1,694,901	1,694,901
Trade and other receivables	9	–	–	–	415,466	–	415,466	415,466
Available-for-sale financial assets	8(a)	–	–	99,716	–	–	99,716	99,716
Financial assets at fair value through profit or loss, on initial recognition	8(a)	1,513	–	–	–	–	1,513	1,513
Cash flow hedges								
- Forward foreign currency contracts	8(a)	–	322	–	–	–	322	322
- Interest rate swap	8(a)	–	2,973	–	–	–	2,973	2,973
Total financial assets		1,513	3,295	99,716	2,110,367	–	2,214,891	2,214,891
Financial liabilities								
Trade and other payables		–	–	–	–	1,854,346	1,854,346	1,854,346
Cash flow hedges								
- Forward foreign currency contracts	18	–	19,298	–	–	–	19,298	19,298
Interest-bearing borrowings	19	–	–	–	–	766,111	766,111	766,111
Total financial liabilities		–	19,298	–	–	2,620,457	2,639,755	2,639,755

36. Financial instruments (cont'd)

(e) Fair value versus carrying amounts (cont'd)

Group	Note	Designated at fair value through profit or loss \$'000	Fair value – hedging instruments \$'000	Available-for- sale \$'000	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$'000
At 31 December 2012								
Financial assets								
Cash and cash equivalents	14	–	–	–	1,408,907	–	1,408,907	1,408,907
Trade and other receivables	9	–	–	–	449,407	–	449,407	449,407
Available-for-sale financial assets	8(a)	–	–	135,739	–	–	135,739	135,739
Financial assets at fair value through profit or loss, on initial recognition	8(a)	8	–	–	–	–	8	8
Cash flow hedges								
- Forward foreign currency contracts	8(a),8(b)	–	50,901	–	–	–	50,901	50,901
Total financial assets		8	50,901	135,739	1,858,314	–	2,044,962	2,044,962
Financial liabilities								
Trade and other payables		–	–	–	–	1,728,136	1,728,136	1,728,136
Cash flow hedges								
- Forward foreign currency contracts	18	–	1,506	–	–	–	1,506	1,506
Interest-bearing borrowings	19	–	–	–	–	332,981	332,981	332,981
Total financial liabilities		–	1,506	–	–	2,061,117	2,062,623	2,062,623

36. Financial instruments (cont'd)

(e) Fair value versus carrying amounts (cont'd)

Company	Note	Available-for-sale \$'000	Loans and receivables \$'000	Financial liabilities at amortised cost \$'000	Total carrying amount \$'000	Fair value \$'000
At 31 December 2013						
Financial assets						
Cash and cash equivalents	14	–	49,860	–	49,860	49,860
Trade and other receivables	9	–	79,298	–	79,298	79,298
Available-for-sale financial assets	8(a)	68,666	–	–	68,666	68,666
Total financial assets		68,666	129,158	–	197,824	197,824
Financial liabilities						
Trade and other payables		–	–	37,760	37,760	37,760
At 31 December 2012						
Financial assets						
Cash and cash equivalents	14	–	75,900	–	75,900	75,900
Trade and other receivables	9	–	101,065	–	101,065	101,065
Available-for-sale financial assets	8(a)	98,664	–	–	98,664	98,664
Total financial assets		98,664	176,965	–	275,629	275,629
Financial liabilities						
Trade and other payables		–	–	64,617	64,617	64,617

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group records a net cash position as at 31 December 2013 (2012: net cash position).

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

The Group is required to maintain consolidated net borrowings to consolidated net assets (less dividends, goodwill and other intangible assets) ratio of not more than 1.75. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2013.

37. Contingent liabilities

	Company	
	2013 \$'000	2012 \$'000
Unsecured corporate guarantees granted in respect of:		
- Performance of subsidiaries	2,365,332	1,997,233
- Unsecured bank loan by a subsidiary	300,000	300,000

38. Commitments

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

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) <i>Approved capital commitment:</i>				
- Approved capital expenditure commitment	458,865	307,977	–	–
(b) <i>Minimum lease rental payable in respect of land and buildings:</i>				
- Within 1 year	18,645	18,872	10,059	11,246
- After 1 year but within 5 years	65,587	61,800	37,679	35,780
- After 5 years	402,558	279,036	57,479	63,117
	486,790	359,708	105,217	110,143
(c) <i>Share of joint ventures' approved and contracted capital commitments</i>	9,360	34,427	–	–

The leases do not provide for contingent rents and lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing. Certain leases contain escalation clauses to reflect market rentals.

Certain leases include renewal options for additional lease period of 10 to 30 years and at rental rates based on prevailing market rates.

39. Operating segments

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. The strategic business units are managed separately because of their different business activities. The two reportable segments are (i) ship and rig repair, building and conversion and (ii) ship chartering.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

39. Operating segments (cont'd)

(a) Business segments (cont'd)

	Ship & rig repair, building, conversion and offshore \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
2013					
Turnover					
Sales to external parties	5,455,820	42,164	27,898	–	5,525,882
Inter-segment sales	–	–	204,993	(204,993)	–
Total	5,455,820	42,164	232,891	(204,993)	5,525,882
Results					
Segment results	626,993	3,209	14,055	–	644,257
Finance income	8,126	1	73	–	8,200
Finance costs	(8,072)	–	–	–	(8,072)
Investment income	–	–	2,228	–	2,228
Non-operating income	3,027	–	–	–	3,027
Non-operating expenses	(269)	–	–	–	(269)
Share of results of associates and joint ventures	8,215	5,746	1,642	–	15,603
Profit before tax	638,020	8,956	17,998	–	664,974
Tax expense	(73,812)	(576)	(2,326)	–	(76,714)
Profit for the year	564,208	8,380	15,672	–	588,260
Assets					
Segment assets	6,402,973	247,834	146,246	–	6,797,053
Investments in associates and joint ventures	392,411	48,928	4,404	–	445,743
Deferred tax assets	7,108	–	–	–	7,108
Tax recoverable	196	–	–	–	196
Total assets	6,802,688	296,762	150,650	–	7,250,100
Liabilities					
Segment liabilities	4,176,091	3,924	26,974	–	4,206,989
Deferred tax liabilities	122,515	–	551	–	123,066
Current tax payable	108,096	–	2,437	–	110,533
Total liabilities	4,406,702	3,924	29,962	–	4,440,588
Capital expenditure	814,558	–	420	–	814,978
Significant non-cash items					
Depreciation and amortisation	96,169	3,469	969	–	100,607
Impairment/write-off of assets	267	–	1	–	268

39. Operating segments *(cont'd)*

(a) Business segments *(cont'd)*

	Ship & rig repair, building, conversion and offshore \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
2012					
Turnover					
Sales to external parties	4,407,969	–	22,154	–	4,430,123
Inter-segment sales	–	–	198,832	(198,832)	–
Total	4,407,969	–	220,986	(198,832)	4,430,123
Results					
Segment results	545,968	(213)	8,463	–	554,218
Finance income	21,399	–	40	–	21,439
Finance costs	(3,262)	–	–	–	(3,262)
Investment income	78	–	3,343	–	3,421
Non-operating income	81	–	46	–	127
Non-operating expenses	(2,566)	–	–	–	(2,566)
Share of results of associates and joint ventures	42,692	10,763	2,815	–	56,270
Profit before tax	604,390	10,550	14,707	–	629,647
Tax expense	(100,993)	(486)	39,270	–	(62,209)
Profit for the year	503,397	10,064	53,977	–	567,438
Assets					
Segment assets	5,174,093	14,347	178,217	–	5,366,657
Investments in associates and joint ventures	371,457	42,539	3,333	–	417,329
Deferred tax assets	966	–	1,422	–	2,388
Tax recoverable	83	–	–	–	83
Total assets	5,546,599	56,886	182,972	–	5,786,457
Liabilities					
Segment liabilities	3,002,218	4	11,096	–	3,013,318
Deferred tax liabilities	122,182	–	8,949	–	131,131
Current tax payable	93,600	–	1,383	–	94,983
Total liabilities	3,218,000	4	21,428	–	3,239,432
Capital expenditure	535,864	–	116	–	535,980
Significant non-cash items					
Depreciation and amortisation	92,913	–	1,075	–	93,988
Impairment/write-off of assets	464	–	–	–	464

39. Operating segments *(cont'd)*

(b) Geographical segments

The Group operates in 10 (2012: 10) countries and principally in the Republic of Singapore. Pricing of inter-segment sales and transfers are carried out on an arm's length basis.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Turnover from external customers \$'000	Non-current assets ⁽¹⁾ \$'000	Total assets \$'000	Capital expenditure \$'000
2013				
Singapore	489,599	1,773,532	5,999,605	428,301
China	778	377,528	377,971	5
Rest of ASEAN, Australia & India	1,195,169	139,002	167,915	15,711
Middle East & Africa	81,314	—	—	—
Norway	1,075,189	—	—	—
The Netherlands	476,822	227,157	252,532	—
Rest of Europe	207,462	7,269	21,590	974
Brazil	15,482	386,470	425,560	369,985
U.S.A	1,420,353	3,753	4,927	2
Other countries	563,714	—	—	—
Total	5,525,882	2,914,711	7,250,100	814,978
2012				
Singapore	361,372	1,455,901	5,180,888	460,456
China	2,173	343,535	343,651	39
Rest of ASEAN, Australia & India	802,848	131,222	174,857	38,347
Middle East & Africa	550,711	—	—	—
Norway	1,148,957	—	—	—
The Netherlands	231,062	—	127	—
Rest of Europe	220,250	7,039	27,308	186
Brazil	2,797	47,302	54,504	36,952
U.S.A	809,444	3,706	5,122	—
Other countries	300,509	—	—	—
Total	4,430,123	1,988,705	5,786,457	535,980

⁽¹⁾ Non-current assets presented consist of property, plant and equipment, investments in associates and joint ventures, trade and other receivables (other than financial instruments) and intangible assets.

(c) Major customers

In 2013, turnover from one customer of the Group's ship & rig repair, building, conversion and offshore segment represents approximately 16 per cent of the Group's total turnover (2012: no single external customer accounted for 10 per cent or more of the Group's total turnover).

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 goodwill

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

(b) Taxes

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made. The tax expense is disclosed in Note 28.

(c) 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 60 years. The carrying amounts of the Group's property, plant and equipment are set out in Note 4. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; and therefore future depreciation charges could be revised.

(d) Provisions

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)*

(e) Acquisition in a business combination

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchange on the date of acquisition between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant and equipment, fixtures and fittings is based on the market approach using quoted market prices for similar items when available.

Intangible assets

The fair value of trademarks and customer contracts acquired in a business combination is estimated based on the discounted cash flows expected to be derived from the use of the assets, and are deemed to be nil due to forecasted losses.

Contingent liabilities

Contingent liabilities acquired in a business combination include performance guarantees and parent company guarantees. Management has assessed that the probability of performance guarantees and parent company guarantees being called upon is remote. For performance guarantees, based on historical experience, there have been minimal payouts to customers. For parent company guarantees, all projects where parent company guarantees are granted are on schedule. Therefore, no contingent liability is recognised in the business combination as the fair value of the contingent liabilities is deemed to be inconsequential.

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 and assessment of risk of foreseeable losses on long term construction contracts

The Group has recognised revenue on construction contract, ship and rig repair, building and conversion based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion and estimating a reasonable contribution margin for revenue and costs recognition.

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

40. Significant accounting estimates and judgements *(cont'd)****Critical accounting judgements in applying the Group's accounting policies*** *(cont'd)***(b) Impairment of investments and financial assets**

The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* in determining when an investment or financial asset is other than temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Impairment assessment of property, plant and equipment

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

Impairment assessment of a vessel

In estimating the recoverable amount of a vessel, the Group obtained a valuation report from an independent shipbroker. Owing to the specialised nature of this vessel where re-sale transactions of similar level are lacking, the shipbroker had estimated the valuation to only approximate the current replacement cost basis.

The Group also performed a back-test using discounted cash flows with key assumptions on the charter rate, operating rate, terminal value and discount rate over the remaining economic useful life of the vessel.

Based on this assessment, no impairment is necessary for property, plant and equipment as at the balance sheet date.

41. Group entities

Details of the Group's subsidiaries, associates and joint ventures are as follows:

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2013 %	2012 %
Subsidiaries				
Bulk Trade Pte Ltd ⁽¹⁾	Singapore	Bulk trading	100	100
Dolphin Shipping Company Private Limited ⁽¹⁾	Singapore	Ship owning and chartering	100	100
JPL Industries Pte Ltd ⁽¹⁾	Singapore	Processing and distribution of copper slag	85.8	85.8
Jurong Integrated Services Pte Ltd ⁽¹⁾	Singapore	Steel fabrication work	100	100
Jurong Machinery and Automation Pte Ltd	Singapore	Liquidated	–	100
Jurong Marine Services Pte Ltd ⁽¹⁾	Singapore	Provision of tugging and sea transportation services	100	100
Jurong Shipbuilders Private Limited ⁽¹⁾	Singapore	Investment holding	100	100
Jurong Shipyard Pte Ltd ⁽¹⁾	Singapore	Ship and rig repair, building, conversion and related services	100	100
Jurong SML Pte Ltd ⁽¹⁾	Singapore	Shipbuilding, ship repair and related services	100	100
Karimun Shiprepair and Engineering Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
PPL Shipyard Pte Ltd ⁽¹⁾	Singapore	Rig building, repair and related services	85	85
SCM Investment Holdings Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
Sembawang Shipyard Pte Ltd ⁽¹⁾	Singapore	Ship repair and related services	100	100
Sembcorp Holdings, LLC ⁽⁴⁾	United States of America	Investment holding	100	100
Sembcorp Marine Technology Pte Ltd ⁽¹⁾	Singapore	Research & development in offshore and marine technology	100	100
SembMarine Investment Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
SML Shipyard Pte Ltd ⁽¹⁾	Singapore	Ship repair and related services	100	100
SMOE Pte Ltd ⁽¹⁾	Singapore	Engineering, construction and fabrication of offshore structures	100	100
Associates				
Cosco Shipyard Group Co Ltd ⁽³⁾	People’s Republic of China	Provision of services for repairs of vessels; repairs, construction and conversion of offshore platforms and offshore engineering facilities; and related services	30	30
Joint Shipyard Management Services Pte Ltd ⁽¹⁾	Singapore	Managing dormitories	32	32

41. Group entities (cont'd)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2013 %	2012 %
Joint ventures of Dolphin Shipping Company Private Limited				
Dolphin Workboats Pte Ltd ⁽¹⁾	Singapore	Ship owning and charter	50	50
Pacific Workboats Pte Ltd ⁽³⁾	Singapore	Ship leasing and marine surveying services	50	50
Subsidiary of JPL Industries Pte Ltd				
JPL Concrete Products Pte Ltd ⁽¹⁾	Singapore	Production of concrete products	85.8	85.8
Subsidiaries and joint venture of Jurong Shipyard Pte Ltd				
Dolphin Rig 1 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 2 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 3 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 4 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 5 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 6 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 7 Pte. Ltd. ⁽¹⁾	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Estaleiro Jurong Aracruz Ltda ⁽²⁾	Brazil	Render services for engineering, construction, assembling, installation, maintenance, conservation, conversion, modernisation and repairs of vessels, FPSOs and any other floating structures	100	100
JED Centre Sdn. Bhd. ⁽²⁾	Malaysia	Render services for engineering	100	100
Jurong Autoblast Services Pte Ltd ⁽¹⁾	Singapore	Surface preparation of steel plates, structures and marine engineering services	100	100
Jurong Brazil-Singapore Pte Ltd	Singapore	Liquidated	–	100
Jurong do Brasil Prestacao de Servicos Ltda ⁽²⁾	Brazil	Render services for engineering, construction, assembling, installation, maintenance, conservation, conversion, modernisation and repairs of equipment, machinery, systems, piping, structures and accessories in the marine and offshore fields	100	100
Jurong Marine Contractors Private Limited ⁽¹⁾	Singapore	Provision of contract services	100	100

41. Group entities *(cont'd)*

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2013 %	2012 %
Subsidiaries and joint venture of Jurong Shipyard Pte Ltd <i>(cont'd)</i>				
Jurong Netherlands B.V. ⁽⁴⁾	Netherlands	Investment holding	100	100
Jurong Offshore Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100	100
Jurong Solutions Pte. Ltd. ⁽¹⁾	Singapore	Provision of management and technical services	100	100
Marine Housing Services Pte Ltd ⁽³⁾	Singapore	Provision of dormitory housing services	50	50
Shanghai Jurong Marine Engineering & Technology Co Ltd ⁽³⁾	People's Republic of China	Research and development of technologies for civil ships and equipment for oceanics industries and provision of related technical consultation services	70	70
Subsidiary of Karimun Shiprepair and Engineering Pte Ltd				
P.T. Karimun Sembawang Shipyard ⁽³⁾	Indonesia	Ship repair and related services	100	100
Subsidiaries of PPL Shipyard Pte Ltd				
Baker Marine Pte Ltd ⁽¹⁾	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	85	85
Baker Marine Services (HK) Limited ⁽²⁾	Hong Kong	Provision of rig designs	85	85
Baker Marine Technology Inc. ⁽⁴⁾	United States of America	Engineering design, research and development, marketing and client services support centre	85	85
Subsidiaries, associate and joint venture of Sembawang Shipyard Pte Ltd				
Ecospec Global Technology Pte Ltd ⁽¹⁾	Singapore	Provision of environmental engineering services	20	20
Equinox Offshore ARV3 B.V. ⁽⁴⁾	Netherlands	Shipowner	100	–
Sembawang Shipyard Project Services Pte Ltd ⁽¹⁾	Singapore	Marine services and rental of premises	100	100
Sembawang Shipyard (S) Pte Ltd ⁽¹⁾	Singapore	Investment holding	100	100
Sembawang Shipyard Services Pte Ltd ⁽¹⁾	Singapore	Marine services	100	100
Sembmarine Kakinada Limited ⁽³⁾	India	Ship repair, conversion, building and related activities	40	40
SES Engineering (M) Sdn Bhd ⁽²⁾	Malaysia	Fabrication of metal structures	100	100
SES Marine Services (Pte) Ltd ⁽¹⁾	Singapore	Marine services	100	100

41. Group entities (cont'd)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group	
			2013 %	2012 %
Subsidiaries of Sembcorp Holdings, LLC				
Sabine Offshore Services Inc ⁽⁴⁾	United States of America	Inactive	100	100
Sembcorp-Sabine Industries Inc ⁽⁴⁾	United States of America	Investment holding	100	100
Sembcorp-Sabine Shipyard Inc ⁽⁴⁾	United States of America	Rig and vessel enhancement and upgrading services	100	100
Subsidiaries and associates of SMOE Pte Ltd				
HQSM Engineering Pte Ltd ⁽³⁾	Singapore	Engineering, procurement and construction for oil and gas related business	Note (a)	49
PT SMOE Indonesia ⁽²⁾	Indonesia	Engineering, construction and fabrication of offshore structures	90	90
Sembmarine North Sea Limited ⁽²⁾	United Kingdom	Investment holding	70	70
Sembmarine SLP Limited ⁽²⁾	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	70	70
Shenzhen Chiwan Offshore Petroleum Engineering Company Ltd (formerly known as Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co. Ltd) ⁽³⁾	People’s Republic of China	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea	35	35
Straits Offshore Pte Ltd ⁽¹⁾	Singapore	Hook-up, commissioning and maintenance of offshore oil and gas production facilities	100	100
Straits Overseas Pte Ltd ⁽¹⁾	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100

(1) Audited by KPMG LLP, Singapore

(2) Audited by overseas affiliates of KPMG LLP

(3) Audited by other firms

(4) These companies are not required to be audited under the laws of their country of incorporation

Note (a) On 25 June 2013, SMOE Pte Ltd divested 30 per cent of its 49 per cent equity stake in HQSM Engineering Pte Ltd (HQSM). Following the divestment, the retained 19 per cent equity stake in HQSM was reclassified to 'Other financial assets'.

42. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting period beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

Applicable for the Group's 2014 financial statements

FRS 110 *Consolidated Financial Statements* introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure, or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, FRS 110 requires the Group to consolidate investees that it controls on the basis of de facto circumstances. The management anticipates that the adoption of FRS 110 in 2014 will not have a material impact on the financial statements of the Group and of the Company.

FRS 111 *Joint Arrangements* introduces a number of changes. The "types" of joint arrangements have been reduced to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated and equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations currently. The management anticipates that the adoption of FRS 111 in 2014 will not have a material impact on the financial statements of the Group and of the Company.

FRS 112 *Disclosure of Interests in Other Entities* requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities. The management anticipates that the adoption of FRS 112 in 2014 will not have a material impact on the financial statements of the Group and of the Company.

(Under SGX-ST Listing Manual requirements)

A Directors' and Key Executives' Remuneration Earned for the Year

Summary compensation table for the year ended 31 December 2013

Name of Director	Salary ¹ \$'000	Bonus Earned \$'000	Fair value of share-based compensation granted for the year ² \$'000	Directors' Fees		Brought Forward Bonus Bank ⁵ \$'000
				Cash- based \$'000	Share- based ⁴ \$'000	
Payable by the Company:						
Goh Geok Ling ³	—	—	—	287	—	—
Tan Sri Mohd Hassan Marican	—	—	—	174	75	—
Wong Weng Sun	866	2,758	865	—	—	9,230
Ajaib Haridass	—	—	—	170	73	—
Tang Kin Fei ³	—	—	—	154	66	—
Ron Foo Siang Guan	—	—	—	154	66	—
Lim Ah Doo	—	—	—	149	64	—
Koh Chiap Khiong ³	—	—	—	98	42	—
Eric Ang Teik Lim ³	—	—	—	68	—	—
Eddie Teh Ewe Guan ³	—	—	—	103	—	—
	866	2,758	865	1,357	386	9,230

Payable by Subsidiaries:

Goh Geok Ling ³	—	—	—	84	—	—
Tang Kin Fei ³	—	—	—	79	—	—
Koh Chiap Khiong ³	—	—	—	55	—	—
	—	—	—	218	—	—

Name of Key Executive	Salary ¹ \$'000	Bonus Earned \$'000	Fair value of share-based compensation granted for the year ² \$'000	Directors' Fees		Brought Forward Bonus Bank ⁵ \$'000
				Cash- based \$'000	Share- based \$'000	
Ong Poh Kwee	451	901	289	—	—	3,357
Tan Cheng Tat	356	467	180	—	—	986
Ho Nee Sin	362	630	—	—	—	1,214
Douglas Tan Ah Hwa ⁶	321	—	—	—	—	—
Wong Teck Cheong ⁶	230	850	—	—	—	—
Freddie Woo Fong Wah	201	285	39	—	—	—
	1,921	3,133	508	—	—	5,557

Notes:

- The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
- The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executives will not be vested with any shares.

3. Mr Goh Geok Ling and Mr Eddie Teh Ewe Guan, both of whom will retire at the forthcoming annual general meeting, will receive their Directors' fees entirely in cash. Mr Eric Ang Teik Lim's Director's fee will be paid entirely in cash to his employer, DBS Bank Ltd. Cash portion of the Directors' fees for Mr Tang Kin Fei and Mr Koh Chiap Khiong, nominee Directors from Sembcorp Industries Ltd ("SCI"), will be paid to SCI.

4. To align the interests of the non-executive Directors with the interests of shareholders, up to 30% of the aggregate Directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010.

For year 2013, the awards granted under the Sembcorp Marine Restricted Share Plan 2010 to all Directors as part of their Directors' fees (except for (i) Mr Wong Weng Sun, who is the President & CEO, and who does not receive any Directors' fees, (ii) Mr Eric Ang Teik Lim, and (iii) Mr Goh Geok Ling and Mr Eddie Teh Ewe Guan) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. These non-executive Directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently S\$65,000), any excess may be sold as desired. These non-executive Directors can dispose of all of the shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive Director, (other than Mr Eric Ang Teik Lim, Mr Goh Geok Ling and Mr Eddie Teh Ewe Guan) will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (SGX-ST) over the 14 trading days immediately following the date of the Annual General Meeting. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

5. The Brought Forward Bonus Bank is the outstanding balance of bonus as at 31 December 2013 (excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus comprising Bonus Earned in the financial year and the Brought Forward Bonus is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the Bonus Bank.
6. Mr Douglas Tan Ah Hwa was Managing Director of PPL Shipyard Pte Ltd until 14 June 2013. Mr Wong Teck Cheong succeeded Mr Tan as the Managing Director of PPL Shipyard on 14 June 2013.

Details on the share options, performance shares and restricted shares granted to the directors are set out in the Share-based Incentive Plans of the Directors' Report.

(Under SGX-ST Listing Manual requirements)

B. Interested Person Transactions

Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual

	2013 \$'000	2012 \$'000
Transaction for the Sales of Goods and Services		
Temasek Holdings (Private) Limited and its associates	–	54,256
PSA International Pte Ltd and its associates	3,256	2,941
Transaction for the Purchase of Goods and Services		
Sembcorp Industries Limited and its associates	2,917	4,115
PSA International Pte Ltd and its associates	650	105
Singapore Technologies Engineering Ltd and its associates	3,230	212
Singapore Technologies Telemedia Pte Ltd and its associates	539	1,618
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	10,842	63,497
Treasury Transactions		
As at 31 December		
Placement of Funds from		
Sembcorp Industries Limited and its associates	200,000	–

Location	Description & Approximate Land Area	Tenure	Usage
Jurong Shipyard			
• Jalan Samulun	Land area: 198,098m ² Buildings, workshops, drydocks and quays	Leasehold	Ship repairs including drydock, berthage and workshops
• Tanjong Kling Road	Land area: 491,055m ² Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal (JTC Land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
Sembawang Shipyard			
• Admiralty Road East/ Admiralty Road West	Land area: 866,705m ² Buildings, workshops, docks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage and workshops
PPL Shipyard			
• Pandan Road	Land area: 141,791m ²	15 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
• Pandan Road	Land area: 9,182m ²	30 years leasehold (JTC Land)	Leg component fabrication
• Tuas Crescent	Land area: 58,226m ²	9.5 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
Jurong SML			
• Shipyard Road	Land area: 63,300m ² Buildings, workshops and drydocks	6 years leasehold (JTC Land)	Ship repairs and shipbuilding including drydocks, berthage and workshops
• Tuas Road	Land area: 59,942m ² Buildings, workshops, docks and quays	14 years leasehold (JTC Land)	Shipbuilding and fabrication including berthage and workshops
P.T. Karimun Sembawang Shipyard			
• Karimun Island, Indonesia	Land area: 307,000m ² Buildings, workshops and wharves	30 years leasehold with option for 20 years plus another option for 30 years	Ship repair and fabrication including berthage and workshops
JPL Industries			
• Jurong Pier Road	Land area: 27,783m ²	20 years leasehold (JTC Land)	Copper slag recycling

Location	Description & Approximate Land Area	Tenure	Usage
SES Engineering Sdn Bhd			
• Perindustrian Taman Johor, Johor Bahru	Land area: 5,235m ² Workshop and 3-storey office building	Freehold	Metal fabrication workshop
P.T. SMOE Indonesia			
• Batam Island, Indonesia	Land area: 685,300m ² Workshops, office buildings and 547 metres of jetty for modules load out	30 years leasehold	Workshops and fabrication facilities
Sembmarine Integrated Yard @ Tuas			
• Tuas South Boulevard Phase I	Land area: 733,104m ² Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, rig repairs and upgrading, ship conversion and offshore activities
• Tuas South Boulevard Phase II (under development)	Land area: 345,600m ²	30 plus 30 years leasehold (JTC land)	Ship repairs, rig repairs and upgrading, ship conversion and offshore activities
Estaleiro Jurong Aracruz			
• Municipal of Aracruz, State of Espirito Santo, Brazil	Land area: 825,000m ² Slipways, berthing quays, drydock, ancillary steel and piping facilities	Freehold	Drillships construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
Sembmarine SLP Ltd			
• Lowestoft, Suffolk, UK	Land area: 55,000m ² Workshops and office building	Freehold and leasehold land ranges from 22 to 99 years	Workshops and fabrication facilities
Mendon Spring			
• Pasir Panjang	9 units of 3-room apartment with built-in area of 99m ² per unit	Freehold	Residential properties

Sembcorp Marine Ltd

Notice of Annual General Meeting

Company Registration No. 196300098Z

(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN THAT the 51st Annual General Meeting of Sembcorp Marine Ltd (the “**Company**”) will be held at 29 Tanjong Kling Road, Singapore 628054 on 22 April 2014 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

- | | | |
|---|---|--|
| 1 | To receive and adopt the Directors’ Report and Audited Financial Statements for the year ended 31 December 2013 and the Auditors’ Report thereon. | Resolution 1 |
| 2 | To declare a final one-tier tax exempt dividend of 6 cents per ordinary share and a final one-tier tax exempt special dividend of 2 cents per ordinary share for the year ended 31 December 2013. | Resolution 2 |
| 3 | To re-elect the following directors, each of whom will retire by rotation pursuant to Article 91 of the Company’s Articles of Association and who, being eligible, will offer themselves for re-election:

(a) Mr Lim Ah Doo
(b) Mr Wong Weng Sun
(c) Mr Koh Chiap Khiong | Resolution 3
Resolution 4
Resolution 5 |
| 4 | To re-elect Mr Eric Ang Teik Lim, a director who will cease to hold office pursuant to Article 97 of the Company’s Articles of Association and who, being eligible, will offer himself for re-election.

<i>(Mr Eddie Teh Ewe Guan, a director who will also cease to hold office pursuant to Article 97 of the Company’s Articles of Association, will not be offering himself for re-election.</i>
<i>Mr Goh Geok Ling, a director who will retire under Section 153 of the Companies Act, Cap. 50, will not be offering himself for re-election.)</i> | Resolution 6 |
| 5 | To approve the sum of S\$1,742,166 (2012: S\$1,365,248) as directors’ fees for the year ended 31 December 2013 comprising:

(a) S\$1,357,266 to be paid in cash (2012: S\$955,674), and

(b) S\$384,900 to be paid in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010 (2012: S\$409,574), with the number of shares to be awarded rounded down to the nearest hundred and any residual balance settled in cash. | Resolution 7 |
| 6 | To re-appoint KPMG LLP as Auditors of the Company and authorise the directors to fix their remuneration. | Resolution 8 |

Notice of Annual General Meeting

Company Registration No. 196300098Z

(Incorporated in the Republic of Singapore)

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:

7 That authority be and is hereby given to the directors of the Company to: Resolution 9

- (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 5% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares) at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (ii) any subsequent bonus issue or consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in General Meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notice of Annual General Meeting

Company Registration No. 196300098Z

(Incorporated in the Republic of Singapore)

8 That approval be and is hereby given to the directors to:

Resolution 10

- (a) grant awards in accordance with the provisions of the Sembcorp Marine Performance Share Plan 2010 (the “**Performance Share Plan**”) and/or the Sembcorp Marine Restricted Share Plan 2010 (the “**Restricted Share Plan**”) (the Performance Share Plan and the Restricted Share Plan, together the “**Share Plans**”); and
- (b) allot and issue from time to time such number of ordinary shares in the capital of the Company as may be required to be delivered pursuant to the vesting of awards under the Share Plans,

provided that:

- (i) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time; and
- (ii) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this Annual General Meeting and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time.

9 To transact any other business.

By Order of the Board

Tan Yah Sze/Kwong Sook May
Joint Company Secretaries

3 April 2014

Explanatory Notes:

Resolutions 3 to 6 – Detailed information on these directors can be found under the Board of Directors and Corporate Governance Report sections in the Annual Report 2013

Resolution 3 – If re-elected, Mr Lim Ah Doo, an independent director, will remain as the Chairman of the Audit Committee.

Resolution 5 – If re-elected, Mr Koh Chiap Khiong, a non-independent and non-executive director, will be appointed as a member of the Audit Committee.

Resolution 7 – This resolution is to approve the payment of directors’ fees, comprising a cash component and a share component. Detailed information on directors’ fees is set out under “Remuneration Matters” in the Corporate Governance Report section in the Annual Report 2013 (see page 42). Directors and their associates will abstain from voting on Resolution 7.

Notice of Annual General Meeting

Company Registration No. 196300098Z

(Incorporated in the Republic of Singapore)

The directors' fees will only be paid after shareholders' approval has been obtained at the upcoming Annual General Meeting ("**AGM**"). 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 will be paid out in the form of restricted share awards under the Sembcorp Marine Restricted Share Plan 2010.

For year 2013, the awards granted under the Sembcorp Marine Restricted Share Plan 2010 to all directors as part of their directors' fees (except for (i) Mr Wong Weng Sun, who is the President & Chief Executive Officer, and who does not receive any directors' fees, (ii) Mr Eric Ang Teik Lim, whose directors' fee will be paid entirely in cash to his employer, DBS Bank Ltd, and (iii) Mr Goh Geok Ling and Mr Eddie Teh Ewe Guan, both of whom will retire at the upcoming AGM and who will each receive his directors' fee entirely in cash) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares to be awarded to each non-executive director (other than Mr Eric Ang Teik Lim, Mr Goh Geok Ling and Mr Eddie Teh Ewe Guan who, as stated above, will not receive any directors' fees in shares) 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 Resolution 2 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.

Statement pursuant to Article 54 of the Articles of Association of the Company:

Resolution 9 – This resolution is to empower the directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares in the capital of the Company excluding treasury shares, of which up to 5% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time that Resolution 9 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 9 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

Resolution 10 – This resolution is to empower the directors to offer and grant awards pursuant to the Sembcorp Marine Performance Share Plan 2010 and the Sembcorp Marine Restricted Share Plan 2010 (collectively, the "**Share Plans**") and to issue ordinary shares in the capital of the Company pursuant to the vesting of awards granted pursuant to the Share Plans provided that: (a) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued, (ii) existing ordinary shares (including shares held in treasury) delivered and/or to be delivered, and (iii) ordinary shares released and/or to be released in the form of cash in lieu of shares, pursuant to the Share Plans, shall not exceed 7% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time; and (b) the aggregate number of ordinary shares under awards to be granted pursuant to the Share Plans during the period commencing from this AGM and ending on the date of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time. Approval for the adoption of the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on 20 April 2010. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 29 Tanjong Kling Road, Singapore 628054 not later than 48 hours before the time of the Annual General Meeting.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on 30 April 2014 to determine the members' entitlements to the proposed dividend.

Duly completed transfers in respect of ordinary shares in the capital of the Company together with all relevant documents of title received by the Company's Share Registrar, KCK Corpserve Pte Ltd, 333 North Bridge Road #08-00 KH KEA Building, Singapore 188721, up to 5.00 p.m. on 29 April 2014 (the "Book Closure Date") will be registered to determine members' entitlements to the proposed dividend. Subject as aforesaid, members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on the Book Closure Date will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the 51st Annual General Meeting, will be paid on 14 May 2014.



Company Registration No. 196300098Z
(Incorporated in the Republic of Singapore)

PROXY FORM IMPORTANT

1. For investors who have used their CPF monies to buy Sembcorp Marine Ltd's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

I/We _____ (Name) _____ (NRIC/Passport No.)
of _____ (Address)

being a member/members of Sembcorp Marine Ltd hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the 51st Annual General Meeting of the Company to be held at 29 Tanjong Kling Road, Singapore 628054 on Tuesday, 22 April 2014 at 11.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
Ordinary Business			
1	To adopt the Directors' Report and Accounts		
2	To declare final dividend		
3	To re-elect Mr Lim Ah Doo		
4	To re-elect Mr Wong Weng Sun		
5	To re-elect Mr Koh Chiap Khiong		
6	To re-elect Mr Eric Ang Teik Lim		
7	To approve directors' fees		
8	To re-appoint KPMG LLP as Auditors and to fix their remuneration		
Special Business			
9	To approve Share Issue Mandate		
10	To authorize the directors to grant awards and issue shares under Sembcorp Marine's Share Plans		

Total Number of Shares Held

Signature(s) of Member(s) or Common Seal of Member(s)

Date

IMPORTANT: PLEASE READ NOTES BELOW

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 29 Tanjong Kling Road, Singapore 628054 not later than 48 hours before the time appointed for the Annual General Meeting. The sending of a proxy form by a shareholder does not preclude him from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant proxy forms will be deemed to be revoked.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Affix
Postage
Stamp

The Company Secretary
Sembcorp Marine Ltd
29 Tanjong Kling Road
Singapore 628054
