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General Information

Sembcorp Marine Ltd and Subsidiary Companies

Directors

Goh Geok Ling	Chairman
Tan Kwi Kin	Group President and CEO
Tan Pheng Hock	
Kiyotaka Matsuzawa	
Tan Tew Han	
Ajaib Haridass	
Tang Kin Fei	
Ron Foo Siang Guan	
Joseph Kwok Sin Kin	
Ngiam Joke Mui	(Appointed on 24 November 2007)
Wong Weng Sun	(Alternate to Tan Kwi Kin)
Hirohiko Sakurai	(Alternate to Kiyotaka Matsuzawa)

Secretaries

Tan Yah Sze	
Kwong Sook May	(Appointed on 28 November 2007)

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

Ernst & Young
Audit Partner
Daniel Soh (with effect from 2003)

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

The Directors present their report to the members together with the audited financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiary companies (collectively, the "Group") for the year ended 31 December 2007.

Directors of the Company

The names of the Directors of the Company in office at the date of this report are:

Goh Geok Ling	Chairman
Tan Kwi Kin	Group President and CEO
Tan Pheng Hock	
Kiyotaka Matsuzawa	
Tan Tew Han	
Ajaib Haridass	
Tang Kin Fei	
Ron Foo Siang Guan	
Joseph Kwok Sin Kin	
Ngiam Joke Mui	(Appointed on 24 November 2007)
Wong Weng Sun	(Alternate to Tan Kwi Kin)
Hirohiko Sakurai	(Alternate to Kiyotaka Matsuzawa)

Arrangements to enable Directors to acquire shares and debentures

Other than the Sembcorp Marine Share Plans and Sembcorp Industries Share Plans, neither at the end of the financial year, nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares, share options and debentures

The following Directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares, share options, or debentures of the ultimate holding company, Sembcorp Industries Ltd ("SCI"), or any other related corporations as stated below:

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Goh Geok Ling						
Sembcorp Marine Ltd	Options to subscribe for ordinary shares* - at \$2.38 per share	03/10/2007 to 02/10/2011	140,000	196,000	-	-
	Conditional award of 30,800 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 40,040	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Directors' interests in shares, share options and debentures (cont'd)

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Goh Geok Ling						
Sembcorp Industries Ltd	Ordinary shares	-	197,500	202,500	131,600	131,600
	Options to subscribe for ordinary shares ** - at \$1.23 per share	8/5/2003 to 7/5/2007	25,000	-	-	-
	- at \$0.62 per share	18/10/2003 to 17/10/2007	12,500	-	-	-
	- at \$0.78 per share	3/6/2004 to 2/6/2008	18,750	6,250	-	-
	- at \$0.93 per share	19/11/2004 to 18/11/2008	18,750	6,250	-	-
	- at \$0.99 per share	18/5/2005 to 17/5/2009	25,000	12,500	-	-
	- at \$1.16 per share	23/11/2005 to 22/11/2009	25,000	12,500	-	-
	- at \$2.37 per share	2/7/2006 to 1/7/2010	35,000	26,250	-	-
	- at \$2.36 per share	22/11/2006 to 21/11/2010	35,000	26,250	-	-
	- at \$2.52 per share	10/6/2007 to 9/6/2011	70,000	70,000	-	-
	Conditional award of 13,982 restricted shares to be delivered after 2008 (Note 3b)**	-	-	0 to 18,177	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Tan Kwi Kin						
Sembcorp Marine Ltd	Ordinary shares	-	2,891,200	5,033,280	-	-
	Options to subscribe for ordinary shares* - at \$0.64 per share	8/11/2003 to 7/11/2012	400,000	-	-	-
	- at \$0.71 per share	9/8/2004 to 8/8/2013	800,000	1,120,000	-	-
	- at \$0.74 per share	11/8/2005 to 10/8/2014	700,000	980,000	-	-
	- at \$2.11 per share	12/8/2006 to 11/8/2015	700,000	980,000	-	-
	- at \$2.38 per share	3/10/2007 to 2/10/2016	300,000	420,000	-	-
	Conditional award of 380,000 performance shares to be delivered after 2006 (Note 1a)	-	0 to 760,000	-	-	-
	Conditional award of 420,000 performance shares to be delivered after 2007 (Note 2a)*	-	0 to 450,000	0 to 630,000	-	-
	Conditional award of 350,000 performance shares to be delivered after 2008 (Note 2b)*	-	0 to 375,000	0 to 525,000	-	-
	Conditional award of 350,000 performance shares to be delivered after 2009 (Note 2c)*	-	-	0 to 525,000	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Directors' interests in shares, share options and debentures (cont'd)

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Tan Kwi Kin						
Sembcorp Marine Ltd (cont'd)	Conditional award of 88,200 restricted shares to be delivered after 2007 (Note 3a)*	-	0 to 81,900	0 to 114,660	-	-
	Conditional award of 140,000 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 182,000	-	-
Sembcorp Industries Ltd	Ordinary shares	-	99,625	112,125	-	-
	Options to subscribe for ordinary shares** - at \$0.78 per share	3/6/2004 to 2/6/2013	3,125	3,125	-	-
	- at \$0.93 per share	19/11/2004 to 18/11/2013	6,250	3,125	-	-
	- at \$0.99 per share	18/5/2005 to 17/5/2014	6,250	6,250	-	-
	- at \$1.16 per share	23/11/2005 to 22/11/2014	9,375	6,250	-	-
	- at \$2.37 per share	2/7/2006 to 1/7/2015	12,500	9,375	-	-
	- at \$2.36 per share	22/11/2006 to 21/11/2015	12,500	9,375	-	-
	- at \$2.52 per share	10/6/2007 to 9/6/2016	25,000	25,000	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Tan Pheng Hock						
Sembcorp Marine Ltd	Ordinary shares	-	20,000	183,750	-	-
	Options to subscribe for ordinary shares* - at \$0.64 per share	8/11/2003 to 7/11/2007	40,000	-	-	-
	- at \$0.71 per share	9/8/2004 to 8/8/2008	50,000	17,500	-	-
	- at \$0.74 per share	11/8/2005 to 10/8/2009	50,000	35,000	-	-
	- at \$2.11 per share	12/8/2006 to 11/8/2010	35,000	36,750	-	-
	- at \$2.38 per share	3/10/2007 to 2/10/2011	35,000	49,000	-	-
	Conditional award of 14,700 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 19,110	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Directors' interests in shares, share options and debentures (cont'd)

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Kiyotaka Matsuzawa						
Sembcorp Marine Ltd	Options to subscribe for ordinary shares * - at \$0.64 per share	8/11/2003 to 7/11/2007	100,000	-	-	-
		9/8/2004 to 8/8/2008	130,000	45,500	-	-
	- at \$0.71 per share	11/8/2005 to 10/8/2009	100,000	140,000	-	-
		12/8/2006 to 11/8/2010	35,000	49,000	-	-
	- at \$2.11 per share	3/10/2007 to 2/10/2011	35,000	49,000	-	-
		Conditional award of 12,600 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 16,380	-
Tan Tew Han						
Sembcorp Marine Ltd	Ordinary shares	-	18,000	25,200	-	-
	Options to subscribe for ordinary shares* - at \$0.71 per share	9/8/2004 to 8/8/2008	57,000	79,800	-	-
		11/8/2005 to 10/8/2009	150,000	210,000	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Tan Tew Han						
Sembcorp Marine Ltd (cont'd)	Options to subscribe for ordinary shares* - at \$2.11 per share	12/8/2006 to 11/8/2010	140,000	196,000	-	-
		3/10/2007 to 2/10/2011	140,000	196,000	-	-
	Conditional award of 28,700 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 37,310	-	-
Ajaib Haridass						
Sembcorp Marine Ltd	Ordinary shares	-	90,000	241,500	-	-
		Options to subscribe for ordinary shares* - at \$0.74 per share	11/8/2005 to 10/8/2009	65,000	45,500	-
	- at \$2.11 per share	12/8/2006 to 11/8/2010	75,000	70,000	-	-
		3/10/2007 to 2/10/2011	100,000	105,000	-	-
	Conditional award of 28,700 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 37,310	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Directors' interests in shares, share options and debentures (cont'd)

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Tang Kin Fei						
Sembcorp Marine Ltd	Ordinary shares	-	-	38,500	-	-
	Options to subscribe for ordinary shares* - at \$2.11 per share	12/8/2006 to 11/8/2010	20,000	14,000	-	-
	- at \$2.38 per share	3/10/2007 to 2/10/2011	70,000	73,500	-	-
	Conditional award of 18,900 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 24,570	-	-
Sembcorp Industries Ltd	Ordinary shares	-	1,121,105	1,181,841	-	-
	Options to subscribe for ordinary shares** - at \$1.90 per share	20/5/2001 to 19/5/2009	150,000	-	-	-
	- at \$1.63 per share	27/6/2001 to 26/6/2010	260,000	-	-	-
	- at \$1.19 per share	20/4/2002 to 19/4/2011	75,000	-	-	-
	- at \$1.23 per share	8/5/2003 to 7/5/2012	87,500	-	-	-
	- at \$0.62 per share	18/10/2003 to 17/10/2012	43,750	-	-	-
	- at \$0.78 per share	3/6/2004 to 2/6/2013	50,000	50,000	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Tang Kin Fei						
Sembcorp Industries Ltd (cont'd)	Options to subscribe for ordinary shares** - at \$0.93 per share	19/11/2004 to 18/11/2013	100,000	50,000	-	-
	- at \$0.99 per share	18/5/2005 to 17/5/2014	100,000	100,000	-	-
	- at \$1.16 per share	23/11/2005 to 22/11/2014	150,000	100,000	-	-
	- at \$2.37 per share	2/7/2006 to 1/7/2015	300,000	300,000	-	-
	- at \$2.36 per share	22/11/2006 to 21/11/2015	300,000	300,000	-	-
	- at \$2.52 per share	10/6/2007 to 9/6/2016	300,000	300,000	-	-
	Conditional award of 209,400 performance shares to be delivered after 2006 (Note 1b)	-	0 to 418,800	-	-	-
	Conditional award of 427,836 performance shares to be delivered after 2007 (Note 2a)**	-	0 to 628,800	0 to 641,754	-	-
	Conditional award of 428,244 performance shares to be delivered after 2008 (Note 2b)**	-	0 to 629,400	0 to 642,366	-	-
	Conditional award of 70,189 restricted shares to be delivered after 2007 (Note 3a)**	-	0 to 89,404	0 to 91,246	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Directors' interests in shares, share options and debentures (cont'd)

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Tang Kin Fei						
Sembcorp Industries Ltd (cont'd)	Conditional award of 408,240 performance shares to be delivered after 2009 (Note 2c)**	-	-	0 to 612,360	-	-
	Conditional award of 128,596 restricted shares to be delivered after 2008 (Note 3b)**	-	-	0 to 167,175	-	-
Wong Weng Sun						
Sembcorp Marine Ltd	Ordinary shares	-	92,500	668,850	-	-
	Options to subscribe for ordinary shares* - at \$0.47 per share	28/9/2002 to 27/9/2011	31,500	-	-	-
	- at \$0.64 per share	8/11/2003 to 7/11/2012	140,000	-	-	-
	- at \$0.71 per share	9/8/2004 to 8/8/2013	165,000	57,750	-	-
	- at \$0.74 per share	11/8/2005 to 10/8/2014	180,000	126,000	-	-
	- at \$2.11 per share	12/8/2006 to 11/8/2015	250,000	350,000	-	-
	- at \$2.38 per share	3/10/2007 to 2/10/2016	125,000	175,000	-	-
	Conditional award of 210,000 performance shares to be delivered after 2007 (Note 2a)*	-	0 to 225,000	0 to 315,000	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Wong Weng Sun						
Sembcorp Marine Ltd (cont'd)	Conditional award of 140,000 performance shares to be delivered after 2008 (Note 2b)*	-	0 to 150,000	0 to 210,000	-	-
	Conditional award of 175,000 performance shares to be delivered after 2009 (Note 2c)*	-	-	0 to 262,500	-	-
	Conditional award of 37,800 restricted shares to be delivered after 2007 (Note 3a)*	-	0 to 35,100	0 to 49,140	-	-
	Conditional award of 70,000 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 91,000	-	-
Sembcorp Industries Ltd	Ordinary shares	-	-	37,500	-	-
	Options to subscribe for ordinary shares ** - at \$1.19 per share	20/4/2002 to 19/4/2011	10,000	-	-	-
	- at \$1.23 per share	8/5/2003 to 7/5/2012	5,000	-	-	-
	- at \$0.62 per share	18/10/2003 to 17/10/2012	2,500	-	-	-
	- at \$0.78 per share	3/6/2004 to 2/6/2013	3,750	1,250	-	-
	- at \$0.93 per share	19/11/2004 to 18/11/2013	3,750	1,250	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Directors' interests in shares, share options and debentures (cont'd)

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Wong Weng Sun						
Sembcorp Industries Ltd (cont'd)	Options to subscribe for ordinary shares** - at \$0.99 per share	18/5/2005 to 17/5/2014	5,000	2,500	-	-
		23/11/2005 to 22/11/2014	15,000	7,500	-	-
	- at \$1.16 per share	2/7/2006 to 1/7/2015	10,000	7,500	-	-
		22/11/2006 to 21/11/2015	10,000	7,500	-	-
	- at \$2.37 per share	10/6/2007 to 9/6/2016	14,000	14,000	-	-
Sembcorp Marine Ltd	Ordinary shares	-	50,000	70,000	-	-
	Options to subscribe for ordinary shares * - at \$2.38 per share	3/10/2007 to 2/10/2011	20,000	28,000	-	-
	Conditional award of 18,900 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 24,570	-	-
Ron Foo Siang Guan						
Sembcorp Marine Ltd	Ordinary shares	-	-	-	30,000	30,000
	Options to subscribe for ordinary shares * - at \$2.38 per share	3/10/2007 to 2/10/2011	20,000	28,000	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Ron Foo Siang Guan						
Sembcorp Marine Ltd (cont'd)	Conditional award of 19,600 restricted shares to be delivered after 2008 (Note 3b)*	-	-	0 to 25,480	-	-
Sembcorp Industries Ltd	Ordinary shares	-	17,820	17,820	-	-
Ngiam Joke Mui #						
Sembcorp Marine Ltd	Ordinary shares	-	129,500	136,500	-	-
		Options to subscribe for ordinary shares * - at \$0.74 per share	11/8/2005 to 10/8/2014	10,500	10,500	-
	- at \$2.11 per share	12/8/2006 to 11/8/2015	21,000	21,000	-	-
		- at \$2.38 per share	3/10/2007 to 2/10/2016	28,000	21,000	-
	Sembcorp Industries Ltd	Ordinary shares	-	427,110	514,610	24,250
Sembcorp Industries Ltd	Options to subscribe for ordinary shares ** - at \$0.93 per share	19/11/2004 to 18/11/2013	25,000	-	-	-
		- at \$0.99 per share	18/5/2005 to 17/5/2014	31,250	31,250	-
	- at \$1.16 per share	23/11/2005 to 22/11/2014	62,500	31,250	-	-
		- at \$2.37 per share	2/7/2006 to 1/7/2015	62,500	62,500	-
	- at \$2.36 per share	22/11/2006 to 21/11/2015	93,750	62,500	-	-

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Directors' interests in shares, share options and debentures (cont'd)

Name of Director and corporation in which interest held	Description of interests	Exercise period	Shareholdings registered in the name of Director		Other shareholdings in which the Director is deemed to have an interest	
			At beginning of the year	At end of the year	At beginning of the year	At end of the year
Ngiam Joke Mui #						
Sembcorp Industries Ltd (cont'd)	Options to subscribe for ordinary shares ** - at \$2.52 per share	10/6/2007 to 9/6/2016	93,750	93,750	-	-
	Conditional award of 85,567 performance shares to be delivered after 2007 (Note 2a)**	-	0 to 128,357	0 to 128,357	-	-
	Conditional award of 85,649 performance shares to be delivered after 2008 (Note 2b)**	-	0 to 128,484	0 to 128,484	-	-
	Conditional award of 81,648 performance shares to be delivered after 2009 (Note 2c)**	-	0 to 122,472	0 to 122,472	-	-
	Conditional award of 29,245 restricted shares to be delivered after 2007 (Note 3a)**	-	0 to 38,019	0 to 38,019	-	-
	Conditional award of 53,582 restricted shares to be delivered after 2008 (Note 3b)**	-	0 to 69,657	0 to 69,657	-	-

At date of appointment of Director.

* The subscription price and number of options and conditional award of performance and restricted shares of Sembcorp Marine Ltd were adjusted in connection with the bonus issue of 2 new shares for every 5 existing shares in the capital of Sembcorp Marine Ltd in September 2007 ("Bonus Issue").

** Option price was adjusted during the year pursuant to special dividend of S\$0.16 per share in the Share Capital of Sembcorp Industries Ltd in April 2007.

Note 1: The actual number delivered will depend on the achievement of set targets over a 3-year-period from 2004 to 2006. Achievement of target below targets level will mean no performance shares will be delivered, while achievement up to 200% will mean up to twice the number of conditional performance shares awarded could be delivered.

(a) For this period, 304,000 shares were awarded and the balance of the conditional awards has thus lapsed.

(b) For this period, 144,486 shares were awarded and the balance of the conditional awards has thus lapsed.

Note 2: The actual number delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below targets 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 2005 to 2007

(b) Period from 2006 to 2008

(c) Period from 2007 to 2009

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Note 3: 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 targets level will mean no restricted shares will be delivered, while achievement up to 130% will mean up to 1.3 times the number of conditional restricted shares awarded could be delivered.

(a) Period from 2006 to 2007

(b) Period from 2007 to 2008

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

There were no changes in the Directors' interests in the Company and related corporations between the end of the financial year and 21 January 2008.

Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company 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 the Director is a member, or with a company in which the Director has a substantial financial interest, except:

(a) As disclosed in Note 4 to the financial statements on the payment of professional fees to a firm in which Mr Ajaib Haridass, a Director of the Company, is a member; and

(b) Certain Directors have employment relationships with the holding company and received remuneration in those capacities.

Share-based Incentive Plans

The Company's Share Option Plan, Performance Share Plan and Restricted Stock Plan (collectively, the "Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2000.

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)

Tan Pheng Hock

Joseph Kwok Sin Kin

The Share Option Plan is the incentive scheme for directors and employees of the Company and its subsidiary companies (the "Group") whereas the Performance Share Plan and Restricted Stock Plan are aimed primarily at key executives of the Group.

The Share Option Plan provides the Company with means whereby non-executive directors and employees of the Group, and certain categories of persons who can make significant contributions through their close working relationship with the Group, such as employees of the Company's Parent Group and non-executive directors and employees of the Company's associates, are given an opportunity to participate in the equity of the Company.

Under the rules of the Share Option Plan, participants who ceased to be employed by the Group, Parent Group or Associated Company by reason of ill health, injury or disability, redundancy, retirement at or after the legal retirement age, retirement before the legal retirement age, death, etc, or any other event approved by the Committee, may be allowed by the Committee to retain their unexercised Options. The Committee may determine the number of Shares comprised in that Option which may be exercised and the period during which such Option shall be exercisable, being a period not later than the expiry of the Exercise Period in respect of that Option. Such Option may be exercised at any time notwithstanding that the date of exercise of such Option falls on a date prior to the first day of the Exercise Period in respect of such Option.

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Share-based Incentive Plans (cont'd)

The Company designates Sembcorp Industries Ltd as the Parent Group.

The Performance Share Plan and Restricted Stock Plan award fully-paid shares to participants to achieve pre-determined targets that create and enhance economic values for shareholders of the Company, and/or to accomplish time-based service conditions. Awards will be released to participants as fully-paid shares, or their equivalent cash value or combinations thereof, free-of-charge provided that the conditions of the awards are achieved and subject to approval by the Committee.

Awards granted under the Performance Share Plan are released at the end of the performance period only when the pre-determined targets have been achieved. Awards granted under the Restricted Stock Plan vest only after the satisfactory completion of time-based service conditions, or where the award is performance related, after a further period of service beyond the performance target completion date. No minimum vesting period is prescribed under the Restricted Stock Plan and the length of the vesting period in respect of each award will be determined on a case-by-case basis.

The Share Plans are intended 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.

Other information regarding the Share Option Plan is as follows:

- The exercise price of the options can be set at market price or a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant. Market price is the volume-weighted average price for the shares on the Singapore Exchange for 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.
- The options can be exercised 12 months after the grant for market price options and 24 months for discounted options. For employee retention purposes, the Group further imposed a vesting condition, in which the options are vested equally over a four-year period, commencing from the first anniversary of the date of grant.
- In 2007, all options are settled by issuance of new shares.
- The options granted expire after 5 years for non-executive directors, associated companies employees and 10 years for the employees of Group and Parent Group.

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

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

Date of grant of options	Exercise price per share*	Options outstanding at 1.1.2007	Options granted arising from bonus issue	Options exercised	Options cancelled/lapsed/not accepted	Options outstanding at 31.12.2007	Numbers of options holders (including directors) at 31.12.2007	Number of options exercisable at 1.1.2007	Number of options exercisable at 31.12.2007	Proceeds on options exercised during the year credited to share capital \$'000	Exercise period
08/09/2000	\$0.50	298,000	61,260	80,440	79,950	198,870	20	298,000	198,870	53	08/09/2001 to 07/09/2010
27/09/2001	\$0.47	510,200	108,680	333,850	25,750	259,280	37	510,200	259,280	197	28/09/2002 to 27/09/2011
07/11/2002	\$0.64	140,000	-	140,000	-	-	-	140,000	-	126	08/11/2003 to 07/11/2007 *
07/11/2002	\$0.64	3,202,450	182,700	2,688,750	182,750	513,650	93	3,202,450	513,650	2,387	08/11/2003 to 07/11/2012
08/08/2003	\$0.71	367,000	40,800	265,000	-	142,800	3	265,750	142,800	134	09/08/2004 to 08/08/2008 *
08/08/2003	\$0.71	5,311,650	721,240	3,682,150	220,250	2,130,490	192	2,358,150	2,130,490	3,663	09/08/2004 to 08/08/2013
10/08/2004	\$0.74	510,000	129,000	187,500	21,000	430,500	4	280,000	280,000	60	11/08/2005 to 10/08/2009 *
10/08/2004	\$0.74	8,968,200	2,085,380	3,726,325	471,050	6,856,205	905	2,357,200	2,412,955	3,900	11/08/2005 to 10/08/2014
11/08/2005	\$2.11	505,000	130,500	185,750	84,000	365,750	5	257,500	134,750	115	12/08/2006 to 11/08/2010 *
11/08/2005	\$2.11	13,405,650	3,803,910	3,902,275	671,950	12,635,335	978	3,146,150	3,582,935	11,562	12/08/2006 to 11/08/2015
02/10/2006	\$2.38	560,000	224,000	59,500	-	724,500	8	-	136,500	142	03/10/2007 to 02/10/2011 *
02/10/2006	\$2.38	9,224,075	3,480,850	648,335	737,100	11,319,490	1,144	-	2,388,059	1,579	03/10/2007 to 02/10/2016
		43,002,225	10,968,320	15,899,875	2,493,800	35,576,870		12,815,400	12,180,289	23,918	

* Applicable to non-executive Directors of the Company only.

Adjusted for two Bonus Shares credited as fully paid for every five existing ordinary shares.

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Share-based Incentive Plans (cont'd)

No options were granted during the year except for adjustments due to the 2 for 5 Bonus Issue. The details of options of the Company granted/exercised since commencement of the Scheme up to 31 December 2007 were as follows:

Option Participants	Aggregate options granted	Aggregate options cancelled/lapsed/not accepted	Aggregate options exercised	Options granted arising from bonus issue	Aggregate options outstanding
Directors of the Company					
Goh Geok Ling	140,000	-	-	56,000	196,000
Tan Kwi Kin	5,900,000	-	(3,400,000)	1,000,000	3,500,000
Tan Pheng Hock	230,000	-	(131,250)	39,500	138,250
Kiyotaka Matsuzawa	400,000	-	(197,500)	81,000	283,500
Tan Tew Han	505,000	-	(18,000)	194,800	681,800
Ajaib Haridass	330,000	-	(182,500)	73,000	220,500
Tang Kin Fei	90,000	-	(36,500)	34,000	87,500
Ron Foo Siang Guan	20,000	-	-	8,000	28,000
Joseph Kwok Sin Kin	20,000	-	-	8,000	28,000
Ngiam Joke Mui	105,000	-	(69,500)	17,000	52,500
Wong Weng Sun	1,006,000	-	(499,750)	202,500	708,750
Former Directors of the Company	6,310,000	-	(940,000)	127,000	5,497,000
Other executives	106,628,375	(12,426,015)	(79,174,810)	9,127,520	24,155,070
	<u>121,684,375</u>	<u>(12,426,015)</u>	<u>(84,649,810)</u>	<u>10,968,320</u>	<u>35,576,870</u>

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.

Sembcorp Marine Performance Share Plan

Under the Performance Share Plan, 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 3-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

In 2005, the Committee, with advice and assistance from an independent compensation consultant, redesigned its approach to the share-based incentive awards, with particular focus on establishing new standards for share-based incentive grants. The redesigned share-based incentive grants took into account evolving practices at other major public-listed companies, as well as the Company's objective of further enhancing linkages between employee performance and long term shareholder value creation objectives. The redesign was completed and implemented in 2005.

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

For performance share awards granted in or after 2005, the performance criteria were changed and performance levels recalibrated based on the new measures, namely Wealth Added and Total Shareholders' Return. For each performance measure, three distinct performance levels are set. A minimum of 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 new criteria, performance shares to be delivered for awards granted in 2005 will range between 0% to 150% of the original award.

Participants are also 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 short fall, they have a two calendar year period to meet the minimum percentage requirement.

During the year, a total of 369,000 (2006: 444,000) performance shares were released by the Committee to the participants for the performance period 2004 to 2006 (2006: 2003 to 2005).

The details of performance shares of the Company awarded since commencement of the Performance Share Plan up to 31 December 2007 were as follows:

Performance Shares Participants	Conditional performance shares awarded during the year	Aggregate conditional performance shares awarded	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Additional conditional performance shares awarded arising from bonus issue	Aggregate conditional performance shares outstanding
Director of the Company - Tan Kwi Kin	250,000	2,320,000	(1,094,400)	(425,600)	320,000	1,120,000
Alternate director of the Company - Wong Weng Sun	125,000	375,000	-	-	150,000	525,000
Former alternate director of the Company - Heng Chiang Gnee *	-	800,000	(461,000)	(339,000)	-	-
Key Management and Executives of the Group	325,000	900,000	-	-	360,000	1,260,000
	<u>700,000</u>	<u>4,395,000</u>	<u>(1,555,400)</u>	<u>(764,600)</u>	<u>830,000</u>	<u>2,905,000</u>

* Mr Heng Chiang Gnee was transferred to a related company, Sembcorp Environmental Management Pte Ltd on 15 August 2005 and he was not awarded any conditional shares thereafter. The actual number of conditional shares released to him was determined based on the achievement of performance criteria for the completed period of service with the Company.

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Share-based Incentive Plans (cont'd)

The total number of performance shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2007, was 2,905,000 (2006: 1,955,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,357,500 (2006: 3,222,500) performance shares.

Sembcorp Marine Restricted Stock Plan

In 2006, as part of the redesigned approach, restricted shares were awarded to managerial employees of the Group, with the objective to eventually replace share options as a long term incentive for them. The grants under the Share Option Plan to this group of employees were reduced by 50%, and these were replaced by restricted shares of an equivalent fair value, as recommended by the independent compensation consultant and approved by the Committee.

Under the Restricted Stock Plan, 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 are set and performance levels for the restricted shares are calibrated based on Return on Equity and Total Shareholders' Return. For each performance measure, three distinct performance levels are set. A minimum of 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 for awards granted from 2006 onwards will range from 0% to 130% of the original award.

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.

Senior management participants are also required to hold a minimum percentage of the shares released to them under the Restricted Stock 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.

A total of 3,855,190 (2006:1,222,400) restricted shares of Sembcorp Marine Ltd were awarded on 12 June 2007 (2006: 2 October 2006) for the performance period 2007 to 2008 (2006: 2006 to 2007). No Sembcorp Marine Ltd's restricted shares were awarded to Directors of the Company, except as disclosed elsewhere in the Report of the Directors.

The total number of Sembcorp Marine Ltd's restricted shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2007, was 6,793,685 (2006: 1,212,320). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,831,791 (2006: 1,576,016) restricted shares.

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.

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

The details of restricted shares of the Company awarded since commencement of the Restricted Stock Plan up to 31 December 2007 were as follows:

Restricted Shares Participants	Conditional restricted shares awarded during the year	Aggregate conditional restricted shares awarded	Aggregate conditional restricted shares lapsed	Additional conditional restricted shares arising from bonus issue	Aggregate conditional restricted shares outstanding
Directors of the Company					
Goh Geok Ling	22,000	22,000	-	8,800	30,800
Tan Kwi Kin	100,000	163,000	-	65,200	228,200
Tan Pheng Hock	10,500	10,500	-	4,200	14,700
Kiyotaka Matsuzawa	9,000	9,000	-	3,600	12,600
Tan Tew Han	20,500	20,500	-	8,200	28,700
Ajaib Haridass	20,500	20,500	-	8,200	28,700
Tang Kin Fei	13,500	13,500	-	5,400	18,900
Ron Foo Siang Guan	14,000	14,000	-	5,600	19,600
Joseph Kwok Sin Kin	13,500	13,500	-	5,400	18,900
Wong Weng Sun	50,000	77,000	-	30,800	107,800
Other executives	3,581,690	4,714,090	(229,825)	1,800,520	6,284,785
	<u>3,855,190</u>	<u>5,077,590</u>	<u>(229,825)</u>	<u>1,945,920</u>	<u>6,793,685</u>

Audit Committee

The Audit Committee comprises 3 independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Audit Committee at the date of this report are:

Tan Tew Han (Chairman)

Ajaib Haridass

Ron Foo Siang Guan

The Audit Committee held 5 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 Singapore Companies Act, Cap.50, the Listing Manual of the Singapore Exchange, and the Code of Corporate Governance.

Report of the Directors

Sembcorp Marine Ltd and Subsidiary Companies

Audit Committee (cont'd)

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

The Audit Committee has full access to 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. The Audit Committee has also reviewed the cost-effectiveness of the audit conducted by the external auditors.

Auditors

Ernst & Young will not be seeking re-election and KPMG has been nominated to be the auditors for the ensuing year. The appointment is subject to shareholders' approval at the Annual General Meeting on 22 April 2008.

On behalf of the Board,



GOH GEOK LING

Director



TAN KWI KIN

Director

Singapore
19 March 2008

Statement by Directors

Sembcorp Marine Ltd and Subsidiary Companies

We, Goh Geok Ling and Tan Kwi Kin, being two of the Directors of Sembcorp Marine Ltd, do hereby state that, in the opinion of the Directors:

- (i) the accompanying balance sheets, profit and loss accounts, statements of changes in equity of the Company and the Group and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, and of the results of the business, changes in equity of the Company and of the Group and cash flows of the Group for the year ended on that date; and
- (ii) 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.

On behalf of the Board,



GOH GEOK LING

Director



TAN KWI KIN

Director

Singapore
19 March 2008

Independent Auditors' Report To The Members Of Sembcorp Marine Ltd

Sembcorp Marine Ltd and Subsidiary Companies

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiary companies (collectively, the "Group") as set out on pages 147 to 231, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the profit and loss accounts and the statements of changes in equity of the Group and the Company, and the cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- 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;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

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 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

- the consolidated financial statements of the Group and the profit and loss account, balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards 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 2007, the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and
- the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Note 7 to the financial statements. On 22 October 2007, the Company announced that its former Director, Group Finance, Mr. Wee Sing Guan, had entered into various unauthorised foreign exchange transactions (the "Unauthorised Transactions") for the account of one of its wholly-owned subsidiary company, Jurong Shipyard Pte Ltd ("JSPL"). The net amount arising from the Unauthorised Transactions that has been expensed in the profit and loss account for the year ended 31 December 2007 amounted to \$302.9 million, including \$289.9 million (equivalent to US\$198.9 million) paid to Societe Generale ("SG"). An amount of \$73.1 million (equivalent to US\$50.7 million) claimed by BNP Paribas ("BNP") has been disclosed as contingent liability in Note 33.

As JSPL's position is that the underlying transactions with SG are not valid and binding, JSPL intends to recover the amounts paid to SG. If JSPL succeeds in doing so, there will be an inflow of funds to be recognised in the financial statements at that relevant point in time.

JSPL's position is that it is not liable to BNP for the sum of US\$50.7 million arising from the Unauthorised Transactions as the underlying transactions are not valid and binding. Pursuant to a statutory demand given by BNP on 20 November 2007, JSPL made an application in court for an injunction to restrain the presentation of a winding up petition by BNP in respect of which hearings closed on 6 March 2008 with judgment being reserved. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

ERNST & YOUNG
Public Accountants and Certified Public Accountants Singapore

Singapore
19 March 2008

Profit and Loss Accounts

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Turnover	3	4,513,123	3,545,049	33,256	31,305
Cost of sales		(4,101,637)	(3,250,039)	(16,698)	(18,554)
Gross profit		411,486	295,010	16,558	12,751
Other operating income		42,859	24,356	280	3,378
Other operating expenses		(12,823)	(17,023)	(901)	(5,088)
General and administrative expenses		(92,493)	(74,110)	(18,065)	(12,812)
Operating profit/(loss)	4	349,029	228,233	(2,128)	(1,771)
Dividend and interest income	5	27,530	20,960	379,363	137,436
Finance costs	6	(13,692)	(10,549)	(4,590)	(4,500)
Foreign exchange transactions	7	(302,922)	-	-	-
Non-operating income	8	230,625	36,616	2,259	-
Non-operating expenses	8	(7,642)	(8,753)	-	-
Share of results of associated companies and joint ventures	9	81,793	44,364	-	-
Profit before taxation		364,721	310,871	374,904	131,165
Taxation	10	(112,994)	(62,340)	(5,514)	(11,364)
Profit after taxation		251,727	248,531	369,390	119,801
Attributable to:					
Shareholders of the Company		240,989	238,388	369,390	119,801
Minority interests		10,738	10,143	-	-
		251,727	248,531	369,390	119,801
Earnings per share (cents)	11				
Basic		11.72	11.71*		
Diluted		11.63	11.42*		

* Adjusted for two Bonus Shares for every five existing ordinary shares

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Balance Sheets

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000 (Restated)
Non-current assets					
Fixed assets	12	675,585	679,024	114,423	116,894
Investment properties	13	-	-	55,950	55,663
Investments in subsidiary companies	14	-	-	631,243	319,877
Investments in associated companies and joint ventures	15	205,502	147,255	109,161	92,445
Other long term investments	16	689,554	346,987	435,353	162,262
Long term trade debtors	17	21,400	39,952	21,400	36,952
Long term other debtors	18	17,001	15,974	229,693	276,892
Intangible assets	19	7,589	13,657	122	122
Total non-current assets		1,616,631	1,242,849	1,597,345	1,061,107
Current assets					
Stocks and work-in-progress	20	1,560,709	1,192,057	-	-
Trade debtors	17	450,714	426,182	22,588	37,450
Other debtors, deposits, and prepayments	18	81,463	64,925	20,718	35,471
Derivative financial assets	25	12,853	-	-	-
Fixed deposits		526,558	380,051	67,508	59,619
Bank and cash balances		213,919	123,437	6,574	13,223
Total current assets		2,846,216	2,186,652	117,388	145,763
Current liabilities					
Trade creditors	21	1,384,701	922,835	15,430	14,569
Other creditors and provisions	22	72,569	23,006	110,826	36,561
Progress billings in excess of work-in-progress	23	564,608	542,744	-	-
Borrowings	24	259,800	140,443	-	-
Derivative financial liabilities	25	731	7,970	-	-
Provision for taxation		115,014	53,898	2,830	2,722
Total current liabilities		2,397,423	1,690,896	129,086	53,852
Net current assets/(liabilities)		448,793	495,756	(11,698)	91,911

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000 (Restated)
Total assets less current liabilities		2,065,424	1,738,605	1,585,647	1,153,018
Non-current liabilities					
Borrowings	24	181,869	250,545	149,869	149,795
Deferred taxation	26	168,738	109,535	95,850	58,184
Hire purchase creditors	27	1,599	303	-	-
Other provisions	28	7,502	7,999	2,895	2,895
Total non-current liabilities		359,708	368,382	248,614	210,874
Capital and reserves					
Share capital	29	442,549	418,631	442,549	418,631
Reserves	31	1,237,511	919,708	894,484	523,513
		1,680,060	1,338,339	1,337,033	942,144
Minority interests		25,656	31,884	-	-
		1,705,716	1,370,223	1,337,033	942,144

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Attributable to equity holders of the Company

	Share capital \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Share-based compensation reserve \$'000	Available for sale reserve \$'000	Revenue reserve \$'000	Total \$'000	Minority interest \$'000	Total equity \$'000
At 1 January 2007	418,631	14,419	(12,055)	12,162	194,567	710,615	1,338,339	31,884	1,370,223
Foreign currency translation	-	-	(6,289)	-	-	-	(6,289)	(1,048)	(7,337)
Net fair value changes	-	-	-	-	431,885	-	431,885	-	431,885
Net income recognised directly in equity	-	-	(6,289)	-	431,885	-	425,596	(1,048)	424,548
Profit for the year	-	-	-	-	-	240,989	240,989	10,738	251,727
Total recognised income and expenses for the year	-	-	(6,289)	-	431,885	240,989	666,585	9,690	676,275
Issue of new shares	23,918	-	-	-	-	-	23,918	-	23,918
- under Share Option Plan	-	-	-	-	-	-	-	-	-
- to minority shareholder	-	-	-	-	-	-	-	147	147
Dividends paid to	-	-	-	-	-	-	-	-	-
- Company's shareholders, Note 32	-	-	-	-	-	(216,266)	(216,266)	-	(216,266)
- minority shareholders	-	-	-	-	-	-	-	(14,347)	(14,347)
Realisation of fair value through profit & loss account upon disposal	-	-	-	-	(147,413)	-	(147,413)	-	(147,413)
Disposal of a subsidiary company	-	(335)	40	-	(14)	-	(309)	(1,824)	(2,133)
Cost of share-based payment	-	-	-	15,206	-	-	15,206	106	15,312
At 31 December 2007	442,549	14,084	(18,304)	27,368	479,025	735,338	1,680,060	25,656	1,705,716

Statements of Changes in Equity

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Attributable to equity holders of the Company

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Share-based compensation reserve \$'000	Available for sale reserve \$'000	Revenue reserve \$'000	Total \$'000	Minority interest \$'000	Total equity \$'000
At 1 January 2006	145,036	259,540	6,770	(1,209)	3,647	49,523	602,238	1,065,545	50,152	1,115,697
Foreign currency translation	-	-	-	(10,846)	-	-	-	(10,846)	(2,333)	(13,179)
Net fair value changes	-	-	-	-	-	169,644	-	169,644	5	169,649
Net income recognised directly in equity	-	-	-	(10,846)	-	169,644	-	158,798	(2,328)	156,470
Profit for the year	-	-	-	-	-	-	238,388	238,388	10,143	248,531
Total recognised income and expenses for the year	-	-	-	(10,846)	-	169,644	238,388	397,186	7,815	405,001
Transfer to share capital	259,540	(259,540)	-	-	-	-	-	-	-	-
Issue of new shares	14,055	-	-	-	-	-	-	14,055	-	14,055
- under Share Option Plan	-	-	-	-	-	-	-	-	-	-
- to minority shareholder	-	-	-	-	-	-	-	-	6,415	6,415
Dividends paid to	-	-	-	-	-	-	-	-	-	-
- Company's shareholders, Note 32	-	-	-	-	-	-	(122,362)	(122,362)	-	(122,362)
- minority shareholders	-	-	-	-	-	-	-	-	(1,162)	(1,162)
Realisation of fair value through profit & loss account upon disposal	-	-	-	-	-	(24,600)	-	(24,600)	-	(24,600)
Transfer from revenue reserve to statutory reserve by associated companies	-	-	7,649	-	-	-	(7,649)	-	-	-
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	(31,552)	(31,552)
Additional equity interest in a subsidiary company	-	-	-	-	-	-	-	-	(677)	(677)
Acquisition of a subsidiary company	-	-	-	-	-	-	-	-	838	838
Cost of share-based payment	-	-	-	-	8,515	-	-	8,515	55	8,570
At 31 December 2006	418,631	-	14,419	(12,055)	12,162	194,567	710,615	1,338,339	31,884	1,370,223

Statements of Changes in Equity

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

COMPANY	Share capital \$'000	Capital reserve \$'000	Share-based compensation reserve \$'000	Available for sale reserve \$'000	Revenue reserve \$'000	Total \$'000
At 1 January 2007, as previously stated	418,631	960	3,322	117,398	393,335	933,646
Change in accounting policy, Note 2.1(b)	-	-	8,498	-	-	8,498
As restated	418,631	960	11,820	117,398	393,335	942,144
Net fair value changes	-	-	-	202,722	-	202,722
Net income recognised directly in equity	-	-	-	202,722	-	202,722
Profit for the year	-	-	-	-	369,390	369,390
Total recognised income and expenses for the year	-	-	-	202,722	369,390	572,112
Issue of new shares under Share Option Plan	23,918	-	-	-	-	23,918
Dividends paid to Company's shareholders, Note 32	-	-	-	-	(216,266)	(216,266)
Cost of share-based payment	-	-	3,638	-	-	3,638
- charged to profit and loss account	-	-	11,487	-	-	11,487
- issued to employees of subsidiary companies	-	-	-	-	-	-
At 31 December 2007	442,549	960	26,945	320,120	546,459	1,337,033

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

COMPANY	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Share-based compensation reserve \$'000	Available for sale reserve \$'000	Revenue reserve \$'000	Total \$'000
At 1 January 2006, as previously stated	145,036	259,540	960	681	49,515	395,896	851,628
Change in accounting policy, Note 2.1(b)	-	-	-	2,991	-	-	2,991
As restated	145,036	259,540	960	3,672	49,515	395,896	854,619
Net fair value changes	-	-	-	-	67,883	-	67,883
Net income recognised directly in equity	-	-	-	-	67,883	-	67,883
Profit for the year	-	-	-	-	-	119,801	119,801
Total recognised income and expenses for the year	-	-	-	-	67,883	119,801	187,684
Transfer to share capital	259,540	(259,540)	-	-	-	-	-
Issue of new shares under Share Option Plan	14,055	-	-	-	-	-	14,055
Dividends paid to Company's shareholders, Note 32	-	-	-	-	-	(122,362)	(122,362)
Cost of share-based payment	-	-	-	2,641	-	-	2,641
- charged to profit and loss account	-	-	-	5,507	-	-	5,507
- issued to employees of subsidiary companies	-	-	-	-	-	-	-
At 31 December 2006	418,631	-	960	11,820	117,398	393,335	942,144

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

	2007 \$'000	2006 \$'000 (Restated)
Cash flow from operating activities		
Operating profit	349,029	228,233
Adjustments for:		
Gain on disposal of fixed assets, net	(4,781)	(1,679)
Share-based payment expenses	15,312	8,570
Amortisation	4,249	137
Negative goodwill	-	(677)
Fair value adjustment of financial instruments	(13,136)	414
Depreciation of fixed assets	59,831	45,461
Fixed assets written-off	1,057	881
Operating income before reinvestment in working capital	411,561	281,340
Increase in stocks and work-in-progress	(345,786)	(291,174)
Increase in debtors	(33,317)	(47,173)
Increase/(decrease) in creditors	469,776	(26,391)
Cash generated from/(used in) operations	502,234	(83,398)
Investment and interest income received	27,779	20,557
Income taxes paid	(44,960)	(28,481)
Interest paid	(12,798)	(9,185)
Net cash provided by/(used in) operating activities	472,255	(100,507)
Net payment to banks relating to Unauthorised Transactions	(260,589)	-
	211,666	(100,507)
Cash flow from investing activities		
Acquisition of subsidiary companies, net, Note (a)	160	(26,697)
Investment in associated companies and joint ventures	(4,819)	-
Purchase of fixed assets, Note (b)	(103,874)	(125,735)
Capital refund from an associated company	52	329
Capital contribution to associated companies	-	(8,731)
Dividends from associated companies	12,760	2,070
Proceeds from disposal of fixed assets	46,008	3,668
Proceeds from disposal of a subsidiary company, Note (c)	3,208	151,926
Proceeds from sale of other long term investments	272,950	58,310
Purchase of other long term investments	(44,244)	(120,464)
Net cash provided by/(used in) investing activities	182,201	(65,324)

Consolidated Statement of Cash Flows

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

	2007 \$'000	2006 \$'000 (Restated)
Cash flow from financing activities		
Dividends paid		
- by the Company	(216,266)	(122,362)
- to minority shareholders	(14,347)	(1,162)
Proceeds from issue of new shares		
- by the Company	23,918	14,055
- to minority shareholders	-	6,415
Repayment to hire purchase creditors	(759)	(269)
Repayment of borrowings	(375,107)	(145,606)
Proceeds from borrowings	436,023	376,451
Net cash (used in)/provided by financing activities	(146,538)	127,522
Net increase/(decrease) in cash and cash equivalents	247,329	(38,309)
Cash and cash equivalents at beginning of year	493,148	531,457
Cash and cash equivalents at end of year (Note 35)	740,477	493,148

The acquisitions and disposal of the following subsidiary companies have been shown as a single item:

Name of subsidiary companies	Effective interest acquired/(disposed)	Effective dates
	2007	
Acquisition during the year		
Shanghai Jurong Marine Engineering & Technology Co Ltd	70%	26 July 2007
Disposal during the year		
Jurong Clavon Pte Ltd	(55%)	31 March 2007
Acquisitions in prior year		
Jurong Marine Services Pte Ltd	50%	1 July 2006
SMOE Pte Ltd	100%	1 August 2006
Sembawang Bethlehem Pte Ltd	100%	1 August 2006
Disposal in prior year		
Kristiansand Drilling Pte Ltd	(81.82%)	1 May 2006

Consolidated Statement of Cash Flows

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

(a) Acquisitions of subsidiary companies

The effect on the individual assets and liabilities is set out below:

	Acquisition of subsidiary companies	
	2007 \$'000	2006 \$'000
Fixed assets	3,824*	164,411
Investment in associated company	-	400
Intangible asset	5,603*	-
Stocks and work-in-progress	-	100,448
Debtors	14	157,089
Bank and cash balances	511	42,023
Creditors	(45)	(404,069)
Deferred taxation	(1,882)*	-
Net assets acquired ⁺	8,025	60,302
Minority interests	(147)	(838)
Amount taken up as associated company	-	(859)
Goodwill on acquisition	(7,527)*	10,115*
Purchase consideration paid	351	68,720

⁺ Represents both book values and fair values of assets and liabilities acquired.

* The goodwill provisionally determined in 2006 was reduced by \$7,527,000 and fixed assets, intangible asset, and deferred taxation increased by \$3,806,000, \$5,603,000, and \$1,882,000 respectively in the current year based on the final valuation report received from the independent valuer during the year.

The acquisitions of subsidiary companies, net of cash, are represented by:

	2007 \$'000	2006 \$'000
Cash paid	(351)	(68,720)
Less: Bank and cash balances acquired	511	42,023
Net cash inflow/(outflow)	160	(26,697)

(b) During the year, the Group acquired fixed assets with an aggregate cost of \$106,764,000 (2006: 126,278,000) of which \$2,890,000 (2006: \$543,000) was acquired by means of finance lease.

Consolidated Statement of Cash Flows

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

(c) Disposal of a subsidiary company

The effect on the individual assets and liabilities is set out below:

	Disposal of a subsidiary company	
	2007 \$'000	2006 \$'000
Fixed assets	(578)	(175,657)
Investment in associated company	(2,099)	-
Stocks and work-in-progress	(1,036)	-
Debtors	(18,390)	(28)
Other assets	(26)	-
Bank and cash balances	(222)	(1,076)
Amount due to shareholders	-	3,196
Bank overdraft	577	-
Creditors	17,374	29
Provision for taxation and deferred taxation	347	-
Net assets disposed of	(4,053)	(173,536)
Minority interests	1,824	31,552
Realisation of reserves to profit and loss account	309	-
Gain on disposal	(933)	(11,018)
Disposal consideration received	(2,853)	(153,002)

The disposal of a subsidiary company, net of cash, is represented by:

	2007 \$'000	2006 \$'000
Cash received	2,853	153,002
Less: Bank and cash balances disposed of	(222)	(1,076)
Add: Bank overdraft disposed of	577	-
Net cash inflow	3,208	151,926

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

1. General

The Company is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Its immediate and ultimate holding company is Sembcorp Industries Ltd ("SCI") which is incorporated in the Republic of Singapore and listed on the SGX-ST. Related companies in these financial statements refer to subsidiary and associated companies of SCI. Related parties in these financial statements refer to subsidiary and associated companies of Temasek Holdings (Private) Limited ("THPL") prior to THPL's cessation as the ultimate holding company in November 2006.

The Company domiciles in Singapore and its registered office and principal place of business is located at 29 Tanjong Kling Road, Singapore 628054.

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiary, associated and joint venture companies are stated in Note 42. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the year.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements are presented in Singapore Dollars ("SGD" or "\$") and all values are rounded to the nearest thousand ("'\$'000") except when otherwise indicated. The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50.

The financial statements have been prepared on a historical cost basis except for certain fixed assets, derivative financial instruments, financial assets at fair value through profit and loss and available-for-sale financial assets that have been measured at their fair values.

The accounting policies used by the Group and the Company as set out below are consistent with those used in the previous period presented in these financial statements except for the following changes.

Group and Company

With effect from 1 January 2007, the Group and the Company adopted the following new or amended FRS and Interpretations to FRS ("INT FRS") which are mandatory and relevant to their operations:

FRS 1	Amendment to FRS 1 (Revised), Presentation of Financial Statements (Capital Disclosures)
FRS 107	Financial Instruments: Disclosures
INT FRS 108	Scope of FRS 102 Share-based Payment
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Company

(a) FRS 40 - Investment Property

With effect from 1 January 2007, the Company adopted FRS 40 - Investment Property which is mandatory and relevant to its operations.

FRS 40 - Investment Property permits investment properties to be stated at either fair value or cost less accumulated depreciation and impairment losses. As a result of adopting FRS 40, the Company's investment properties are measured at cost less accumulated depreciation and impairment losses. In prior years, investment property was accounted for under FRS 16 - Property, Plant and Equipment at cost less accumulated depreciation and impairment losses. On adoption of FRS 40, the Company reclassified the carrying value of their investment properties leased to its subsidiary company of \$55,663,000 as at 1 January 2007 from fixed assets to investment properties, which will continue to be stated at cost less accumulated depreciation and impairment losses. Such assets which are used by the Group in carrying out its principal activities will continue to be accounted for as fixed assets in the consolidated financial statements of the Group.

The adoption of FRS 40 did not result in any change to the Company's profit and loss account and revenue reserve for the years ended 31 December 2006 and 2007.

(b) INT FRS 111 - FRS 102—Group and Treasury Share Transactions

On 1 January 2007, the Company also early adopted INT FRS 111 - "FRS 102—Group and Treasury Share Transactions" (effective for annual periods beginning on or after 1 March 2007) which is relevant to its operations.

INT FRS 111 clarifies that the arrangement where an entity receives goods or services as consideration for its own equity-instruments shall be accounted for as an equity-settled share-based payment ("SBP") transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether group SBP arrangements shall be classified as equity-settled or cash-settled SBP arrangements.

INT FRS 111 also clarifies that where a parent grants rights to its equity instruments to employees of its subsidiary companies and the transaction is accounted for as equity-settled in the consolidated financial statements, the subsidiary company must measure the services received using the requirements for equity-settled transaction in FRS and must recognise a corresponding increase in equity as a contribution from the parent.

Consequently, on adoption of INT FRS 111, the Company will account for the cost of share-based payments issued to employees of subsidiary companies as investment in subsidiary companies and a corresponding charge to share-based compensation reserve.

Under the transitional provisions of INT FRS 111, the change in accounting policy has resulted in the following:

- At 1 January 2006, increases in the Company's investment in subsidiary companies and share-based compensation reserves by \$2,991,000;
- At 31 December 2006, increases in the Company's investment in subsidiary companies and share-based compensation reserves by \$8,498,000; and
- At 31 December 2007, increases in the Company's investment in subsidiary companies and share-based compensation reserves by \$19,985,000.

The adoption of INT FRS 111 did not result in any change to the Company's profit and loss account for the years ended 31 December 2006 and 2007.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.2 FRS not yet effective

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 and which the Group has not early adopted. The Group's assessment of the impact of adopting these standards, amendments and interpretations that are relevant to the Group is set out below:

(a) **FRS 108 Operating Segments** (effective for annual periods beginning on or after 1 January 2009)

FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources.

The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. Currently, the Group presents segment information in respect of its business and geographical segments.

(b) **Revised FRS 23 Borrowing Costs** (effective for annual periods beginning on or after 1 January 2009)

The revised standard removes the option to recognise immediately as an expense, borrowing costs that are attributable to qualifying assets, and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the development property.

The Group will apply the revised FRS 23 from 1 January 2009. As the Group has been capitalising the relevant borrowing costs, the revised standard is not expected to have any impact to the Group.

The initial application of those standards (and its consequential amendments) and interpretations is not expected to have any material impact to the Group's financial statements. The Group has not considered the impact of FRS issued after the balance sheet date.

2.3 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.

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. The carrying amount of the Group's goodwill at 31 December 2007 was \$5,940,000 (2006: \$13,467,000). More details are given in Note 19a.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be within 1 to 60 years. The carrying amount of the Group's fixed assets at 31 December 2007 was \$675,585,000 (2006: \$679,024,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Income tax

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations 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. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for taxation at 31 December 2007 was \$115,014,000 (2006: \$53,898,000). The carrying amounts of the Group's deferred tax liabilities at 31 December 2007 was \$168,738,000 (2006: \$109,535,000).

2.4 Foreign currency

Functional and presentation currency

Items included in the financial statements of each company in the Group are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The consolidated financial statements are presented in Singapore Dollars, which is the Company's functional and presentation currency.

Foreign currency transactions and balances

Transactions in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates of the transactions. At each balance sheet date:

- Foreign currency monetary items are translated into the functional currency using foreign exchange rate ruling at that date.
- Non-monetary assets and liabilities measured at historical cost in foreign currencies are translated into the functional currency using foreign exchange rates at the dates of the transactions.
- Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign exchange differences arising on the settlement or from translation of monetary items are recognised in the profit and loss account except for exchange differences arising from monetary items that form part of the Group's net investment in a foreign subsidiary companies, which are recognised in the Company's profit and loss account and reclassified to foreign currency translation reserve in the consolidated financial statements. Such exchange differences are released to the profit and loss account upon disposal of the investment as part of the gain or loss on disposal.

Foreign operations

The results and financial positions of foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the presentation currency are translated into presentation currency as follows:

- assets and liabilities are translated at foreign exchange rate ruling at the date of balance sheet,
- revenues and expenses are translated at average rates, and
- all resulting foreign exchange differences are taken to the foreign currency translation reserve.

On disposal, accumulated foreign currency translation differences are recognised in the consolidated profit and loss account as part of the gain or loss on sale.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.5 Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

2.6 Principles of consolidation

The accounting year of the Company and all its subsidiary companies ends on 31 December and the consolidated financial statements incorporate the financial statements of the Company and all its subsidiary companies after the elimination of all material intercompany transactions and balances. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The purchase method of accounting is used to account for the acquisition of subsidiary companies by the Group. The cost of an acquisition is measured as 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.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account. Any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiary companies acquired or disposed of during the year are included in or excluded from the Group results from the respective dates of acquisition or disposal, as applicable.

2.7 Associated companies and joint ventures

An associated company is defined as a company, not being a subsidiary company, in which the Group has a long term interest of not less than 20% nor more than 50% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

A joint venture, not being a subsidiary or associated company, is one in which the Group has a long term interest and contractual arrangement whereby parties in the joint venture undertake an economic activity whose operational and financial affairs are subject to the joint control of the Group and the contractual parties.

The Group's share of the results of associated companies and joint ventures that are jointly controlled entities are included in the consolidated profit and loss account under the equity method. The Group's share of post-acquisition reserves of associated companies and joint ventures that are jointly controlled entities are included in the investments in associated companies and joint ventures, respectively, in the consolidated balance sheet. 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. Goodwill arising on acquisition which represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is accounted on the basis outlined in Note 2.8 below.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

The associated companies and joint ventures are equity accounted for from the date the Group obtains significant influence or joint control until the date the Group ceases to have significant influence or joint control over the associated company and joint venture respectively.

When the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitments.

For joint ventures that involve jointly controlled operations or assets, the proportionate share in these joint ventures' individual income, expenses, assets and liabilities are included in financial statements of the Group with items of a similar nature on a line by line basis.

Investments in associated companies and joint ventures are stated in the Company's balance sheet at cost less impairment losses.

2.8 Goodwill on consolidation

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill on acquisition of subsidiary companies is included in intangible assets. Goodwill on acquisition of associated companies and joint ventures is included in investments in associated companies and joint ventures.

Goodwill is stated at cost less impairment losses.

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 is credited to profit and loss account in the period of acquisition.

2.9 Revenue recognition

Revenue from ship and rig repair, building and conversion are recognised on the percentage of completion method, provided the work is at least 20% completed and the outcome of the contract can be reliably estimated. The percentage of completion is measured by reference to the percentage of costs incurred to-date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect works performed.

Income on goods sold and other services rendered is recognised on completion of delivery. Charter hire income is taken to the profit and loss account on an accrual basis over the charter hire period. Rental income receivable under operating lease is recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives granted are recognised as a reduction of rental income over the lease term on a straight-line basis. Contingent rentals are recognised as income in the accounting period in which they are earned.

Interest income is recognised as interest accrues (using the effective interest method).

Dividend income is recognised when the Group's right to receive payment is established.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

2. Summary of significant accounting policies (cont'd)

2.10 Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of an item is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account.

Where fixed assets are revalued, any surplus on revaluation is credited to the asset revaluation reserve. A decrease in net carrying amount arising on revaluation of fixed assets is charged to the profit and loss account to the extent that it exceeds any surplus held in reserve relating to previous revaluation of the same asset.

2.11 Depreciation

Depreciation of an asset begins when it is available for use and is computed on the straight-line method to write off the cost or valuation of fixed assets over their estimated useful lives. Construction-in-progress is not depreciated as these assets are not available for use. The estimated useful lives of fixed assets are as follows:

Freehold and leasehold land and buildings	45 years or remaining period of lease
Quays and dry docks	60 years or remaining period of lease
Plant, machinery and tools	3 to 10 years
Motor vessels, launches, cranes and floating docks	3 to 20 years
Motor vehicles	3 to 5 years
Furniture and office equipment	3 to 5 years
Utilities and fittings	30 years
Computer equipment	1 to 5 years

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

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. Fixed assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.12 Investment properties

Investment properties comprise significant portions of land and buildings and quays that are held for long-term rental yields and/ or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of the investment properties. The estimated useful lives are 45 to 60 years, or the remaining period of lease. Depreciation methods, useful lives and residual values of investment properties are reassessed at the reporting date.

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

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Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss account in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for fixed assets set out in Note 2.10 up to the date of change in use.

2.13 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

Financial assets are included in the category 'financial assets at fair value through profit or loss' if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as 'financial assets at fair value through profit or loss' unless they are designated as effective hedging instruments. Such assets are subsequently measured at fair value. Gains or losses on 'financial assets at fair value through profit or loss' are recognised in the profit and loss account.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

- bank and cash balances and fixed deposits
- trade and other debtors, including loans and amounts due from subsidiary, associated and related companies, joint ventures, and related parties.

Available for sale financial assets

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories. After initial recognition, available for sale financial assets are measured at fair value with gains or losses recognised in the available for sale reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

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2. Summary of significant accounting policies (cont'd)

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment losses.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

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If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals of impairment loss in respect of equity instruments are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.16 Derecognition of financial assets

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

2.17 Stocks and work-in-progress

Stocks 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 principally determined on the weighted average method. Allowance is made for all deteriorated, obsolete and slow-moving items.

Work-in-progress comprises mainly uncompleted ship and rig repair, building and conversion jobs. It is stated at the lower of cost and net realisable value. Cost includes materials, direct labour, sub-contractors' costs and 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.

2.18 Financial liabilities

Financial liabilities include trade creditors on normal trade terms, other creditors, amount due to subsidiary, associated and related companies, joint ventures and related parties, and interest-bearing loans and borrowings.

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.19 Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.20 Leases

Finance lease and hire purchase assets

Finance leases are those leasing agreements including hire purchases that give rights approximating to ownership. Assets financed under such leases are treated as if they had been purchased outright and are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. The

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2. Summary of significant accounting policies (cont'd)

corresponding leasing commitments are shown as obligations to the lessor. Depreciation of the relevant assets is provided for as in Note 2.11 above. Lease payments are treated as consisting of capital and interest elements and the interest is amortised on the reducing balance basis over each lease term and charged to the profit and loss account.

Operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease payments made.

2.21 Employee benefits

Defined contribution plan

The Group participate in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as compensation expense in the period in which the related services are performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

Employee stock option

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 "vesting date"). The fair value of options granted is recognised as an employee expense with a corresponding increase in equity using the Binomial Option-Pricing model. 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 transactions costs are credited to share capital when the options are exercised.

Retirement gratuity

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 benefit is the amount of future benefits that employees had earned in return for their service in the current and prior periods. The obligation is calculated using the projected salary increase and is discounted to its present value and the fair value of any related assets is deducted.

Performance share plan

For performance share plan granted prior to 1 January 2005, an initial estimate is made for the cost of compensation under the Group's performance share plan based on the number of shares expected to be awarded at the end of the performance period, valued at market price at the date of the grant of the award. The cost is charged to the profit and loss account 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 criteria relate.

At each reporting date, the compensation cost is re-measured based on the latest estimate of the number of shares that will be awarded considering the performance criteria and the market price of the shares at the reporting date. Any increase or decrease in compensation cost over the previous estimate is recorded in the profit and loss account for that reporting period.

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The final measure of compensation cost is based on the number of shares ultimately awarded and the market price at the date the performance criteria are met.

For performance share plan granted after 1 January 2005, the fair value of equity related compensation is measured using the Monte Carlo Simulation method. The method involves projecting future outcomes using statistical distributions of key random variables including share price and volatility of returns.

In estimating the fair value of the compensation cost, market based performance conditions shall be taken into account. Therefore, for performance share grants with market based performance conditions, the compensation cost shall be charged to the profit and loss account 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.

Restricted stock plan

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

For performance-based restricted share grants, the fair value of the compensation cost is measured at grant date and spread over the service period to which the performance criteria relate and the period during which the employees become unconditionally entitled to the shares. The compensation cost is charged to the profit and loss account with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue irrespective of whether this performance condition is satisfied.

At 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 achieving of non-market performance conditions and number of shares ultimately given. It recognises the impact of the revision of original estimates in employee expense and a corresponding adjustment to equity over the remaining vesting period.

2.22 Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.23 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the greater of the asset's net selling price and value in use. 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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Sembcorp Marine Ltd and Subsidiary Companies

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2. Summary of significant accounting policies (cont'd)

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the profit and loss account or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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 asset's 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. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

2.24 Income taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred taxation is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years on which those temporary differences are expected to be recovered or settled based on the tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary companies, associated companies and joint ventures, except where the timing of reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or different period, directly to equity.

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 income 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.

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Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.25 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.

Derivative financial instruments are classified as financial assets or liabilities at fair value through profit or loss and are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at each balance sheet date.

Any gains or losses arising from changes in fair value on derivative financial instruments are taken to the profit and loss account for the year.

2.26 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the profit and loss account over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the profit and loss account.

2.27 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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3. Turnover

Turnover represents sales from the various activities described in Note 1 and Note 42, including the revenue recognised on contracts relating to the ship and rig repair, building and conversion which are at least 20% completed.

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Services rendered to external parties:				
- Ship and rig repair, building and conversion	4,475,281	3,482,274	-	-
- Others	2,707	2,654	-	-
Services rendered to subsidiary companies:				
- Rental income	-	-	17,478	19,631
- Management fee	-	-	15,778	11,674
Sale of goods to external parties	35,135	60,121	-	-
	<u>4,513,123</u>	<u>3,545,049</u>	<u>33,256</u>	<u>31,305</u>

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Directors' remuneration:				
Directors of the Company	4,528	2,702	4,528	2,702
Other directors of subsidiary companies	4,920	3,929	-	-
Professional fees paid to a firm in which a Director is a member	148	186	-	61
Foreign currency exchange loss	11,072	15,140	723	4,843
Gain on disposal of fixed assets, net	(4,781)	(1,679)	-	(1,511)
Negative goodwill	-	(677)	-	-
Operating lease expenses	17,345	24,812	7,208	9,102
Non-audit fees paid/payable to auditors of the Company	185	186	35	112

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Staff costs, which include Directors' remuneration for the year, are as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Salaries and bonus	312,576	255,124	9,958	7,157
Defined contribution plan	15,963	11,981	107	63
Share-based compensation	15,312	8,570	3,638	2,641
Directors' fee:				
Directors of the Company	980	767	980	767
Other directors of subsidiary companies	8	-	-	-
Other employees benefits	35,058	22,610	335	295
	<u>379,897</u>	<u>299,052</u>	<u>15,018</u>	<u>10,923</u>

5. Dividend and interest income

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Gross dividend from:				
Unquoted subsidiary companies	-	-	338,918	106,695
Unquoted associated companies	-	-	29,477	20,904
Quoted equity shares	6,044	1,430	2,813	1,413
	<u>6,044</u>	<u>1,430</u>	<u>371,208</u>	<u>129,012</u>

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest income from:				
Subsidiary company	-	-	5,069	5,007
Related parties	-	1,713	-	1,713
Trade debtors	1,902	653	1,679	200
Fixed deposits and bank balances	17,128	14,808	1,403	1,499
Related companies	2,357	1,840	-	-
Others	99	516	4	5
	<u>21,486</u>	<u>19,530</u>	<u>8,155</u>	<u>8,424</u>
	<u>27,530</u>	<u>20,960</u>	<u>379,363</u>	<u>137,436</u>

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6. Finance costs

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Finance costs:				
Subsidiary company	-	-	(14)	-
Related company	(76)	(805)	(76)	-
Borrowings	(13,295)	(9,334)	(4,500)	(4,500)
Interest rate swap – fair value through profit and loss	(321)	(410)	-	-
	<u>(13,692)</u>	<u>(10,549)</u>	<u>(4,590)</u>	<u>(4,500)</u>

7. Foreign exchange transactions

On 22 October 2007, the Company announced that its former Director, Group Finance, Mr Wee Sing Guan, had entered into various unauthorised foreign exchange transactions (the "Unauthorised Transactions") for the account of one of its wholly-owned subsidiary company, Jurong Shipyard Pte Ltd ("JSPL").

The Unauthorised Transactions were made with 11 banks. JSPL successfully negotiated the complete close out of all outstanding Unauthorised Transactions with these banks by 1 November 2007. These arrangements were made without prejudice to the respective positions of JSPL and the banks in relation to whether the Unauthorised Transactions were valid or binding on JSPL.

Subsequent to the year end, on 14 February 2008, the Company announced that JSPL had reached full and final settlement with 9 of the 11 banks involved, all strictly on a commercial basis, as JSPL deems it in its best interests to avoid incurring substantial time and expense to engage in complex litigation with these banks. All the commercial settlements were entered into without any admission on the part of JSPL or the banks as to whether the Unauthorised Transactions were valid or binding on JSPL.

The accounting treatment of the effects arising from the Unauthorised Transactions is summarised as follows :-

(i) Amounts expensed in the profit and loss account for the financial year ended 31 December 2007

Banks	\$'million
Societe Generale ("SG")	289.9
Others	13.0
	<u>302.9</u>

(ii) Amounts disclosed as contingent liability in Note 33 to the financial statements

Bank	\$'million
BNP Paribas ("BNP")	73.1

The amount of S\$289.9 million paid to SG is comprised of US\$83.5 million paid before the Unauthorised Transactions were uncovered in October 2007 and US\$115.4 million that was paid as a pre-condition for closing out of transactions with JSPL, subject to JSPL's right to a refund of the monies from SG if the dispute is resolved in JSPL's favour. In compliance with FRS, the sum of S\$289.9 million had been expensed in the profit and loss account for the year ended 31 December 2007. As JSPL's position is that the underlying transactions with SG are not valid and binding, JSPL intends to recover the amounts paid to SG and if JSPL succeeds in doing so, there will be an inflow of funds to be recognised in the financial statements at that relevant point in time.

As JSPL's position is that it is not liable to BNP in relation to the Unauthorised Transactions, BNP's claim for US\$50.7 million has not been recognised in the financial statements as of 31 December 2007 but is disclosed as a contingent liability (Note 33) in compliance with FRS. Pursuant to a statutory demand given by BNP on 20 November 2007, JSPL made an application in court for an injunction to restrain the presentation of a winding up petition by BNP in respect of which hearings closed on 6 March 2008 with judgment being reserved.

As the full details of the Unauthorised Transactions have yet to be ascertained and the disputes with SG and BNP regarding the Unauthorised Transactions are likely to be finally determined by the Court, the benefit of claiming a tax deduction for the amounts arising from the Unauthorised Transactions has not been shown in the financial statements as a matter of prudence. However JSPL expressly reserves its position to claim the tax deduction at the relevant time. If the amounts are available for tax deduction, the Group's profit after taxation may increase by \$55,481,000 (Note 10) up to \$307,208,000.

No prior period adjustment had been made in the financial statements notwithstanding that some of the settlements were in respect of Unauthorised Transactions that were entered into in prior financial years as JSPL's position is that all the Unauthorised Transactions are not valid and binding. The payments to the nine banks and SG have been recorded as an expense in its financial statements for the year ended 31 December 2007 when the commercial settlements with the nine banks were reached or the payments to these nine banks and SG were made. The commercial settlements with the nine banks are recorded at net settlement amounts (including the effect of the close-out amounts, any premiums received, gains, losses and any accrued liability) in the financial statements for the year ended 31 December 2007.

Although no prior period adjustment is required, the Company wishes to disclose that, if the Unauthorised Transactions are legally enforceable (JSPL's position is that they are not), based on information available at the date of this report (pending discovery in any legal proceedings with BNP and SG), the foreign exchange gains/(losses) relating to prior years are not material to the Group.

8. Non-operating income/expenses

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-operating income				
Gain on disposal of:				
Available for sale quoted equity investments	229,692	25,598	-	-
Subsidiary company	933	11,018	2,259	-
	<u>230,625</u>	<u>36,616</u>	<u>2,259</u>	<u>-</u>

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8. Non-operating income/expenses (cont'd)

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-operating expenses				
Impairment loss of asset previously held for sale, Note (a)	-	(6,127)	-	-
Depreciation of asset previously held for sale, Note (a)	(2,334)	(2,626)	-	-
Professional fees incurred on disputing the Unauthorised Transactions, Note 7	(5,308)	-	-	-
	(7,642)	(8,753)	-	-

(a) In March 2006, the Memorandum of Agreement signed with a buyer in 2005 to sell the vessel lapsed and an impairment loss of \$6.1 million was taken up based on an independent external valuation at that time. The vessel was also being reclassified from asset held for sale to fixed assets in 2006 and a depreciation charge of \$2.3 million (2006: \$2.6 million) was taken up in respect of the vessel. The vessel was subsequently disposed of in 2007.

9. Share of results of associated companies and joint ventures

	Group	
	2007 \$'000	2006 \$'000
Share of profit for the year	81,793	44,364
Share of taxation for the year (Note 10)	(8,145)	(4,978)
	73,648	39,386

10. Taxation

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
In respect of profit for the year:				
Current taxation	103,650	52,146	8,413	11,969
Deferred taxation	5,744	4,307	(562)	(628)
	109,394	56,453	7,851	11,341
(Over)/Under provision in respect of prior years:				
Current taxation	(199)	231	351	23
Deferred taxation	(4,346)	678	(2,688)	-
	(4,545)	909	(2,337)	23
Share of taxation of associated companies and joint ventures (Note 9)	8,145	4,978	-	-
	112,994	62,340	5,514	11,364

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007.

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As at 31 December 2007, certain subsidiary companies have unutilised tax losses of \$39,879,000 (2006: \$74,491,000) and other temporary differences of \$5,965,000 (2006: \$228,000) available for set-off against future taxable income subject to the income tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

The unutilised tax losses and capital allowances in a subsidiary company amounting to \$10,779,000 (2006: \$11,826,000) will expire between 2008 to 2011 (2006: 2007 to 2011).

The amounts of tax losses and capital allowances previously carried forward at the beginning of the year and which have been utilised in the year to arrive at the computation of tax liabilities for the year are as disclosed below.

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December is as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Tax at 18% (2006: 20%)	50,927	53,301	67,483	26,233
Exempt income, capital gains and tax incentives	(3,511)	(1,177)	(60,039)	(16,581)
Effect of changes in tax rate	(5,111)	-	(2,688)	-
Effect of different tax rate in foreign jurisdiction	4,297	159	-	-
Effect of unremitted overseas losses	(790)	(844)	-	-
Effect on utilisation of deferred tax assets not previously recognised	(3,749)	(3,204)	-	-
Non deductible expenses	61,249*	7,738	415	1,684
Under provision in respect of prior years	566	909	351	23
Deferred tax assets not recognised	839	321	-	-
Others	132	159	(8)	5
Effective tax	104,849	57,362	5,514	11,364
Share of taxation of associated companies and joint ventures	8,145	4,978	-	-
	112,994	62,340	5,514	11,364

* Includes an amount of \$55,481,000 which the Group has not taken the benefit of claiming a tax deduction for the amounts arising from the Unauthorised Transactions as a matter of prudence as the full details of the Unauthorised Transactions have yet to be ascertained and the disputes with the relevant banks regarding the Unauthorised Transactions are likely to be determined by the Courts. The Group expressly reserves its position to claim the tax deduction at the relevant time (Note 7).

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Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

11. Earnings per share

(a) Basic earnings per share ("EPS") is calculated by dividing the profit attributable to shareholders after deducting minority interests of \$240,989,000 (2006: \$238,388,000) by the weighted average number of ordinary shares in issue during the year of 2,055,671,704 (2006: 2,035,939,248*).

(b) Diluted EPS is calculated after adjusting for those shares not yet exercised under the Sembcorp Marine Share Option Plan as follows:

	2007	Group	2006
Weighted average number of ordinary shares in issue during the year	2,055,671,704		2,035,939,248*
Effects of dilutive share options	16,686,000		51,597,000*
Weighted average number of ordinary shares outstanding used in the calculation of diluted EPS	2,072,357,704		2,087,536,248*

(c) The basic and diluted EPS are as follows:

	2007	Group	2006
	Cents		Cents
Basic EPS	11.72		11.71*
Diluted EPS	11.63		11.42*

* Adjusted for two Bonus Shares for every five existing ordinary shares

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Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

12. Fixed assets

Group	Land and buildings		Construction-in-progress \$'000	Docks, quays, launches, cranes and marine vessels \$'000	Plant, machinery and tools \$'000	Others \$'000	Total \$'000
	Freehold \$'000	Short term leasehold \$'000					
Cost or valuation							
Balance at 1 January 2006							
At cost	14,465	150,843	157,605	415,307	211,138	48,989	998,347
At valuation	-	-	-	25,152	-	-	25,152
	14,465	150,843	157,605	440,459	211,138	48,989	1,023,499
Currency re-alignment	(890)	(1,266)	(7,373)	(72)	(3,817)	(1,150)	(14,568)
Additions	214	24,321	44,077	6,376	45,615	5,675	126,278
Acquisition of subsidiary companies	13	97,019	14,818	38,808	12,857	896	164,411
Transfer from asset held for sale	-	-	-	46,103	-	-	46,103
Transfers	-	(4,918)	(6,432)	9,411	1,126	813	-
Disposals	(116)	-	(259)	(948)	(4,269)	(2,507)	(8,099)
Disposal of subsidiary company	-	-	(175,657)	-	-	-	(175,657)
Write-off	-	(600)	-	(135)	(2,199)	(1,504)	(4,438)
	13,686	265,399	26,779	540,002	260,451	51,212	1,157,529
Balance at 31 December 2006	13,686	265,399	26,779	514,850	260,451	51,212	1,132,377
At cost	13,686	265,399	26,779	514,850	260,451	51,212	1,132,377
At valuation	-	-	-	25,152	-	-	25,152
	13,686	265,399	26,779	540,002	260,451	51,212	1,157,529
Balance at 1 January 2007							
At cost	13,686	265,399	26,779	514,850	260,451	51,212	1,132,377
At valuation	-	-	-	25,152	-	-	25,152
	13,686	265,399	26,779	540,002	260,451	51,212	1,157,529
Currency re-alignment	(589)	(3,326)	(346)	(50)	(4,826)	(597)	(9,734)
Additions	1,610	10,482	28,397	12,463	41,901	11,911	106,764
Acquisition of subsidiary company	-	-	-	-	-	18	18
Reclassified from goodwill (Note 19)	-	-	-	-	3,806	-	3,806
Transfers	-	3,604	(10,241)	(61)	3,280	113	(3,305)
Disposals	-	(102)	-	(46,656)	(475)	(773)	(48,006)
Disposal of subsidiary company	(137)	(17)	-	-	(4,405)	(539)	(5,098)
Write-off	-	(1,068)	-	-	(4,228)	(1,106)	(6,402)
	14,570	274,972	44,589	505,698	295,504	60,239	1,195,572
Balance at 31 December 2007	14,570	274,972	44,589	480,546	295,504	60,239	1,170,420
At cost	14,570	274,972	44,589	480,546	295,504	60,239	1,170,420
At valuation	-	-	-	25,152	-	-	25,152
	14,570	274,972	44,589	505,698	295,504	60,239	1,195,572

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12. Fixed assets (cont'd)

Group	Land and buildings		Construction-in-progress \$'000	Docks, quays, launches, cranes and marine vessels \$'000	Plant, machinery and tools \$'000	Others \$'000	Total \$'000
	Freehold \$'000	Short term leasehold \$'000					
Accumulated depreciation and allowance for impairment loss							
Balance at 1 January 2006	656	69,165	-	193,125	141,843	39,126	443,915
Currency re-alignment	(22)	(757)	-	(4)	(2,204)	(843)	(3,830)
Charge for the year	771	6,532	-	17,856	18,191	4,737	48,087
Transfers	-	741	-	1,014	(2,411)	656	-
Disposals	(74)	-	-	(232)	(3,417)	(2,387)	(6,110)
Write-off	-	(161)	-	(63)	(2,017)	(1,316)	(3,557)
Balance at 31 December 2006 and at 1 January 2007	1,331	75,520	-	211,696	149,985	39,973	478,505
Currency re-alignment	(47)	(755)	-	(7)	(1,584)	(379)	(2,772)
Charge for the year	949	10,313	-	15,788	29,388	5,727	62,165
Transfers	-	(1,249)	-	(217)	210	(11)	(1,267)
Disposals	-	(102)	-	(5,456)	(470)	(751)	(6,779)
Disposal of subsidiary company	-	(17)	-	-	(4,126)	(377)	(4,520)
Write-off	-	(26)	-	-	(4,224)	(1,095)	(5,345)
Balance at 31 December 2007	2,233	83,684	-	221,804	169,179	43,087	519,987
Net book value							
Balance at 31 December 2007	12,337	191,288	44,589	283,894	126,325	17,152	675,585
Balance at 31 December 2006	12,355	189,879	26,779	328,306	110,466	11,239	679,024

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Sembcorp Marine Ltd and Subsidiary Companies

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Company	Land and buildings		Docks, quays, launches, cranes and marine vessels \$'000	Plant, machinery and tools \$'000	Others \$'000	Total \$'000
	Freehold \$'000	Short term leasehold \$'000				
Cost or valuation						
Balance at 1 January 2006, as previously stated						
At cost	1,518	52,186	178,783	7,609	784	240,880
At valuation	-	-	25,152	-	-	25,152
	1,518	52,186	203,935	7,609	784	266,032
Reclassified to investment properties (Note 13)	(1,518)	(52,186)	(40,074)	-	-	(93,778)
As restated	-	-	163,861	7,609	784	172,254
Additions	-	-	-	-	524	524
Disposals	-	-	-	-	(76)	(76)
At 31 December 2006	-	-	163,861	7,609	1,232	172,702
At 31 December 2006						
At cost	-	-	138,709	7,609	1,232	147,550
At valuation	-	-	25,152	-	-	25,152
	-	-	163,861	7,609	1,232	172,702
Balance at 1 January 2007, as previously stated						
At cost	1,402	52,186	178,783	7,609	1,232	241,212
At valuation	-	-	25,152	-	-	25,152
	1,402	52,186	203,935	7,609	1,232	266,364
Reclassified to investment properties (Note 13)	(1,402)	(52,186)	(40,074)	-	-	(93,662)
As restated	-	-	163,861	7,609	1,232	172,702
Additions	-	-	-	-	1,584	1,584
At 31 December 2007	-	-	163,861	7,609	2,816	174,286
Balance at 31 December 2007						
At cost	-	-	138,709	7,609	2,816	149,134
At valuation	-	-	25,152	-	-	25,152
	-	-	163,861	7,609	2,816	174,286

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Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

12. Fixed assets (cont'd)

Company	Land and buildings		Docks, quays, launches, cranes and marine vessels \$'000	Plant, machinery and tools \$'000	Others \$'000	Total \$'000
	Freehold \$'000	Short term leasehold \$'000				
Accumulated depreciation						
Balance at 1 January 2006, as previously stated	201	22,085	60,665	4,698	704	88,353
Reclassified to investment properties (Note 13)	(201)	(22,085)	(14,020)	-	-	(36,306)
As restated	-	-	46,645	4,698	704	52,047
Charge for the year	-	-	2,769	857	180	3,806
Transfer from associated company	-	-	-	-	(45)	(45)
At 31 December 2006	-	-	49,414	5,555	839	55,808
Balance at 1 January 2007, as previously stated	158	23,155	64,100	5,555	839	93,807
Reclassified to investment properties (Note 13)	(158)	(23,155)	(14,686)	-	-	(37,999)
As restated	-	-	49,414	5,555	839	55,808
Charge for the year	-	-	2,769	853	433	4,055
At 31 December 2007	-	-	52,183	6,408	1,272	59,863
Net book value						
At 31 December 2007	-	-	111,678	1,201	1,544	114,423
At 31 December 2006	-	-	114,447	2,054	393	116,894

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Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

(a) The carrying amounts of docks, quays, launches, cranes and marine vessels included certain docks and quays stated at Directors' valuation of \$25,152,000 in the year 1973. Subsequent additions to these docks and quays 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 and quays at cost and revalued amounts. If the following re-valued assets of the Group and Company have been included in the financial statements at cost less accumulated depreciation, the net written down value would have been:

	Group	
	2007 \$'000	2006 \$'000
Docks and quays	5,749	5,997

The re-valued net book value of the docks and quays is \$9,715,000 (2006: \$10,134,000).

(b) As at balance sheet date, the net book value of fixed assets under "Plant, machinery and tools" and "Others" acquired under hire purchase agreements amounted to \$2,890,000 (2006: \$837,000) for the Group.

(c) Others comprise motor vehicles, furniture and office equipment, utilities and fittings and computer equipment.

13. Investment properties

	Company	
	2007 \$'000	2006 \$'000 (Restated)
Cost		
Balance at 1 January, as previously stated	-	-
Reclassified from fixed assets (Note 12)	93,662	93,778
Balance at 1 January, as restated	93,662	93,778
Transfer from subsidiary company	2,200	-
Disposals/write-offs	-	(116)
Balance at 31 December	95,862	93,662

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Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

13. Investment properties (cont'd)

	Company	
	2007 \$'000	2006 \$'000 (Restated)
Accumulated depreciation		
Balance at 1 January, as previously stated	-	-
Reclassified from fixed assets (Note 12)	37,999	36,306
Balance at 1 January, as restated	37,999	36,306
Depreciation	1,913	1,767
Disposals/write-offs	-	(74)
Balance at 31 December	39,912	37,999
Net book value	55,950	55,663

The investment properties of the Company are used by the Group in carrying out its principal activities and are accounted for as fixed assets at the Group. As there is no readily available market for such investment properties, it is impractical to determine the fair value of these investment properties.

The following amounts are recognised in the profit and loss account:

	Company	
	2007 \$'000	2006 \$'000
Rental income	17,478	19,631
Operating expenses arising from rental of investment properties	(16,565)	(18,628)

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Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

14. Investments in subsidiary companies

	Company	
	2007 \$'000	2006 \$'000 (Restated)
Unquoted shares, at cost	646,494	335,128
Allowance for impairment loss	(15,251)	(15,251)
	631,243	319,877
Allowance for impairment loss of a subsidiary company		
Balance at 1 January and 31 December	15,251	15,251

The Company's subsidiary companies are set out in Note 42.

The effect of the acquisitions of subsidiary companies on the financial position of the Group at 31 December and its results for the year since the dates of acquisition is shown below:

	2007 \$'000	2006 \$'000
Contribution to the Group for the period since the dates of acquisition:		
Turnover	394	72,348
(Loss)/Profit before taxation	(135)	4,785
Taxation	-	(698)
(Loss)/Profit after taxation	(135)	4,087
Minority interests	42	-
	(93)	4,087
Total assets at 31 December	1,777	333,894
Total liabilities at 31 December	(1,417)	(317,327)

If the combination had taken place at the beginning of the year, the profit/(loss) and revenue contributed by the acquired entities to the Group for the year would have been loss of \$93,000 (2006: profit of \$46,431,000) and \$394,000 (2006: \$253,732,000) respectively. The profit in financial year 2006 consists mainly of non-operating income not expected to recur in the financial year 2007.

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Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

15. Investments in associated companies and joint ventures

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Associated companies				
Unquoted shares, at cost	113,480	93,747	109,161	92,445
Share of net post-acquisition reserves	79,976	47,477	-	-
	<u>193,456</u>	<u>141,224</u>	<u>109,161</u>	<u>92,445</u>
Joint ventures				
Unquoted shares, at cost	640	650	-	-
Share of net post-acquisition reserves	11,406	5,381	-	-
	<u>12,046</u>	<u>6,031</u>	<u>-</u>	<u>-</u>
	<u>205,502</u>	<u>147,255</u>	<u>109,161</u>	<u>92,445</u>

The Group's associated companies and joint ventures are set out in Note 42.

The summarised financial information of the associated companies are as follows:

	Group	
	2007 \$'000	2006 \$'000
<i>Results of the associated companies:</i>		
Turnover	2,092,066	1,482,397
Profit before taxation	359,640	138,711
Taxation	(27,901)	(15,747)
Profit for the year	<u>331,739</u>	<u>122,964</u>
<i>Balance sheet of the associated companies:</i>		
Non-current assets	1,188,780	856,490
Current assets	2,105,047	793,704
Current liabilities	(2,377,057)	(1,040,026)
Non-current liabilities	(93,635)	(190,732)
Net assets	<u>823,135</u>	<u>419,436</u>

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The aggregate amounts of each of current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interest in the joint ventures are as follows:

	Group	
	2007 \$'000	2006 \$'000
<i>Results of the joint ventures:</i>		
Turnover	15,165	7,940
Profit before taxation	7,718	3,442
Taxation	(2,203)	(3)
Profit for the year	<u>5,515</u>	<u>3,439</u>
<i>Balance sheet of the joint ventures:</i>		
Non-current assets	28,599	34,307
Current assets	7,423	4,321
Current liabilities	(9,242)	(16,002)
Non-current liabilities	(14,734)	(16,595)
Net assets	<u>12,046</u>	<u>6,031</u>

16. Other long term investments

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Available for sale financial assets				
Quoted equity securities, at fair value	657,992	344,699	404,151	160,557
Unquoted non-equity securities, at fair value	404	360	404	360
Unquoted equity securities, at cost	30,883	1,430	30,798	1,345
Financial assets at fair value through profit and loss				
Quoted equity securities, at fair value	69	498	-	-
Forward currency contract, at fair value (Note 25)	206	-	-	-
	<u>689,554</u>	<u>346,987</u>	<u>435,353</u>	<u>162,262</u>

Unquoted equity securities which are stated at cost have no market prices and the fair value cannot be reliably measured using valuation techniques.

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17. Trade debtors

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Under current assets				
Trade debtors, Note (a)	456,023	436,286	23,239	38,101
Less: Allowance for doubtful debts, Note (b)	(5,309)	(10,104)	(651)	(651)
	450,714	426,182	22,588	37,450
Under non-current assets				
External lease receivables, Note (c)	21,400	39,952	21,400	36,952
	472,114	466,134	43,988	74,402
<i>(a) Current assets</i>				
Associated companies	515	192	-	-
Related companies	1,833	369	1,720	-
Subsidiary companies	-	-	5,317	32,029
Joint ventures	2,987	225	-	-
External parties	435,137	429,638	651	1,422
External lease receivables, Note(c)	15,551	5,862	15,551	4,650
	456,023	436,286	23,239	38,101

Other than lease receivables as explained in Note (c), the remaining balances shown above are interest free. All the amounts due from subsidiary, associated and related companies, joint ventures, and related parties are unsecured, repayable on demand and to be settled in cash.

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Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>(b) Allowance for external party doubtful debts</i>				
Balance at 1 January	10,104	7,568	651	651
Charge for the year	412	2,894	-	-
Write-back for the year	(2,121)	(813)	-	-
Acquisition of subsidiary companies	-	3,057	-	-
Bad debts written off	(2,970)	(2,524)	-	-
Currency re-alignment	(116)	(78)	-	-
Balance at 31 December	5,309	10,104	651	651
Net bad debts written off directly to profit and loss account	26	205	-	-

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

17. Trade debtors (cont'd)

(c) Additional information on lease receivables

	Minimum lease payment \$'000	Estimated residual value \$'000	Total gross investment in lease \$'000	Unearned interest income \$'000	Present value of minimum lease payment \$'000
Group 2007					
Receivable within 1 year	16,875	1,500	18,375	(2,824)	15,551
Receivable after 1 year but within 5 years	16,875	-	16,875	(2,474)	14,401
Receivable after 5 years	4,219	3,000	7,219	(220)	6,999
	<u>37,969</u>	<u>4,500</u>	<u>42,469</u>	<u>(5,518)</u>	<u>36,951</u>
2006					
Receivable within 1 year	7,686	-	7,686	(1,824)	5,862
Receivable after 1 year but within 5 years	25,313	3,000	28,313	(4,608)	23,705
Receivable after 5 years	12,657	4,500	17,157	(910)	16,247
	<u>45,656</u>	<u>7,500</u>	<u>53,156</u>	<u>(7,342)</u>	<u>45,814</u>
Company 2007					
Receivable within 1 year	16,875	1,500	18,375	(2,824)	15,551
Receivable after 1 year but within 5 years	16,875	-	16,875	(2,474)	14,401
Receivable after 5 years	4,219	3,000	7,219	(220)	6,999
	<u>37,969</u>	<u>4,500</u>	<u>42,469</u>	<u>(5,518)</u>	<u>36,951</u>
2006					
Receivable within 1 year	6,328	-	6,328	(1,678)	4,650
Receivable after 1 year but within 5 years	25,313	-	25,313	(4,608)	20,705
Receivable after 5 years	12,657	4,500	17,157	(910)	16,247
	<u>44,298</u>	<u>4,500</u>	<u>48,798</u>	<u>(7,196)</u>	<u>41,602</u>

Under the terms of the lease agreements, no contingent rents were recognised. Interest rates for the Group and the Company were 4.25% (2006: 4% to 4.25%) per annum and 4.25% (2006: 4.25%) per annum respectively. These lease receivables relate to the leases of marine vessels for which the lessees have the option to purchase the marine vessels during the term of the leases.

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for the year ended 31 December 2007

18. Other debtors, deposits, and prepayments

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Under current assets				
Deposits and recoverables, Note (a)	53,726	40,099	7,041	2,166
Non-trade receivables, Note (b)	8,135	17,734	13,607	33,223
Prepayments	17,499	4,928	-	-
Staff loans, Note (c)	2,103	2,164	70	82
	<u>81,463</u>	<u>64,925</u>	<u>20,718</u>	<u>35,471</u>
Under non-current assets				
Long term other debtors, Note (d)	17,001	15,974	229,693	276,892
	<u>98,464</u>	<u>80,899</u>	<u>250,411</u>	<u>312,363</u>
<i>(a) Deposits and recoverables</i>				
GST refundable	25,841	16,947	-	-
Interest receivable	155	404	-	1
Recoverables	14,200	8,668	4,493	114
Tax recoverable	3,009	2,185	1,938	1,688
Withholding tax recoverable	7,585	7,657	-	-
Sundry deposits	2,936	4,238	610	363
	<u>53,726</u>	<u>40,099</u>	<u>7,041</u>	<u>2,166</u>
Recoverables for the Group in financial year 2006 includes \$198,000 which bore interests of 4% to 8% per annum. Recoverables are stated after deducting allowance for doubtful debt of \$97,000 (2006: \$97,000).				
Withholding tax recoverable arose mainly due to the acquisitions of subsidiary companies during the prior year and has been warranted by the seller to the Group.				
<i>(b) Non-trade receivables</i>				
Associated companies and joint-ventures	353	343	-	-
Related company	10	691	-	-
Subsidiary companies	-	-	13,607	33,223
Immediate holding company	7,772	16,700	-	-
	<u>8,135</u>	<u>17,734</u>	<u>13,607</u>	<u>33,223</u>

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Sembcorp Marine Ltd and Subsidiary Companies

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18. Other debtors, deposits, and prepayments (cont'd)

All amounts due from associated, related, and subsidiary companies, joint ventures and the immediate holding company, which comprise mainly advances and payments on behalf, are unsecured, interest-free, repayable on demand and to be settled in cash, with the exception of balances due from subsidiary companies amounting to \$29,467,000 in financial year 2006 which bore interests ranging from 0.8% to 2.68% per annum.

(c) Staff loans

Staff loans are denominated in Singapore Dollars and bear interest at 3.0% (2006: 3.0%) per annum.

(d) Long term other debtors

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loans to subsidiary companies	-	-	229,693	276,892
Loans and advances to joint ventures	17,001	15,974	-	-
	<u>17,001</u>	<u>15,974</u>	<u>229,693</u>	<u>276,892</u>

All loans and advances to subsidiary companies and joint ventures are unsecured, interest-free, to be settled in cash, and not expected to be repaid within the next twelve months, with the exception of a loan to a subsidiary company of \$149,625,000 (2006: \$149,625,000) which bears interest at a fixed rate of 3.1% (2006: 3.1%) per annum.

19. Intangible assets

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Goodwill on consolidation, Note (a)	5,940	13,467	-	-
Other intangible assets, Note (b)	1,462	3	-	-
Club memberships, Note (c)	187	187	122	122
	<u>7,589</u>	<u>13,657</u>	<u>122</u>	<u>122</u>

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	Group	
	2007 \$'000	2006 \$'000
(a) Goodwill on consolidation		
Balance at 1 January	13,467	3,352
Acquisition of subsidiary companies	(7,527)*	10,115
Balance at 31 December	<u>5,940</u>	<u>13,467</u>
Carrying amount of goodwill allocated to each of the Group's cash-generating units are as follows:		
Ship and rig repair, building and conversion	4,917	12,444
Others	1,023	1,023
Total	<u>5,940</u>	<u>13,467</u>

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.

(b) Other intangible assets

Cost		
Balance at 1 January	75	75
Acquisition of subsidiary companies	5,603*	-
Balance at 31 December	<u>5,678</u>	<u>75</u>
Accumulated amortisation		
Balance at 1 January	72	13
Charge for the year	4,144	59
Balance at 31 December	<u>4,216</u>	<u>72</u>
Net book value	<u>1,462</u>	<u>3</u>

* The goodwill provisionally determined in 2006 was reduced by \$7,527,000 and fixed assets, intangible asset, and deferred taxation increased by \$3,806,000, \$5,603,000, and \$1,882,000 respectively in the current year based on the final valuation report received from the independent valuer during the year.

(c) Club memberships

Club memberships are stated at cost and after deducting allowance for impairment loss of \$653,000 (2006: \$653,000) for the Group and \$468,000 (2006: \$468,000) for the Company.

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20. Stocks and work-in-progress

	Group	
	2007 \$'000	2006 \$'000
Materials, Note (a)	27,995	35,571
Finished goods, Note (a)	2,401	1,812
Work-in-progress, Note (b)	1,530,313	1,154,674
	<u>1,560,709</u>	<u>1,192,057</u>

(a) Materials and finished goods are stated after deducting allowance for stocks obsolescence of:

	Group	
	2007 \$'000	2006 \$'000
Materials	2,075	1,443
Finished goods	431	247
	<u>2,506</u>	<u>1,690</u>
Allowance for stocks obsolescence:		
Balance at 1 January	1,690	1,397
Charge for the year	875	735
Write-back for the year	(59)	(442)
Balance at 31 December	<u>2,506</u>	<u>1,690</u>
(b) Work-in-progress		
Costs and attributable profits less allowance for foreseeable losses	5,094,798	3,269,543
Less: Progress billings	(3,564,485)	(2,114,869)
	<u>1,530,313</u>	<u>1,154,674</u>

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21. Trade creditors

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Associated companies and joint-ventures	8,009	1,017	-	-
Immediate holding company	854	254	-	250
Related companies	1,464	1,309	850	686
Related parties	-	72	-	-
Subsidiary companies	-	-	82	9
External parties	1,374,374	920,183	14,498	13,624
	<u>1,384,701</u>	<u>922,835</u>	<u>15,430</u>	<u>14,569</u>

All the amounts due to immediate holding company, subsidiary, associated and related companies, joint-ventures and related parties are interest-free, unsecured, repayable on demand and to be settled in cash.

22. Other creditors and provisions

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deposits received	1,429	1,748	26	26
GST payables	147	1,732	55	1,184
Hire purchase creditors (Note 27)	1,046	393	-	-
Non-trade payables, Note (a)	64,528	13,975	109,561	35,117
Interest payable	2,622	2,138	1,184	234
Other creditors	69,772	19,986	110,826	36,561
Provision for warranty, Note (b)	2,797	3,020	-	-
	<u>72,569</u>	<u>23,006</u>	<u>110,826</u>	<u>36,561</u>
(a) Non-trade payables				
Subsidiary companies	-	-	107,692	33,000
Associated companies and joint-ventures	1,783	1,825	1,783	1,780
Related company	17	78	-	-
External parties	62,728	12,072	86	337
	<u>64,528</u>	<u>13,975</u>	<u>109,561</u>	<u>35,117</u>

The non-trade payables to the associated, related and subsidiary companies and joint ventures are unsecured, interest free, repayable on demand and to be settled in cash.

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22. Other creditors and provisions (cont'd)

	Group	
	2007 \$'000	2006 \$'000
(b) Provision for warranty		
Balance at 1 January	3,020	1,517
(Write-back)/charge to profit and loss account	(223)	1,503
Balance at 31 December	2,797	3,020

23. Progress billings in excess of work-in-progress

	Group	
	2007 \$'000	2006 \$'000
Costs and attributable profits	976,416	592,506
Less: Progress billings	(1,541,024)	(1,135,250)
Progress billings in excess of work-in-progress	(564,608)	(542,744)

24. Borrowings

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current liabilities				
Bank overdrafts, Note (a)	-	10,340	-	-
Short term bank loans, Note (b)	112,839	58,119	-	-
Term loan, Note (c)	12,000	12,000	-	-
Medium term notes, Note (e)	134,961	59,984	-	-
	259,800	140,443	-	-
Non-current liabilities				
Term loan, Note (c)	32,000	44,000	-	-
Revolving credit loan, Note (d)	-	56,750	-	-
Medium term notes, Note (e)	149,869	149,795	149,869	149,795
	181,869	250,545	149,869	149,795
Total borrowings	441,669	390,988	149,869	149,795

Non-current borrowings are due after 1 year but within 5 years.

- (a) Bank overdrafts in financial year 2006 were unsecured and bore interest rates ranging from 5.0% to 7.0% per annum.
- (b) The unsecured short term bank loans are repayable in January 2008 (2006: January 2007 to March 2007) and bear interest rates ranging from 2.56% to 5.70% (2006: 3.73% to 5.60%) per annum.
- (c) The term loan is repayable in 60 equal monthly instalments of \$1 million each and shall be fully repaid on 30 August 2011. The term loan bears interest at 0.25% per annum above the SWAP rate. An interest rate swap was entered to repay the interest of this loan at a fixed rate of 3.93% (2006: 3.93%) per annum. The term loan is secured by a corporate guarantee from a subsidiary company.
- (d) The revolving credit loan is repayable not later than 30 August 2011 and bears interest at floating rates which ranges from 2.48% to 3.76% (2006: 3.81% to 3.87%) per annum and is secured by a corporate guarantee from a subsidiary company. The amount was fully repaid during the year.
- (e) During 2004, the Company established a \$500,000,000 Multicurrency Multi-issuer Debt Issuance Programme (the "MTN") pursuant to which the Company, together with its subsidiary companies Jurong Shipyard Pte Ltd and Sembawang Shipyard Pte Ltd ("Issuing Subsidiary Companies"), may from time to time issue the Notes (as defined below), subject to availability of funds from the market. The obligations of Issuing Subsidiary Companies under the Notes will be fully guaranteed by the Company.

Under the MTN, the Company or any of the Issuing Subsidiary Companies may from time to time issue notes in series or tranches in Singapore Dollars and/or any other currency (the "Notes"). Such Notes are listed on the Singapore Exchange Securities Trading Limited and will be cleared through the Central Depository (Pte) Ltd.

The principal amount of the Notes issued by the Group and are outstanding are as follows :-

	2007 \$'000	2006 \$'000
Group and Company		
5-year 3.00% per annum Notes issued on 27/9/2004 and due on 26/9/2009	150,000	150,000
Group		
1-year 3.71% per annum Notes issued on 30/8/2006 and due on 30/8/2007	-	60,000
1-year 2.91% per annum Notes issued on 30/8/2007 and due on 1/9/2008	60,000	-
1-year 2.82% per annum Notes issued on 4/10/2007 and due on 6/10/2008	75,000	-
	285,000	210,000

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24. Borrowings (cont'd)

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
MTN borrowings				
- current	135,000	60,000	-	-
- non-current	150,000	150,000	150,000	150,000
Less: Capitalised issue expenses	(170)	(221)	(131)	(205)
	<u>284,830</u>	<u>209,779</u>	<u>149,869</u>	<u>149,795</u>
<i>Capitalised issue expenses</i>				
Balance at 1 January	221	280	205	280
Amount paid	54	24	-	-
Amortised during the year	(105)	(83)	(74)	(75)
Balance at 31 December	<u>170</u>	<u>221</u>	<u>131</u>	<u>205</u>

The Notes are redeemable at par.

25. Derivative financial assets/liabilities

Group	2007		2006	
	Notional amount \$'000	Assets/ (Liabilities) \$'000	Notional amount \$'000	Assets/ (Liabilities) \$'000
Forward currency contract:				
- Bought contracts				
- Non-current (Note 16)	4,862	206	-	-
- Current	701,348	12,853	40,598	(190)
Interest rate swap	44,000	(731)	56,000	(410)
Foreign exchange swap contracts	-	-	1,107,300	(7,370)
Balance at 31 December		<u>12,328</u>		<u>(7,970)</u>

As at 31 December 2007, the settlement dates on open derivative contracts ranged between 1 to 17 months (2006: 1 to 5 months). The fixed interest rate on interest rate swap is 3.93% (2006: 3.93%) per annum and is used to hedge the interest rate risk arising from the term loan as disclosed in Note 24 (c).

Details of the foreign currency contracts and foreign exchange swap contracts are as follows:-

	Group	
	2007 \$'000	2006 \$'000
Contracts to deliver USD and receive SGD	706,210	-
Contracts to deliver USD and receive EUR	-	777,770
Contracts to deliver USD and receive JPY	-	316,151
Contracts to deliver EUR and receive USD	-	53,977
	<u>706,210</u>	<u>1,147,898</u>

26. Deferred taxation

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Balance at 1 January	109,535	68,695	58,184	41,872
Currency re-alignment	(484)	(374)	-	-
Charge/(write-back) to profit and loss account	1,398	4,985	(3,250)	(628)
Acquisition of subsidiary company, Note 19	1,882	-	-	-
Disposal of subsidiary company	(221)	-	-	-
Charge to equity	56,628	36,229	40,916	16,940
Balance at 31 December	<u>168,738</u>	<u>109,535</u>	<u>95,850</u>	<u>58,184</u>

Deferred taxation recognised arises as a result of:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax liabilities				
Differences in depreciation	60,293	61,812	25,613	28,865
Fair value adjustments	105,236	48,608	70,237	29,319
Other	5,456	3,355	-	-
	<u>170,985</u>	<u>113,775</u>	<u>95,850</u>	<u>58,184</u>
Deferred tax assets				
Allowance for doubtful debts	(283)	(129)	-	-
Unutilised tax losses, capital and investment allowance likely to be utilised	(1,057)	(2,498)	-	-
Employee benefits	(816)	(1,544)	-	-
Other deferred tax assets	(91)	(69)	-	-
	<u>(2,247)</u>	<u>(4,240)</u>	<u>-</u>	<u>-</u>
	<u>168,738</u>	<u>109,535</u>	<u>95,850</u>	<u>58,184</u>

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26. Deferred taxation (cont'd)

Deferred tax assets not recognised as a result of:

	Group	
	2007 \$'000	2006 \$'000
Unutilised tax losses, capital and investment allowance unlikely to be utilised	(8,561)	(13,721)
Others	(1,071)	(2,097)
	<u>(9,632)</u>	<u>(15,818)</u>

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the subsidiary companies can utilise the benefit therefrom.

27. Hire purchase creditors

	Minimum lease payment \$'000	Unearned interest income \$'000	Present value of minimum lease payment \$'000
Group 2007			
Payable after 1 year but within 5 years	1,840	(241)	1,599
Payable within 1 year, under "Other creditors and provisions" (Note 22)	1,152	(106)	1,046
	<u>2,992</u>	<u>(347)</u>	<u>2,645</u>
2006			
Payable after 1 year but within 5 years	328	(25)	303
Payable within 1 year, under "Other creditors and provisions" (Note 22)	419	(26)	393
	<u>747</u>	<u>(51)</u>	<u>696</u>

The hire purchase agreements do not contain any escalation clauses and do not provide for contingent rents. The implicit interest rate is 5.9% (2006: ranges from 5.23% to 6.81%) per annum. The net book value of assets acquired under hire purchase agreements are disclosed in Note 12. Lease terms do not contain restrictions concerning dividend, additional debt or further leasing.

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28. Other provisions

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Provision for retirement gratuities, Note (a)	2,773	3,209	-	-
Provision for restoration of fixed assets, Note (b)	4,729	4,790	2,895	2,895
	<u>7,502</u>	<u>7,999</u>	<u>2,895</u>	<u>2,895</u>
<i>(a) Provision for retirement gratuities</i>				
Balance at 1 January	3,209	3,202	-	-
Charge for the year	-	252	-	-
Utilised during the year	(436)	(245)	-	-
Balance at 31 December	<u>2,773</u>	<u>3,209</u>	<u>-</u>	<u>-</u>
<i>(b) Provision for restoration of fixed assets</i>				
Balance at 1 January	4,790	4,867	2,895	2,895
Currency re-alignment	(61)	(77)	-	-
Balance at 31 December	<u>4,729</u>	<u>4,790</u>	<u>2,895</u>	<u>2,895</u>

29. Share capital

	Group and Company	
	2007 \$'000	2006 \$'000
Issued and fully paid up ordinary shares:		
Balance at 1 January 1,463,908,815 (2006: 1,450,357,615) shares	418,631	145,036
Transfer from share premium to share capital	-	259,540
Issued during the year		
Exercise of share options of 15,899,875 (2006: 13,551,200) shares	23,918	14,055
Allotment of 591,046,630 (2006: Nil) shares pursuant to 2 for 5 bonus issue	-	-
Balance at 31 December 2,070,855,320 (2006: 1,463,908,815) shares	<u>442,549</u>	<u>418,631</u>

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29. Share Capital (cont'd)

On 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concept of "par value" and "authorised capital" was abolished and on that date, the shares of the Company ceased to have a par value and the amount standing in the share premium reserve became part of the Company's share capital.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. During the year, other than the issue of new shares upon the exercise of share options under the Sembcorp Marine Share Option Plan (the "Plan") and the allotment of new shares pursuant to 2 for 5 Bonus Issue, there was no other issue of new shares.

30. Share-based Incentive Plans

The Company's Share Option Plan, Performance Share Plan and Restricted Stock Plan (collectively, the "Share Plans") were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 31 May 2000.

During the year, the Group has charged to the profit and loss account the fair value of the Share Plans at grant date:-

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Share Option Plan	4,615	4,435	833	782
Performance Share Plan*	2,363	2,302	1,601	1,574
Restricted Stock Plan	8,147	1,411	1,204	285
	<u>15,125</u>	<u>8,148</u>	<u>3,638</u>	<u>2,641</u>

* Awarded from 1 January 2005 onwards

For performance share plan awarded prior to 1 January 2005, an initial estimate is made for the cost of compensation under the Group Performance Share Plan based on the number of shares expected to be awarded at the end of the performance period, valued at market price at the date of the grant of the award.

During the current financial year, the Group has written back \$268,000 (2006: \$521,000) to the profit and loss account in respect of performance shares awarded prior to 1 January 2005 based on the market values of the shares at reporting date. The balance of \$Nil (2006: \$1,578,000) in liabilities as at 31 December 2007 represents the compensation cost for performance shares granted prior to 2005. The final measure of compensation cost is based on the number of shares ultimately awarded and the market price at the date the performance criteria are met.

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Other information regarding the Share Plans are as follows :-

(a) Share Option Plan

No share options were granted during the year. Share options were granted in 2006 (the "2006 Options") pursuant to the Plan in respect of 9,875,075 unissued ordinary shares to 1,291 full time executives of the Group, 10 Directors of the Company and 13 executives of the immediate holding company, SCI, who are not substantial shareholders of the Company. In respect of options granted to executives of SCI, a total of 87,000 options were granted, making it a total of 1,780,000 options granted to those executives from the commencement of the Plan.

The fair values of options of the Company granted at the date of the grant were estimated using the Binomial Option-Pricing model as follows:

Option period (both dates inclusive)	Number of shares options granted	Exercise price	Fair value of options at date of grant
2006 Options			
1 Oct 2007 to 1 Oct 2011	560,000	\$3.33	\$0.61
1 Oct 2007 to 1 Oct 2016	9,315,075	\$3.33	\$0.61

The fair value of share options (including both equity and cash-settled options) as at the date of grant, was estimated by an external valuer using the Binomial Option-Pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the 2006 Options are shown below.

Date of grant	2.10.2006
Dividend yield (%)	2.8
Expected volatility (%)	25.6 – 28.5
Historical volatility (%)	25.6 – 28.5
Risk-free interest rate (%)	1.5 - 4.4
Expected life of option (years)	1.5 - 4.5
Weighted average share price (\$)	3.40

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

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

The details of the options granted under the Option Plans on unissued shares of the Company are as follows:

Date of grant of options	Exercise price per share*	Options outstanding at 1.1.2007	Options granted arising from bonus issue	Options exercised	Options cancelled/lapsed/not accepted	Options outstanding at 31.12.2007	Options holders (including directors) at 31.12.2007	Number of options exercisable at 1.1.2007	Number of options exercisable at 31.12.2007	Proceeds on options exercised during the year credited to share capital \$'000	Exercise period
08/09/2000	\$0.50	298,000	61,260	80,440	79,950	198,870	20	298,000	198,870	53	08/09/2001 to 07/09/2010
27/09/2001	\$0.47	510,200	108,680	333,850	25,750	259,280	37	510,200	259,280	197	28/09/2002 to 27/09/2011
07/11/2002	\$0.64	140,000	-	140,000	-	-	-	140,000	-	126	08/11/2003 to 07/11/2007*
07/11/2002	\$0.64	3,202,450	182,700	2,688,750	182,750	513,650	93	3,202,450	513,650	2,387	08/11/2003 to 07/11/2012
08/08/2003	\$0.71	367,000	40,800	265,000	-	142,800	3	265,750	142,800	134	09/08/2004 to 08/08/2008*
08/08/2003	\$0.71	5,311,650	721,240	3,682,150	220,250	2,130,490	192	2,358,150	2,130,490	3,663	09/08/2004 to 08/08/2013
10/08/2004	\$0.74	510,000	129,000	187,500	21,000	430,500	4	280,000	280,000	60	11/08/2005 to 10/08/2009*
10/08/2004	\$0.74	8,968,200	2,085,380	3,726,325	471,050	6,856,205	905	2,357,200	2,412,955	3,900	11/08/2005 to 10/08/2014
11/08/2005	\$2.11	505,000	130,500	185,750	84,000	365,750	5	257,500	134,750	115	12/08/2006 to 11/08/2010*
11/08/2005	\$2.11	13,405,650	3,803,910	3,902,275	671,950	12,635,335	978	3,146,150	3,582,935	11,562	12/08/2006 to 11/08/2015
02/10/2006	\$2.38	560,000	224,000	59,500	-	724,500	8	-	136,500	142	03/10/2007 to 02/10/2011*
02/10/2006	\$2.38	9,224,075	3,480,850	648,335	737,100	11,319,490	1,144	-	2,388,059	1,579	03/10/2007 to 02/10/2016
		43,002,225	10,968,320	15,899,875	2,493,800	35,576,870		12,815,400	12,180,289	23,918	

* Applicable to non-executive Directors of the Company only.

Adjusted for two Bonus Shares credited as fully paid for every five existing ordinary shares.

Sembcorp Marine Ltd's options exercised in 2007 resulted in 15,899,875 (2006: 13,551,200) ordinary shares being issued at a weighted average price of \$1.50 (2006: \$1.04). Sembcorp Marine Ltd's options were exercised on a regular basis throughout the year. The weighted average share price during the year was \$3.52 (2006: \$3.12).

(b) Performance Share Plan

Under the Performance Share Plan, 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.

For performance share awards granted in or after 2005, the performance criteria were based on Wealth Added and Total Shareholders' Return. For each performance measure, three distinct performance levels are set. A minimum of 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, performance shares to be delivered for awards granted in 2005 will range between 0% to 150% of the original award.

Participants are also 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 Company's performance shares awarded since commencement of the Performance Share Plan (in aggregate) up to 31 December 2007 were as follows:-

Performance Shares Participants	Conditional performance shares awarded during the year	Aggregate conditional performance shares awarded	Aggregate conditional performance shares released	Aggregate conditional performance shares lapsed	Additional conditional performance shares arising from bonus issue	Aggregate conditional performance shares outstanding
Director of the Company						
- Tan Kwi Kin	250,000	2,320,000	(1,094,400)	(425,600)	320,000	1,120,000
Alternate director of the Company						
- Wong Weng Sun	125,000	375,000	-	-	150,000	525,000
Former alternate director of the Company						
- Heng Chiang Gnee*	-	800,000	(461,000)	(339,000)	-	-
Key Management and Executives of the Group	325,000	900,000	-	-	360,000	1,260,000
	700,000	4,395,000	(1,555,400)	(764,600)	830,000	2,905,000

* Mr Heng Chiang Gnee was transferred to a related company, Sembcorp Environmental Management Pte Ltd on 15 August 2005 and he was not awarded any conditional shares thereafter. The actual number of conditional shares released to him was determined based on the achievement of performance criteria for the completed period of service with the Company.

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

The total number of performance shares in awards granted conditionally and representing 100% of targets achieved, but not released as at 31 December 2007, was 2,905,000 (2006: 1,955,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,357,500 (2006: 3,222,500) performance shares.

During the year, a total of 700,000 (2006: 600,000) performance shares in awards were granted conditionally to the participants for the performance period 2007 to 2009 (2006: 2006 to 2008).

Fair value of Performance Shares

The fair value of the performance shares are estimated using a Monte Carlo simulation methodology at the measurement dates, which are grant dates for equity-settled awards. The assumptions used under the model and fair values of performance shares granted in 2007 and 2006 are as follows:

Date of grant	12 June 2007	2 October 2006
Fair value at measurement date	\$4.25	\$2.20
Assumptions under the Monte-Carlo model		
Share price	\$4.78	\$3.38
Expected volatility:		
Sembcorp Marine Ltd	24.6%	23.3%
Morgan Stanley Capital International ("MSCI")		
AC Asia Pacific excluding Japan Industrials Index	13.8%	14.2%
Correlation with MSCI	30.0%	28.3%
Risk-free interest rate	2.5%	2.9%
Expected dividend	4.9%	3.7%

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

(c) Restricted Stock Plan

In 2006, as part of the redesigned approach, restricted shares were awarded to managerial employees of the Group, with the objective to eventually replace share options as a long term incentive for them.

Under the Restricted Stock Plan, 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 are set and performance levels for the restricted shares are calibrated based on Return on Equity and Total Shareholders' Return. For each performance measure, three distinct performance levels are set. A minimum of 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 for awards granted from 2006 onwards will range from 0% to 130% of the original award.

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.

Senior management participants are also required to hold a minimum percentage of the shares released to them under the Restricted Stock 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 restricted shares of the Company awarded since commencement of the Restricted Stock Plan up to 31 December 2007 were as follows:

Restricted Shares Participants	Conditional restricted shares awarded during the year	Aggregate conditional restricted shares awarded	Aggregate conditional restricted shares lapsed	Additional conditional restricted shares arising from bonus issue	Aggregate conditional restricted shares outstanding
Directors of the Company					
Goh Geok Ling	22,000	22,000	-	8,800	30,800
Tan Kwi Kin	100,000	163,000	-	65,200	228,200
Tan Pheng Hock	10,500	10,500	-	4,200	14,700
Kiyotaka Matsuzawa	9,000	9,000	-	3,600	12,600
Tan Tew Han	20,500	20,500	-	8,200	28,700
Ajaib Haridass	20,500	20,500	-	8,200	28,700
Tang Kin Fei	13,500	13,500	-	5,400	18,900
Ron Foo Siang Guan	14,000	14,000	-	5,600	19,600
Joseph Kwok Sin Kin	13,500	13,500	-	5,400	18,900
Wong Weng Sun	50,000	77,000	-	30,800	107,800
Other executives	3,581,690	4,714,090	(229,825)	1,800,520	6,284,785
	3,855,190	5,077,590	(229,825)	1,945,920	6,793,685

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

A total of 3,855,190 (2006:1,222,400) restricted shares of Sembcorp Marine Ltd's shares were awarded on 12 June 2007 (2006: 2 October 2006) for the performance period 2007 to 2008 (2006: 2006 to 2007).

The total number of Sembcorp Marine Ltd's restricted shares in awards granted conditionally and representing 100% of targets achieved, but not released as at end 2007, were 6,793,685 (2006: 1,212,320). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 8,831,791 (2006: 1,576,016) restricted shares.

Fair value of Restricted Shares

The fair value of the restricted shares are estimated using a Monte Carlo simulation methodology at the measurement dates, which are grant dates for equity-settled awards.

The assumptions used under the model and fair values of restricted shares granted during the year are as follows:

Date of grant	12 June 2007	2 October 2006
Fair value at measurement date	\$4.15	\$2.71
Assumptions under the Monte-Carlo model		
Share price	\$4.78	\$3.38
Expected volatility:		
Sembcorp Marine Ltd	24.6%	23.3%
Straits Time Index	10.0%	9.7%
Correlation vs STI	14.1%	24.5%
Risk-free interest rate	2.4% - 2.6%	2.9% - 3.0%
Expected dividend	4.9%	3.7%

The expected volatility is based on the historical volatility over the most recent period that commensurates with the expected life of the restricted shares.

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31. Reserves

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000 (Restated)
<i>Distributable</i>				
Revenue reserve	735,338	710,615	546,459	393,335
<i>Non-distributable</i>				
Foreign currency translation reserve ⁽¹⁾	(18,304)	(12,055)	-	-
Asset revaluation reserve	960	960	960	960
Share-based compensation reserve ⁽²⁾	27,368	12,162	26,945	11,820
Available for sale reserve ⁽³⁾	479,025	194,567	320,120	117,398
Other capital reserves ⁽⁴⁾	13,124	13,459	-	-
	<u>1,237,511</u>	<u>919,708</u>	<u>894,484</u>	<u>523,513</u>

⁽¹⁾ 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. It is also used to record the effect of hedging net investments in foreign operations.

⁽²⁾ Share-based compensation reserve represents the equity-settled share options, and/or restricted shares and performance shares awarded to employees. The reserve is made up of the cumulative value of services received from employees relating to such awards.

⁽³⁾ Available for sale reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

⁽⁴⁾ Other capital reserves mainly relate to the transfer from revenue reserve in accordance with the foreign jurisdiction in which the Group's subsidiary and associated companies operate.

32. Dividends

(a) The proposed net dividends of \$106,856,000 (2006: \$141,999,000) comprise a one-tier tax-exempt dividend of 5.16 cent per share (2006: final dividend of 7.14* cent per share less tax of 18% and one-tier tax-exempt dividend of 1.07* cent per share).

	Group and Company	
	2007 \$'000	2006 \$'000
(b) Dividends paid		
Interim one-tier tax-exempt dividend of 3.57* cent per share (2006: Interim dividend of 2.5* cent per share less tax of 20%)	73,783	40,867
2006 final dividend of 7.14* cent per share less tax of 18% and one-tier tax-exempt dividend of 1.07* cent per share (2006: 2005 final dividend of 5.0* cent per share less tax of 20%)	142,483	81,495
	<u>216,266</u>	<u>122,362</u>

* Adjusted for two Bonus Shares for every five existing ordinary shares

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33. Contingent liabilities

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Outstanding litigation, Note 7	73,117	-	-	-
Unsecured bankers guarantees	28,474	104,306	-	-
Unsecured corporate guarantees granted in respect of:				
Performance of subsidiary companies	-	-	4,026,932	3,561,771
Banking facilities provided to associated company	57,182	51,664	57,182	51,664
	<u>57,182</u>	<u>51,664</u>	<u>57,182</u>	<u>51,664</u>

34. Commitments

At year end, future commitments of the Group are as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>(a) Approved capital commitment:</i>				
Approved capital expenditure and				
- Committed	7,231	68,615	-	-
- Not contracted	15,078	-	-	-
Uncalled capital and commitment on investments	47,281	17,218	47,281	17,218
	<u>69,590</u>	<u>85,833</u>	<u>47,281</u>	<u>17,218</u>

(b) Minimum lease rental payable in respect of land and buildings:

	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within 1 year	12,989	16,698	8,121	7,728
After 1 year but within 5 years	28,872	38,715	10,151	19,831
After 5 years	21,515	22,422	-	-
	<u>63,376</u>	<u>77,835</u>	<u>18,272</u>	<u>27,559</u>

The leases do not contain escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing.

Certain leases include renewal options for additional lease period of 10 to 15 years and at rental rates based on prevailing market rates.

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35. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fixed deposits	526,558	380,051	67,508	59,619
Bank and cash balances	213,919	123,437	6,574	13,223
Bank overdrafts (Note 24)	-	(10,340)	-	-
	<u>740,477</u>	<u>493,148</u>	<u>74,082</u>	<u>72,842</u>

Fixed deposits of the Group and the Company placed with financial institutions have maturity periods ranging from 2 days to 21 months (2006: 1 day to 33 months) and 2 days (2006: 1 to 4 days) respectively from the financial year-end. Interest rate of fixed deposits of the Group and the Company range from 0.52% to 5.24% (2006: 2.34% to 3.62%) and 3.96% (2006: 3.05%) per annum respectively, which are also the effective interest rates.

36. Significant 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		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
<i>Related parties</i>				
Sales	-	4,317	-	-
Purchase of investments	-	120,336	-	-
<i>Immediate holding company</i>				
Management fee payable	250	250	250	250
<i>Related companies</i>				
Sales	1,483	6,000	-	-
Purchases	27,825	32,712	-	-
Rental payable	-	4,772	-	-
Purchase of subsidiary companies	-	66,747*	-	55,000
<i>Associated companies and joint ventures</i>				
Sales	831	807	-	-
Purchases	255,699	350,398	-	-

* In addition to a loan amount of \$116,983,000 assumed by a subsidiary company for the purpose of acquisition of properties at Admiralty Road, Singapore.

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36. Significant related party transactions (cont'd)

Compensation of key management personnel

Directors of the Company, Managing Directors and Executive Directors of Jurong Shipyard Pte Ltd, Sembawang Shipyard Pte Ltd, Deputy Chairman of PPL Shipyard Pte Ltd, Managing Director of SMOE Pte Ltd, Group Human Resource Director and Director, Group Finance are considered to be key management personnel. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation are as follows:

	Group	
	2007 \$'000	2006 \$'000
Directors' remuneration and fees	5,507	3,492
Other key management personnel remuneration	2,891	3,102
	8,398	6,594
Fair value of share-based compensation	3,818	2,225
CPF contributions of key management personnel	52	45

Remuneration of key management personnel includes salary, annual bonus, contributions to CPF, allowances, variable bonuses and performance shares.

The Company adopts an incentive compensation plan, which ties to the creation of Economic Value Added ("EVA"), as well as to attainment of individual 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. Such carried forward balances of the bonus bank may either be reduced or increased in future, based on yearly EVA performance of the Group.

Fair value of share-based compensation relates to share options, performance shares and restricted shares granted that was charged to the profit and loss account.

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37. Information by segment on Group operations

(a) By business segment

The Group has 3 main business segments that are organised and managed separately according to their respective business activities. The 3 business segments are ship and rig repair, building and conversion, ship chartering and others. The activities of these business segments are described in Note 1 and Note 42.

Segment accounting policies are the same as the policies described in Note 2 with inter-segment sales and transfers carried out on an arm's length basis. Segment assets consist primarily of fixed assets, current assets, interest-bearing assets, tax assets and exclude inter-segment balances. Segment liabilities comprise mainly of operating liabilities, interest-bearing liabilities, tax liabilities and exclude inter-segment balances.

2007	Ship and rig repair, building and conversion \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Turnover					
Sales to external parties	4,475,281	-	37,842	-	4,513,123
Inter-segment sales	-	-	174,210	(174,210)	-
Consolidated sales	4,475,281	-	212,052	(174,210)	4,513,123
Results					
Segment results	342,041	(515)	7,503	-	349,029
Dividend and interest income	26,927	141	462	-	27,530
Finance costs	(13,692)	-	-	-	(13,692)
Foreign exchange transactions	(302,922)	-	-	-	(302,922)
Non-operating income	230,625	-	-	-	230,625
Non-operating expenses	(7,642)	-	-	-	(7,642)
Share of results of associated companies and joint ventures	73,627	8,118	48	-	81,793
Profit before taxation	348,964	7,744	8,013	-	364,721
Taxation	(108,962)	(2,217)	(1,815)	-	(112,994)
Profit after taxation	240,002	5,527	6,198	-	251,727
Other information					
Capital expenditure	155,095	500	232	-	155,827
Depreciation	60,922	-	1,243	-	62,165
Amortisation	4,249	-	-	-	4,249

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37. Information by segment on Group operations (cont'd)

2007	Ship and rig repair, building and conversion \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Other segment assets	3,448,015	17,783	28,648	-	3,494,446
Interest-bearing assets	741,238	385	18,267	-	759,890
Investment in associated companies and joint ventures	191,234	12,011	2,257	-	205,502
Tax recoverable	2,630	-	379	-	3,009
Total segment assets	4,383,117	30,179	49,551	-	4,462,847
Other segment liabilities	2,010,906	10	18,149	-	2,029,065
Interest-bearing liabilities	444,314	-	-	-	444,314
Deferred taxation	167,979	-	759	-	168,738
Provision for taxation	112,190	538	2,286	-	115,014
Total segment liabilities	2,735,389	548	21,194	-	2,757,131
2006					
Turnover					
Sales to external parties	3,482,274	-	62,775	-	3,545,049
Inter-segment sales	160	-	136,112	(136,272)	-
Consolidated sales	3,482,434	-	198,887	(136,272)	3,545,049
Results					
Segment results	220,925	(949)	8,257	-	228,233
Dividend and interest income	20,262	209	489	-	20,960
Finance costs	(10,546)	-	(3)	-	(10,549)
Non-operating income	36,616	-	-	-	36,616
Non-operating expenses	(8,753)	-	-	-	(8,753)
Share of results of associated companies and joint ventures	40,166	3,432	766	-	44,364
Profit before taxation	298,670	2,692	9,509	-	310,871
Taxation	(60,651)	(9)	(1,680)	-	(62,340)
Profit after taxation	238,019	2,683	7,829	-	248,531

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2006	Ship and rig repair, building and conversion \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
Other information					
Capital expenditure	280,204	-	1,966	-	282,170
Depreciation	46,694	141	1,252	-	48,087
Amortisation	137	-	-	-	137
Impairment losses	6,127	-	-	-	6,127
Other segment assets	2,726,221	16,500	33,882	-	2,776,603
Interest-bearing assets	490,962	4,603	7,893	-	503,458
Investment in associated companies and joint ventures	139,507	5,647	2,101	-	147,255
Tax recoverable	1,689	-	496	-	2,185
Total segment assets	3,358,379	26,750	44,372	-	3,429,501
Other segment liabilities	1,489,453	56	14,652	-	1,504,161
Interest-bearing liabilities	391,216	-	468	-	391,684
Deferred taxation	108,573	-	962	-	109,535
Provision for taxation	51,834	66	1,998	-	53,898
Total segment liabilities	2,041,076	122	18,080	-	2,059,278

(b) By geographical area

The Group operates in 7 (2006: 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.

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37. Information by segment on Group operations (cont'd)

(b) By geographical area (cont'd)

	Singapore \$'000	Rest of Asia \$'000	Europe \$'000	Others \$'000	Elimination \$'000	Total \$'000
2007						
Revenue from external customers	1,015,449	1,055,206	2,188,761	253,707	-	4,513,123
Segment assets	4,099,879	346,028	-	16,940	-	4,462,847
Capital expenditure	143,720	12,107	-	-	-	155,827
2006						
Revenue from external customers	541,338	671,597	1,956,876	375,238	-	3,545,049
Segment assets	3,209,095	191,798	-	28,608	-	3,429,501
Capital expenditure	280,242	1,413	-	515	-	282,170

38. Directors' remuneration

The remuneration of Directors of the Company fell within the following ranges:

	2007	2006
\$500,000 and above	3	1
\$250,000 to \$499,000	2	-
Below \$250,000	7	12
	12	13

The Directors' remuneration of the Company included market value of 369,000 (2006: 444,000) performance shares awarded and an amount of \$3,577,000 (2006: \$1,803,000) relating to taxable benefit arising from the exercise of share options during the year. This amount has not been charged to the profit and loss account.

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39. Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk, interest rate risk, liquidity risk and market risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group has no significant concentration of credit risk with any single counterparty and monitors its exposure to credit risks arising from sales to customers on an on-going basis where credit evaluations are done on customers that require credit. The Group only deals with pre-approved counterparties with good credit rating and imposes a cap on the amount to be transacted with any counterparty so as to reduce its concentration of risk.

The carrying amounts of trade and other debtors, cash and cash equivalents and derivatives with positive fair values represent the Group's maximum exposure to credit risk.

The Group's maximum exposure to credit risk for trade and other debtors at the balance sheet date is as follows:

	2007 \$'000	Group 2006 \$'000
By business activities		
Ship and rig repair, building and conversion	545,860	525,576
Ship chartering	17,001	20,175
Others	13,123	11,483
	575,984	557,234

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39. Financial risk management objectives and policies (cont'd)

The age analysis of trade and other debtors past due but not impaired is as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Past due 0 to 3 months	59,919	138,098	-	540
Past due 3 to 6 months	43,023	8,775	-	231
Past due 6 to 12 months	26,394	16,249	-	-
More than 1 year	42,550	20,392	47	11
	<u>171,886</u>	<u>183,514</u>	<u>47</u>	<u>782</u>

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

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other debtors not past due or past due up to 30 days. These receivables are mainly arising by customers that have a good collection track record with the Group.

Trade debtors that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments.

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. Management does not expect any counterparty to fail to meet its obligations.

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 exchange contracts and swaps 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 foreign currency forward contracts and swaps for trading purpose.

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The Group and Company's foreign currency exposure is as follows :-

Group	SGD \$'000	USD \$'000	EUR \$'000	Others \$'000	Total \$'000
At 31 December 2007					
Financial assets					
Bank and cash balances, and fixed deposits	19,617	195,031	105,142	2,386	322,176
Trade and other debtors	14,074	98,761	4,923	7,724	125,482
Other investments	-	-	-	15,289	15,289
	<u>33,691</u>	<u>293,792</u>	<u>110,065</u>	<u>25,399</u>	<u>462,947</u>
Financial liabilities					
Trade and other creditors	135,480	108,911	47,570	5,549	297,510
Interest-bearing borrowings	-	66,165	-	-	66,165
	<u>135,480</u>	<u>175,076</u>	<u>47,570</u>	<u>5,549</u>	<u>363,675</u>
Net financial (liabilities)/assets	(101,789)	118,716	62,495	19,850	99,272
At 31 December 2006					
Financial assets					
Bank and cash balances, and fixed deposits	1,397	151,579	59,402	32,592	244,970
Trade and other debtors	9,781	284,581	1,771	4,326	300,459
Other investments	-	-	-	754	754
	<u>11,178</u>	<u>436,160</u>	<u>61,173</u>	<u>37,672</u>	<u>546,183</u>
Financial liabilities					
Trade and other creditors	121,746	98,680	30,236	2,096	252,758
Interest-bearing borrowings	3,183	-	20,229	-	23,412
	<u>124,929</u>	<u>98,680</u>	<u>50,465</u>	<u>2,096</u>	<u>276,170</u>
Net financial (liabilities)/assets	(113,751)	337,480	10,708	35,576	270,013

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

39. Financial risk management objectives and policies (cont'd)

Company	USD \$'000	Others \$'000	Total \$'000
At 31 December 2007			
Financial assets			
Bank and cash balances, and fixed deposits	63,551	-	63,551
Trade and other debtors	651	-	651
Other investments	-	250	250
Net financial assets	64,202	250	64,452
At 31 December 2006			
Financial assets			
Bank and cash balances, and fixed deposits	5,959	1,543	7,502
Trade and other debtors	1,422	-	1,422
Other investments	-	256	256
Net financial assets	7,381	1,799	9,180

A 10% strengthening of the following currencies against the Singapore dollar at the balance sheet date would have increased/(decreased) equity and profit and loss 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 2006.

	Group				Company			
	Equity		Profit and loss		Equity		Profit and loss	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
USD	750	802	(58,749)	(70,246)	-	-	6,420	738
EUR	-	-	6,250	73,450	-	-	-	-
SGD	-	-	10,179	11,375	-	-	-	-
Others	-	-	1,985	35,173	-	-	25	180
	750	802	(40,335)	49,752	-	-	6,445	918

A 10% weakening of the above currencies against the Singapore dollar 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.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's policy is to maintain an efficient 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 and/or investment in bonds.

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.

Sensitivity analysis

Based on the cash and cash equivalents for the Group of \$740,477,000 (2006: \$493,148,000), it is estimated that a one percentage point increase in interest rate would increase the Group's profit before taxation by approximately \$7,405,000 (2006: \$4,931,000). The analysis is performed on the same basis for 2006.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. Short-term funding is obtained from overdraft facilities and bank borrowings. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

39. Financial risk management objectives and policies (cont'd)

The table below analyses the maturity profile of the Group's and Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows.

	Cash Flows				
	Carrying amount \$'000	Contractual cash flow \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Group					
At 31 December 2007					
<i>Derivative financial liabilities</i>					
Interest rate swaps	731	731	731	-	-
<i>Non-derivative financial liabilities</i>					
Trade and other creditors*	1,251,809	1,252,156	1,250,316	1,840	-
Interest-bearing borrowings	441,669	452,862	299,533	153,329	-
	<u>1,694,209</u>	<u>1,705,749</u>	<u>1,550,580</u>	<u>155,169</u>	<u>-</u>
At 31 December 2006					
<i>Derivative financial liabilities</i>					
Foreign exchange swap contracts	7,370	7,370	7,370	-	-
Interest rate swaps	410	410	410	-	-
Forward exchange contracts	190	190	190	-	-
<i>Non-derivative financial liabilities</i>					
Trade and other creditors*	809,137	809,188	808,860	328	-
Bank overdrafts	10,340	10,340	10,340	-	-
Interest-bearing borrowings	380,648	405,670	152,589	253,081	-
	<u>1,208,095</u>	<u>1,233,168</u>	<u>979,759</u>	<u>253,409</u>	<u>-</u>

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

	Cash Flows				
	Carrying amount \$'000	Contractual cash flow \$'000	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
Company					
At 31 December 2007					
Trade and other creditors*	124,774	124,774	124,774	-	-
Interest-bearing borrowings	149,869	157,842	4,513	153,329	-
	<u>274,643</u>	<u>282,616</u>	<u>129,287</u>	<u>153,329</u>	<u>-</u>
At 31 December 2006					
Trade and other creditors*	49,636	49,636	49,636	-	-
Interest-bearing borrowings	149,795	162,342	4,500	157,842	-
	<u>199,431</u>	<u>211,978</u>	<u>54,136</u>	<u>157,842</u>	<u>-</u>

* Excludes mainly accrued operating expenses of \$200,023,000 (2006: \$130,001,000) and \$272,000 (2006: \$284,000) for the Group and Company respectively which are expected to be repaid within 1 year.

Market Risk

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investments held. 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 profit before tax and equity will increase by:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Equity	65,799	34,470	40,415	16,056
Profit and loss	7	50	-	-

A 10% decrease in the underlying equity prices would have equal but opposite effects on the amounts shown above. The analysis is performed on the same basis for 2006 and assumes that all other variables remain constant.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

40. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of the Group's and Company's cash and cash equivalents, debtors and creditors (including related party balances which are expected to be repaid in accordance with normal credit terms), and short-term borrowings, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values of the Group's and Company's significant financial instruments that are carried in the financial statements at other than fair values as at 31 December.

Group and Company	2007		2006	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Non-current portion of: - Medium Term Notes	149,869	147,810	149,795	147,270

No disclosure of fair value is made for related party balances (including associated, related and subsidiary companies and any other related parties) which are in the nature of loans as it is not practicable to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment although these are not expected to be settled within twelve months from the balance sheet date.

It is not practicable to determine the fair values of unquoted equity investments held as long term investments and the long term trade debtors carried at cost. In the opinion of the Directors, the expected cash flows from these unquoted equity investments and long-term trade debtors are believed to be in excess of their carrying amounts.

Methods and assumptions used to determine fair value

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follows:

Financial assets and liabilities

- Investment in quoted equity shares
- Medium Term Notes (quoted)
- Hire purchase creditors
- Bank borrowings (non-current)
- Foreign currency contracts
- Foreign exchange and interest rate swap contracts

Methods and assumptions

Fair value has been determined by reference to published market bid prices at the balance sheet date without factoring in transaction costs.

Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending, borrowing and leasing arrangements.

Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of foreign exchange and interest rate swap contracts are determined by reference to market values for similar instruments.

41. Capital management

The Group's aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business, 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 minority interests. The Group also monitors the level of dividends 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.

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 worth ratio of not more than 1.75. This externally imposed capital requirement has been complied with for the financial years ended 31 December 2007 and 2006.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

42. Group companies

Details of the Group's subsidiary and associated companies and joint ventures are as follows:

Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2007 %	2006 %
Subsidiary companies			
Bulk Trade Pte Ltd (Singapore)	Bulk trading (Singapore)	100	100
Dolphin Shipping Company Private Limited (Singapore)	Ship owning and chartering (Singapore)	100	100
JPL Corporation Pte Ltd (Singapore)	Investment holding (Singapore)	70	70
Jurong Clavon Pte Ltd (Singapore)	Engineering work (Singapore)	-	55
Jurong Integrated Services Pte Ltd (Singapore)	Steel fabrication work (Singapore)	100	100
Jurong Machinery and Automation Pte Ltd (Singapore)	Marine and general electronic and electrical works (Singapore)	100	100
Jurong Marine Contractors Private Limited (Singapore)	Provision of contract services (Singapore)	100	100
Jurong Shipbuilders Private Limited (Singapore)	Investment holding (Singapore)	100	100
Jurong Shipyard Pte Ltd (Singapore)	Ship and rig repair, building, conversion and related services (Singapore)	100	100
Jurong SML Pte Ltd (Singapore)	Shipbuilding, ship repair and related services (Singapore)	100	100
Karimun Shiprepair and Engineering Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
PPL Shipyard Pte Ltd (Singapore)	Rig building, repair and related services (Singapore)	85	85
Sembawang Shipyard Pte Ltd (Singapore)	Ship repair and related services (Singapore)	100	100
Sembawang Shipyard (S) Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
SML Shipyard Pte Ltd (Singapore)	Ship repair and related services (Singapore)	100	100
SembMarine Investment Pte. Ltd. (Singapore)	Investment holding (Singapore)	100	100
SCM Investment Holdings Pte. Ltd. (Singapore)	Investment holding (Singapore)	100	100

Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2007 %	2006 %
Jurong Marine Services Pte Ltd (Singapore)	Provision of tugging and sea transportation services (Singapore)	100	100
SMOE Pte Ltd (Singapore)	Engineering, construction and fabrication of offshore structures (Singapore)	100	100
Sembcorp Marine Technology Pte Ltd @ (Singapore)	Research & development in offshore and marine technology (Singapore)	100	-
Sembcorp Holdings, LLC *** (United States of America)	Investment holding (United States of America)	100	85
Associated companies			
Cosco Shipyard Group Co. Ltd ** (People's Republic of China)	Ship repair and related services (People's Republic of China)	30	30
Joint Shipyard Investment Pte Ltd ** (Singapore)	Under liquidation (Singapore)	50	50
Joint Shipyard Management Services Pte Ltd (Singapore)	Managing dormitories (Singapore)	32	32
Subsidiary and associated companies of Sembawang Shipyard Pte Ltd			
SES Marine Services (Pte) Ltd (Singapore)	Marine services (Singapore)	100	100
SES Engineering (M) Sdn Bhd * (Malaysia)	Fabrication of metal structures (Malaysia)	100	100
World Adventurer Pte Ltd (Singapore)	Marine services (Singapore)	100	100
Sembawang Project Services Pte Ltd (formerly known as Sembawang Bethelehem Pte Ltd) (Singapore)	Building of rigs, vessels and specialised marine equipment (Singapore)	100	100
Subsidiary and associated companies of PPL Shipyard Pte Ltd			
Baker Marine Pte Ltd (Singapore)	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts (Singapore)	85	85
Baker Marine Services (HK) Limited * (Hong Kong)	Provision of rig designs (Hong Kong)	85	85
Baker Marine Technology Inc. (United States of America) ***	Engineering design, research and development, marketing and client services support centre (United States of America)	85	85

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

42. Group companies (cont'd)

Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2007 %	2006 %
Subsidiary companies of Sembcorp Holdings, LLC			
Sembcorp-Sabine Industries Inc *** (United States of America)	Investment holding (United States of America)	100	85
Sembcorp-Sabine Shipyard Inc *** (United States of America)	Rig and vessel enhancement and upgrading services (United States of America)	100	85
Sabine Offshore Services Inc *** (United States of America)	Inactive (United States of America)	100	85
Subsidiary and associated companies of Jurong Shipbuilders Private Limited			
Jurong Shipping Company Private Limited (Singapore)	Struck-off from register (Singapore)	-	100
Jurong Shipping Company Gamma Pte Ltd (Singapore)	Liquidated (Singapore)	-	100
Tridex Investment Inc. *** (British Virgin Islands)	Investment holding (British Virgin Islands)	100	100
Oslo Gas I LP *** (Republic of Liberia)	Liquidated (Norway)	-	33.3
Oslo Gas II LP *** (Republic of Liberia)	Liquidated (Norway)	-	33.3
Subsidiary and associated companies of Jurong Shipyard Pte Ltd			
Jurong Brazil-Singapore Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
Jurong Autoblaster Services Pte Ltd @ (Singapore)	Surface preparation of steel plates, structures and marine engineering services (Singapore)	100	-
Shanghai Jurong Marine Engineering & Technology Co Ltd ** (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 (People's Republic of China)	70	-
Jurong Shipyard Inc. **** (Bahamas)	Investment holding (Bahamas)	-	35
Maua Jurong S.A. *** (Brazil)	Shipbuilding, ship repair, and conversion (Brazil)	-	35
Marine Housing Services Pte Ltd @ (Singapore)	Provision of dormitory housing services (Singapore)	50	-

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2007 %	2006 %
Subsidiary company of Karimun Shiprepair and Engineering Pte Ltd			
P.T. Karimun Sembawang Shipyard * (Indonesia)	Ship repair and related services (Indonesia)	100	100
Subsidiary companies of JPL Corporation Pte Ltd			
JPL Services Pte Ltd (Singapore)	Equipment rental services and trading in copper slag (Singapore)	70	70
JPL Industries Pte Ltd (Singapore)	Processing and distribution of copper slag (Singapore)	60.1	60.1
JPL Concrete Products Pte Ltd (Singapore)	Production of concrete products (Singapore)	60.1	60.1
Subsidiary and associated companies of Jurong Clavon Pte Ltd			
Aswell (F.E.) Pte Ltd (Singapore)	Dealers in blasting and painting equipment, accessories and consumable materials (Singapore)	-	55
Cosco Shipyard Jurong Clavon Co., Ltd** (People's Republic of China)	Corrosion control (People's Republic of China)	-	22
Joint venture companies of Dolphin Shipping Company Private Limited			
Pacific Workboats Pte Ltd ** (Singapore)	Ship leasing and marine surveying services (Singapore)	50	50
Dolphin Workboats Pte Ltd @ (Singapore)	Ship owning and charter (Singapore)	50	-

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

42. Group companies (cont'd)

Name of Company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2007 %	2006 %
Subsidiary and associated companies of SMOE Pte Ltd			
Straits Overseas Pte Ltd (formerly known as SMOE Indonesia Pte Ltd) (Singapore)	Engineering, construction and fabrication of offshore structures (Singapore)	100	100
Straits Offshore Pte Ltd @ (Singapore)	Offshore oil and gas production facilities, manufacturing (Singapore)	100	-
PT SMOE Indonesia (Indonesia) *	Engineering, construction and fabrication of offshore structures (Indonesia)	90	90
SCE Pte Ltd (Singapore)	Engineering, construction and fabrication of offshore structures (Singapore)	51	51
HQSM Engineering Pte Ltd (Singapore)	Engineering, procurement, and construction for oil and gas related business (Singapore)	49	-
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co. Ltd (People's Republic of China)	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea (People's Republic of China)	35	-

* Audited by other member firms of Ernst & Young

** Audited by other firms

*** These companies are not required to be audited under the laws of their country of incorporation

+ These companies ceased to be associated companies of the Group during the year as the Group no longer has significant influence over these companies.

@ Incorporated during the year

(a) In prior year, Sembcorp Holdings, LLC ("SCHLLC") was a wholly owned subsidiary company of PPL Shipyard Pte Ltd ("PPL"), in which the Group has an 85% equity interest. During the year, PPL's equity interest in SCHLLC was transferred to the Company. Consequently, SCHLLC become a wholly owned subsidiary company of the Company.

Notes to the Financial Statements

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

43. Comparative figures

Pursuant to the adoption of FRS 40 and early adoption of INT FRS 111 by the Company as disclosed in Note 2.1, the following comparative figures relating to the previous year have been reclassified.

	Company	
	2006 As restated \$'000	2006 As previously stated \$'000
Fixed assets	116,894	172,557
Investment properties	55,663	-
Investments in subsidiary companies	319,877	311,379
Share-based compensation reserve	11,820	3,322

44. Authorisation of financial statements

The financial statements of Sembcorp Marine Ltd for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Directors on 19 March 2008.

Supplementary Information

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

(A) Directors' Remuneration

The remuneration of directors of the Company falls within the following ranges:-

	2007
\$500,000 and above	3
\$250,000 to \$499,999	2
Below \$250,000	7
	12

Summary compensation table for the year ended 31 December 2007:

Names of Director	Salary ⁽¹⁾	Bonus ⁽²⁾	Taxable income from exercise of share options ⁽³⁾	Directors' Fees	Total	Conditional restricted shares awarded during the year ⁽⁴⁾
	\$'000	\$'000	\$'000	\$'000	\$'000	
Goh Geok Ling	-	-	-	167	167	22,000
Tan Kwi Kin	705	2,704	1,139	-	4,548	100,000
Tan Pheng Hock	-	-	260	#83	343	10,500
Kiyotaka Matsuzawa	-	-	644	51	695	9,000
Tan Tew Han	-	-	-	167	167	20,500
Ajaib Haridass	-	-	284	158	442	20,500
Tang Kin Fei	-	-	57	#120	177	13,500
Ron Foo Siang Guan	-	-	-	121	121	14,000
Joseph Kwok Sin Kin	-	-	-	87	87	13,500
Wong Weng Sun	352	767	1,180	-	2,299	50,000
Hirohiko Sakurai	-	-	-	12	12	-
Ngiam Joke Mui	-	-	13	#14	27	-
Company	1,057	3,471	3,577	980	9,085	273,500

Note:

- (1) Salary amount shown includes allowances, employer CPF, all fees other than directors' fee, and other emolument.
 - (2) Bonus amount shown includes employer CPF, AWS, discretionary bonus, performance target bonus and performance shares released during the year.
 - (3) Taxable income from exercise of share options includes gains on exercise of Sembcorp Industries Ltd and the Company's share options during the year amounting to \$176,000 and \$3,401,000. This amount has not been charged to the profit and loss account.
 - (4) Details on the share options, performance shares and restricted stocks granted to the directors are set out in the Directors' Report.
- # Fees payable to Mr Tan Pheng Hock, Mr Tang Kin Fei and Ms Ngiam Joke Mui are payable to Singapore Technologies Engineering Ltd and Sembcorp Industries Ltd respectively.

Supplementary Information

Sembcorp Marine Ltd and Subsidiary Companies

for the year ended 31 December 2007

(B) Interested Person Transactions

	Aggregate value of all transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	2007 \$'000	2006 \$'000
Transaction for the Sales of Goods and Services		
Keppel Corporation Ltd and its associates	2,177	1,191
Neptune Orient Lines Ltd and its associates	15,853	4,508
Sembcorp Industries Limited and its associates	-	1,123
PSA International Pte Ltd and its associates	2,053	(191)
Transaction for the Purchase of Goods and Services		
Keppel Corporation Ltd and its associates	2,659	3,564
Sembcorp Industries Limited and its associates	26,631	28,242
Management and Support Services		
Sembcorp Industries Limited	250	250
Total Interested Person Transactions	49,623	38,687

	Aggregate value of all transactions excluding transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	2007 \$'000	2006 \$'000
Investment Transactions		
Sembcorp Industries Limited and its associates	-	*66,747
Temasek Holdings (Private) limited and its associates	-	120,336
Total Interested Person Transactions	-	187,083

* In addition to a loan amount of \$116,983,000 assumed by a subsidiary company for purpose of acquisition of the properties at Admiralty Road, Singapore.

Major Properties

Sembcorp Marine Ltd and Subsidiary Companies

As at 19 March 2008

Sembcorp Marine Ltd

Notice of Annual General Meeting

Company Registration no. 196300098Z

(Incorporated in the Republic of Singapore)

Held by	Location	Description & Approximate Land Area	Tenure	Usage
Sembcorp Marine Ltd	Jalan Samulun	Land area: 198,098m ² Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal	Ship repairs including drydock, berthage & workshops
	Tanjong Kling Road	Land area: 491,054.57m ² Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage & workshops
	Mendon Spring	9 units of 3-room apartment with built-in area of 99m ² per unit	Freehold	Residential properties
Sembawang Shipyard Project Services Pte Ltd	Admiralty Road East/ Admiralty Road West	Land area: 860,939m ² Buildings, workshops, docks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage & workshops
PPL Shipyard Pte Ltd	Pandan Road	Land area : 118,749m ²	15 years leasehold	Rig repairs, upgradings, fabrication and rig building including berthage and workshops
	Pandan Road	Land area : 9,182m ²	30 years leasehold	Leg component fabrication
	Tuas Crescent	Land area : 58,255m ²	5 years leasehold	Fabrication facilities
Jurong SML Pte Ltd	Shipyard Road	Land area: 63,141m ² Buildings, workshops, drydocks	6 years leasehold	Ship repairs and shipbuilding including drydocks, berthage & workshops
	Tuas Road	Land area : 60,760m ² Buildings, workshops, docks and quays	14 years leasehold	Shipbuilding and fabrication including berthage & workshops
P.T. Karimun Sembawang Shipyard	Karimun Island Indonesia	Land area: 150,000m 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 Pte Ltd	Jurong Pier Road	Land area: 27,783m ²	20 years leasehold	Copper slag recycling
SES Engineering Sdn Bhd	No. 15 Jalan Lambak Kawasan Perindustrian Taman Johor 81200 Johor Bahru	Land area : 5,235m ² Workshop and 3-storey office building	Freehold	Metal fabrication workshop
P.T. SMOE	Batam Island Indonesia	Land area : 299,001m ²	30 years leasehold	Workshops & fabrication facilities

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting of the Company will be held on Tuesday, April 22, 2008 at 11.00 a.m. at 29 Tanjong Kling Road, Singapore 628054 for the following purposes:

ORDINARY BUSINESS

- To receive and adopt the Directors' Report and Audited Accounts for the year ended December 31, 2007 and the Auditors Report thereon. Resolution 1
- To declare a final one-tier tax exempt dividend of 5.16 cents per ordinary share for the year ended December 31, 2007. Resolution 2
- 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:
 - Mr Tan Kwi Kin Resolution 3
 - Mr Tan Tew Han (*independent, Chairman of Audit Committee*) Resolution 4
 - Mr Tang Kin Fei Resolution 5
- To re-elect Mdm Ngiam Joke Mui, who will cease to hold office pursuant to Article 97 of the Company's Articles of Association and who, being eligible, will offer herself for re-election. Resolution 6
- To approve the sum of S\$980,208/- as Directors' Fees for the financial year ended December 31, 2007 (2006: S\$767,125/-) Resolution 7

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:

- That Mr Richard Edward Hale OBE, having consented to act, be and is hereby appointed as a Director of the Company to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50. Resolution 8
- That **KPMG** be and is hereby appointed as Auditors of the Company in place of the retiring Auditors, **Ernst & Young**, to hold office until the conclusion of the next Annual General Meeting of the Company, and that the Directors of the Company be authorised to fix their remuneration. Resolution 9
- That authority be and is hereby given to the Directors of the Company to: Resolution 10
 - (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
- (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,

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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 (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-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) does not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-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 sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company 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.
9. That approval be and is hereby given to the Directors to:
- (a) grant awards in accordance with the provisions of the Sembcorp Marine Performance Share Plan (the “**Performance Share Plan**”) and/or the Sembcorp Marine Restricted Stock Plan (the “**Restricted Stock 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 issued pursuant to the exercise of options granted under the Sembcorp Marine Share Option Plan and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards granted under the Share Plans,
- provided that** the aggregate number of ordinary shares to be issued pursuant to the Share Plans and the Sembcorp Marine Share Option Plan shall not exceed 15% of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares) from time to time.

10. To transact any other business.

By Order of the Board

Tan Yah Sze/Kwong Sook May
Joint Company Secretaries

April 7, 2008

Resolution 11

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Explanatory Notes:

Resolutions 3 to 6 – Detailed information on these Directors can be found under Board of Directors and Corporate Governance Report in the Annual Report 2007.

Resolution 4 – If re-elected, Mr Tan Tew Han, an independent Director, will remain as the Chairman of the Audit Committee.

Statement pursuant to Article 54 of the Articles of Association of the Company

Resolution 8 – is to appoint Mr Richard Edward Hale OBE as a Director of the Company to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50.

Mr Richard Edward Hale OBE, is currently a non-executive director of Sembcorp Industries, CapitaLand, CapitaCommercial Trust Management, The Ascott Group, Wheelock Properties (Singapore) and BM Trust Management. He was previously a director and CEO Singapore of The Hongkong and Shanghai Banking Corporation. Mr Hale was educated at Radley College, Abingdon, UK.

Resolution 9 – is to appoint KPMG as Auditors of the Company in place of the retiring Auditors, Ernst & Young, to hold office until the conclusion of the next Annual General Meeting of the Company, and to authorise the Directors of the Company to fix their remuneration.

Ernst & Young, the retiring Auditors, have served as external Auditors of the Company for 13 years since 1994. As part of ongoing good corporate governance initiatives, the Directors of the Company are of the view that it would be timely to effect a change of external Auditors with effect from the financial year ending December 31, 2008. Ernst & Young, the retiring Auditors, will accordingly not be seeking re-election at the forthcoming Annual General Meeting. KPMG was selected for the proposed appointment after competitive proposals were considered. It is also pertinent to note that KPMG is currently the external Auditors of Sembcorp Industries Ltd, the parent of the Company.

In accordance with the requirements of Rule 1203(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited:

- the outgoing Auditors, Ernst & Young, have confirmed that they are not aware of any professional reasons why the proposed new Auditors should not accept appointment as Auditors of the Company;
- the Company confirms that there were no disagreements with the outgoing Auditors, Ernst & Young, on accounting treatments within the last 12 months; and
- the Company confirms that, other than as set out above, it is not aware of any circumstances connected with the change of Auditors that should be brought to the attention of shareholders.

A copy of the notice of nomination of the proposed new Auditors from a member of the Company is enclosed with the Annual Report 2007.

Resolution 10 – is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% of the total number of issued shares (excluding treasury shares) may be issued other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution 10 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 10 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares.

Resolution 11 – is to empower the Directors to grant awards pursuant to the Sembcorp Marine Performance Share Plan and the Sembcorp Marine Restricted Stock Plan (collectively, the “**Share Plans**”) and to issue ordinary shares in the capital of the Company pursuant to the exercise of options granted under the Sembcorp Marine Share Option Plan (“**Share Option Plan**”) and/or the vesting of awards granted pursuant to the Share Plans provided that the aggregate number of ordinary shares issued pursuant to the Share Option Plan and the Share Plans shall not exceed 15% of the total number of issued ordinary shares in the capital of the Company (excluding treasury shares) for the time being. Approval for the adoption of the Share Option Plan and the Share Plans was given by shareholders at an Extraordinary General Meeting of the Company held on May 31, 2000 and modified at the Extraordinary General Meeting of the Company held on April 21, 2005. The Company has, for the time being, determined that it will not be granting any further options under the Share Option Plan although subsisting options granted will continue to be exercisable in accordance with the terms of the Share Option Plan. The grant of awards under the Share Plans will be made in accordance with their respective provisions.

Notes:

- 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.
- 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 from May 5, 2008 to May 6, 2008, both dates inclusive, 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 May 2, 2008 (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 Annual General Meeting, will be paid on May 16, 2008.



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PROXY FORM

IMPORTANT

- For investors who have used their CPF monies to buy Sembcorp Marine Ltd's shares, the document is forwarded to them at the request of their CPF Approved Nominees solely. FOR INFORMATION ONLY.
- 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.
- 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 45th Annual General Meeting of the Company to be held at 29 Tanjong Kling Road, Singapore 628054 on Tuesday, April 22, 2008 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 Tan Kwi Kin		
4	To re-elect Tan Tew Han		
5	To re-elect Tang Kin Fei		
6	To re-elect Ngiam Joke Mui		
7	To approve Directors' Fees		
Special Business			
8	To appoint Richard Edward Hale OBE		
9	To appoint KPMG as Auditors in place of the retiring Auditors, Ernst & Young and to fix their remuneration		
10	To approve the renewal of Share Issue Mandate		
11	To authorise the Directors to grant awards and issue shares under Sembcorp Marine's Share Plans		

Total Number of Shares Held	
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Signature(s) and/or Common Seal of Member(s)

Date

Notes:

- 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.
- 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. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
- The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 29 Tanjong Kling Road, Singapore 628054 not less than 48 hours before the time appointed for holding the Annual General Meeting.
- 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.
- A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
- The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Affix
Postage
Stamp

The Company Secretary
Sembcorp Marine Ltd
29 Tanjong Kling Road
Singapore 628054
