A. About These Financial Statements

Sembcorp Industries Ltd (the Company) is a company incorporated in the Republic of Singapore and has its registered office at 30 Hill Street #05-04, Singapore 179360.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore.

The financial statements comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interests in associates, joint ventures and joint operations.

The financial statements were authorised for issue by the Board of Directors on March 4, 2020.

A1. Basis of preparation

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). SFRS(I) comprise standards and interpretations that are equivalent to IFRS.

All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements unless otherwise specified.

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest million unless otherwise stated. '*' denotes financial value that is less than S$1 million. The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies below.

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions, which are based on historical experience and various other factors believed to be reasonable under the circumstances, form the basis of judgement about carrying value of the assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Throughout the notes to the financial statements, further information is provided about key management judgements and estimates that are considered material to the financial statements.

A. About These Financial Statements *(cont'd)*

A2. Summary of significant accounting policies

The accounting policies have been applied consistently by Group entities to all periods presented in these financial statements. Besides the accounting polices described below, other accounting policies are included in the respective notes to the financial statements.

i. Foreign currencies

Foreign currency transactions and balances

Transactions in foreign currencies are translated into the functional currency of individual entity at exchange rates at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are re-translated to the functional currency using foreign exchange rates at that date.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using exchange rate at the date of the transaction while those measured at fair value are retranslated to the functional currency at exchange rates at the date the fair value was determined.

Foreign currency differences arising from the settlement or from translation of monetary items and arising on retranslation are recognised in profit or loss, except following retranslation which are recognised in other comprehensive income:

- Equity instruments designated as fair value through other comprehensive income (FVOCI) (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- A financial liability designated as a hedge of a net investment in a foreign operation to the extent that the hedge is effective; or
- Qualifying cash flow hedges to the extent the hedge is effective.

Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of entities with a functional currency other than Singapore dollar are expressed in Singapore dollar using exchange rates prevailing at the reporting period date. Income and expense items and cash flows are translated at the average exchange rates for each month and exchange differences arising are recognised directly in other comprehensive income.

On disposal of a foreign entity, the cumulative amount previously recognised in the consolidated statement of comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated accordingly.

Net investment in a foreign operation

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

ii. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

The financial statements of subsidiaries acquired or disposed during the financial year are included or excluded from the consolidated financial statements from their respective dates of obtaining control or ceasing control. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition includes fair values of any contingent or deferred consideration arrangement and any pre-existing equity interest in the subsidiary. From January 1, 2017, acquisition-related costs are recognised in the profit and loss account as incurred whereas prior to this date, acquisition-related costs formed part of the cost of acquisition. The unwinding of any interest element of deferred consideration is recognised in profit and loss.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Business combinations that involve entities under common control are excluded from the scope of SFRS(I) 3. Such combinations are accounted at historical costs in a manner similar to the pooling-of-interest method, in the preparation of the consolidated financial statements. Under this method of accounting, the difference between the value of the share capital issued and the value of shares received is taken to the merger reserve.

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in the previous subsidiary then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or financial assets at FVOCI depending on the level of influence retained.

Changes in the Group's interest in a subsidiary, from January 1, 2010 onwards, that do not result in a loss of control are accounted for as transactions with owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. The difference between the change in the carrying amounts of the non-controlling interests (NCI) and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company. Prior to January 1, 2010, any excess of the cost of acquisition of NCI over the carrying amount of the interest in the net assets acquired at the date of acquisition was recognised as goodwill.

On a transaction-by-transaction basis, the measurement of NCI is either at fair value or at the NCI's share of the fair value of the identifiable net assets of the acquiree.

Non-controlling interest

NCI are that part of the net results and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the owners of the Company. They are shown separately in the consolidated statements of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the NCI in a subsidiary based on their respective interest in a subsidiary, even if this results in the NCI having a deficit balance.

Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

A. About These Financial Statements *(cont'd)*

A2. Summary of significant accounting policies *(cont'd)*

ii. Basis of consolidation *(cont'd)*

Associates and joint ventures

Associates and joint ventures are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not yet available for the purpose of statutory filing, the share of results is arrived at from management financial statements.

Impairment for associates and joint ventures

An impairment loss in respect of an associate or joint venture shall be recognised if, and only if, the recoverable amount of the (associate or joint venture) investment is less than the carrying amount. An impairment loss is recognised in the profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Joint operation

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

iii. Service concession arrangements

The Group entered into service concession contracts with local governments or governing agency (the grantor) to design, build and operate (including maintenance of) water treatment plants or power generation plants, over an agreed period ranging from 22 to 30 years. At the end of the concession period, these assets are to be transferred to the grantor and any extension will be based on mutual agreements. These contractual arrangements fall within the scope of SFRS(I) INT 12 *Service Concession Arrangements*.

The Group recognises and measures revenue for building (construction services) and operating these assets as specified in the contracts in accordance with SFRS(I) 15 for the services performed. See accounting policies (c) in Note B2.

If the Group is paid for the construction services partly by financial assets and partly by intangible assets, then each component of the consideration is accounted for separately and recognised initially at fair value (Note E1 and D4(c) respectively).

A. About These Financial Statements *(cont'd)*

A2. Summary of significant accounting policies *(cont'd)*

iv. Adoption of new accounting policies

Amendments to SFRS(I) 9 and SFRS(I) 7 Interest Rate Benchmark Reform (IRBR)

The Group applied the IRBR SFRS(I) amendments retrospectively to hedging relationship that existed at January 1, 2019, or were designated thereafter and that are directly affected by IRBR. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IRBR. The reliefs have the effect that IRBR should not generally cause hedge accounting to terminate. The details of the accounting policies and related disclosures are in Note F2 on Hedges and financial instruments.

SFRS(I) 16 *Leases*

The Group has initially adopted SFRS(I) 16 *Leases* from January 1, 2019. A number of new standards are effective from January 1, 2019, but they do not have a material effect on the Group's financial statements.

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees where lessee recognises right-of-use asset (ROU) representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied the practical expedient to grandfather the definition of a lease on transition, and thus applied SFRS(I) 16 to all contracts entered into before January 1, 2019, and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4. The Group applied SFRS(I) 16 using the modified retrospective approach and the effect of adoption is recognised as an adjustment to the opening balance of revenue reserve at January 1, 2019, with no restatement of comparative information.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. ROU are measured at either: (i) their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or (ii) an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payment.

The Group used the following practical expedients when applying SFRS(I) 16 to affected leases:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of SFRS(I) 1-37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise ROU and liabilities for leases with term less than 12 months.
- Excluded initial direct costs from measuring the ROU at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

A. About These Financial Statements *(cont'd)*

A2. Summary of significant accounting policies *(cont'd)*

iv. Adoption of new accounting policies *(cont'd)*

Impacts on financial statements

As at January 1, 2019, the adoption of SFRS(I) 16 resulted in the following key effects at the Group and the Company:

(S$ million)	Group January 1, 2019	Company January 1, 2019
Property, plant and equipment	(75)	–
Right-of-use assets	483	110
Deferred tax asset	*	–
Prepayment	(27)	–
Lease liabilities	(509)	(130)
Other payables	101	–
Revenue reserve	27	20
Non-controlling interests	*	–

When measuring lease liabilities, the Group and the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.22%.and 3.64% respectively.

(S$ million)	Group January 1, 2019	Company January 1, 2019
Operating lease commitment at December 31, 2018	578#	108
Discounted using the incremental borrowing rate at January 1, 2019	396	86
Finance lease liabilities recognised as at December 31, 2018	3	–
Recognition exemption for:		
– Short-term leases	(5)	(4)
– Leases of low-value assets	*	–
Extension and termination options reasonably certain to be exercised	118	48
Lease liabilities recognised at January 1, 2019	512	130

Revised due to certain rent payments (including contingent based on future market indices) included in the operating lease commitment disclosure in 2019 which should be excluded under SFRS(I) 1-17.

B. Our Performance

B1. Segments information

The principal activities of the Company are those of an investment holding company, as well as the corporate headquarter and the production and supply of utilities services, terminalling and storage of petroleum products and chemicals.

The management examines the Group's performance both from business activities and geographic perspective and has identified four reportable segments of its business according to the key subsidiaries. The Group's President & CEO regularly reviews and monitors the segment turnover, operating results and assets of these segments separately for decisions making, resource allocation and performance assessment.

The principal activities of key subsidiaries are as follows:

i. Energy *(previously known as "Utilities")*

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

ii. Marine

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

iii. Urban *(previously known as "Urban Development")*

The Urban segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia; and

iv. Others / Corporate

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

B. Our Performance *(cont'd)*
B1. Segments information *(cont'd)*
a. Operating segments

Information regarding the results of each reportable segment is included below.

(S$ million)	Energy	Marine	Urban	Others / Corporate	Elimination	Total
2019						
Turnover						
External sales	6,138	2,883	280	317	–	9,618
Inter-segment sales	32	*	*	13	(45)	–
Total	6,170	2,883	280	330	(45)	9,618
Results						
Segment results	603	(141)	102	1	–	565
Share of results of associates and joint ventures, net of tax	114	(2)	75	(3)	–	184
Profit from operations	717	(143)	177	(2)	–	749
Finance income	38	93	5	157	(161)	132
Finance costs	(489)	(130)	(5)	(123)	161	(586)
	266	(180)	177	32	–	295
Tax (expense) / credit	(45)	37	(58)	(12)	–	(78)
Non-controlling interests	(26)	58	(2)	–	–	30
Net profit for the year	195	(85)	117	20	–	247
Assets						
Segment assets	12,872	8,407	498	4,869	(5,185)	21,461
Associates and joint ventures	920	15	705	56	–	1,696
Tax assets	46	40	7	2	–	95
Total assets	13,838	8,462	1,210	4,927	(5,185)	23,252
Liabilities						
Segment liabilities	9,655	6,214	191	3,946	(5,185)	14,821
Tax liabilities	451	35	51	15	–	552
Total liabilities	10,106	6,249	242	3,961	(5,185)	15,373
Capital expenditure[1]	701	375	1	8	–	1,085
Significant non-cash items						
Depreciation and amortisation	423	245	1	13	–	682
Allowance for impairment in value of assets and assets written off, net	154	4	–	*	–	158
Impairment of goodwill	65	–	–	–	–	65
Allowance for expected credit loss	6	*	1	*	–	7
Impairment on assets reclassified to held for sale	64	–	–	–	–	64
Provision for fines and related other provision	7	–	–	–	–	7

[1] Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

B. Our Performance *(cont'd)*
B1. Segments information *(cont'd)*
a. Operating segments *(cont'd)*

(S$ million)	Energy	Marine	Urban	Others / Corporate	Elimination	Total
2018						
Turnover						
External sales	6,536	4,888	5	260	–	11,689
Inter-segment sales	33	–	*	54	(87)	–
Total	6,569	4,888	5	314	(87)	11,689
Results						
Segment results	728	(58)	*	(3)	–	667
Share of results of associates and joint ventures, net of tax	92	(2)	94	(10)	–	174
Profit from operations	820	(60)	94	(13)	–	841
Finance income	35	55	1	101	(105)	87
Finance costs	(425)	(101)	(5)	(82)	105	(508)
	430	(106)	90	6	–	420
Tax (expense) / credit	(98)	22	*	(12)	–	(88)
Non-controlling interests	(20)	36	(4)	3	–	15
Net profit for the year	312	(48)	86	(3)	–	347
Assets						
Segment assets	12,617	8,483	698	3,568	(3,892)	21,474
Associates and joint ventures	946	67	666	62	–	1,741
Tax assets	65	34	4	3	–	106
Total assets	13,628	8,584	1,368	3,633	(3,892)	23,321
Liabilities						
Segment liabilities	9,230	6,164	494	2,809	(3,892)	14,805
Tax liabilities	493	62	1	22	–	578
Total liabilities	9,723	6,226	495	2,831	(3,892)	15,383
Capital expenditure[1]	818	342	*	7	–	1,167
Significant non-cash items						
Depreciation and amortisation	380	201	1	13	–	595
Allowance for impairment in value of assets and assets written off, net	10	5	–	1	–	16
Inventories written back, net	(2)	1	–	*	–	(1)
Impairment of goodwill	–	–	–	1	–	1
Allowance for / (write-back of) expected credit loss	2	3	(2)	*	–	3
Provision for fines and related other provision	25	–	–	–	–	25

[1] Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

B. Our Performance *(cont'd)*

B1. Segments information *(cont'd)*

b. Geographical segments

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

(S$ million)	Note	Singapore	China	India	Rest of Asia	Middle East & Africa (N4)	UK	Norway	Rest of Europe	Brazil	USA	Other Countries	Total
2019													
Revenue from external customers	N1	3,955	511	1,625	350	81	671	668	508	359	825	65	9,618
Total assets	N2	9,429	2,015	6,650	1,644	355	969	136	195	1,716	4	139	23,252
Non-current assets		5,838	1,527	5,493	1,366	315	719	122	186	1,541	3	47	17,157
Capital expenditure	N3	457	25	462	5	*	69	*	*	62	*	5	1,085
2018													
Revenue from external customers	N1	4,204	219	1,687	647	116	649	1,628	963	243	1,186	147	11,689
Total assets	N2	9,322	2,126	6,482	1,659	359	1,044	147	255	1,721	4	202	23,321
Non-current assets		5,534	1,533	5,266	1,488	324	814	137	196	1,520	2	183	16,997
Capital expenditure		384	20	513	1	3	145	*	*	89	*	12	1,167

Segment analysis:

N1: The Group's revenue are predominantly from Singapore 41% (2018: 36%), followed by India 17% (2018:14%).

N2: 40% (2018: 40%) and 28% (2018: 28%) of the Group's total assets are located in Singapore and India, respectively.

N3: Capital expenditure in 2019 relates mainly to additional renewable energy capacity in Singapore and India, as well as, the Tuas Boulevard yard from the Marine business.

N4: Post divestment of the Energy's municipal water plants in South Africa in December 2018, the Group has no presence in Africa.

B. Our Performance *(cont'd)*

B2. Turnover

This note explains how our Group's revenue from contracts with customers are measured and recognised.

Accounting policies

Revenue is measured based on consideration specified in a contract with customer. The Group recognises revenue when it transfers control over a good or service to a customer.

For all revenue contracts with customers, the Group accounts for modifications to the scope or price (or both) of a contract, as separate contracts, if the modifications add distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group applies a new transaction price, combining the remaining consideration with the consideration promised on the modification, to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of the modification.

Revenue from contracts with customers

a. Sale of electricity, utilities and gases and related services

The sale of electricity, utilities and gas and the related services are determined to be a series of distinct goods satisfied over time. This is because the customers simultaneously receive and consume the benefits provided by the Group. Invoices are generated monthly based on the output delivered to the customers. No significant element of financing is deemed present as the sales are typically made with a credit term of 30 days, consistent with market practice.

Revenue from these sales is recognised based on price (including variable considerations) specified in the contracts. Variable considerations (e.g. off specification delivery) are reviewed and estimated monthly. A refund liability (included in provisions) is recognised for off specification delivery and outage, if any.

When the period between the satisfaction of a performance obligation and payment by the customer exceeds one year, the Group adjusts the consideration for time value of money and recognises a financing component.

Contract liability is recognised when advance from customers are received in relation to connection and capacity charges for delivery of utilities or if the payments received from customers exceed the revenue recognised. The contract liability is transferred to profit or loss over the period stipulated in the contract.

If the value of the goods transferred or services rendered for the contract exceeds payments from customers, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

Accounting policies *(cont'd)*

Revenue from contracts with customers *(cont'd)*

b. Ships and rigs repair, building, conversion, overhaul and construction of infrastructure and related engineering services

The Group builds specialised assets for customer through fixed price contracts. Revenue is recognised when control over the specialised asset has been transferred to the customer. The Group also perform repair works based on customer's specification and control is transferred progressively when the services are rendered. Revenue is recognised over time by reference to the progress towards completing the repair works.

i. Contracts with enforceable right to payment

For contracts where the Group has contractual enforceable rights to payment, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised asset. The stage of completion is typically assessed by reference to either surveys of work performed (output method), or the cost incurred to date relative to total estimated cost (input method) depending on which method is commensurate with the pattern of transfer of control to the customer. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

Any increases or decreases in estimated revenue or costs due to change in circumstances are reflected in the profit or loss in the period in which the changes become known by management.

ii. Contracts with no enforceable right to payment

For contracts where the Group does not have enforceable right to payment, revenue is recognised only upon delivery of the specialised asset to customer. On signing of the contract, customer is usually required to make an advance payment that is not refundable if the contract is cancelled. The advance payment is presented as contract liability.

The Group recognises a financing component using a discount rate at contract inception if the delivery of the goods and payment by the customer exceed one year. If the period between the delivery and payment is one year or less, the Group elects the practical expedient not to adjust for significant financing component.

For contracts with standard warranty terms on the performance of the asset, a warranty provision is estimated based on historical data, from known and expected warranty work and contractual obligation to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments received, a contract asset is recognised. If the payments received exceed the value of the goods transferred, a contract liability is recognised.

The Group capitalises costs incurred in fulfilling the contract as contract costs assets only if (a) these costs can be specifically identified as costs related directly to a contract or an anticipated contract; (b) these costs generate or enhance resources that will be used in satisfying performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are expensed to profit or loss immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

B. Our Performance *(cont'd)*
B2. Turnover *(cont'd)*

Accounting policies *(cont'd)*

Revenue from contracts with customers *(cont'd)*

c. Service concession revenue

Revenue relating to construction services under a service concession arrangement is recognised over time and when the performance obligations are satisfied.

Operation or service revenue is recognised in the period in which the services are provided by the Group, consistent with the Group's accounting policy on recognising revenue on sale of electricity, utilities and gases and related services (see Note B2(a) above). When the Group provides more than one service in a service concession arrangement, the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered (see Note A2 (iii)).

d. Sales of development properties

The Group develops and sells residential projects to customers through fixed-price contracts. For such contracts, the Group does not have enforceable rights to payment arising from the contractual terms. Revenue is recognised at a point in time when the rights to payment become enforceable. Revenue is recognised when the control over the residential project has been transferred to the customers and customers have accepted in accordance with sales contract.

e. Sales of other goods

For certain sale of goods contracts, revenue is recognised at a point in time when the goods are transferred to customers.

Charter hire and rental income

Charter hire and rental income receivable under operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

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

Dividend and finance income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method. It includes interest income from non-current receivables.

B. Our Performance *(cont'd)*
B2. Turnover *(cont'd)*

Key estimates and judgements

The Group has applied judgement and estimates in its revenue recognition of long-term contracts. The key estimates and judgements applied are:

Performance obligation

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and whether the Group's promise to transfer the good or service to the customer is separately identifiable apart from other promises in the contracts. The Group has assessed that long-term contracts with customers have a single performance obligation in view that the services in the contracts are not distinct and / or are integrated.

Variable considerations

For contracts with variable considerations (i.e. liquidated damages, or where customers can contractually rescind the delivery of utilities and gas which do not meet the specifications), the Group has applied judgement in determining the transaction price, based on evaluation of any potential risks and factors which may affect the completion or delivery of the contracts, in accordance with the contractual obligations.

Percentage of completion

For revenue recognised over time, the percentage of completion for certain contracts is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs for each contract. In making these estimates, management has relied on the expertise of surveying engineers and also past experience of completed projects. The estimated total costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

Onerous contracts

The Group conducts critical review of all its long-term construction contracts regularly. Allowance is made to account for onerous contracts. The Group monitors and reviews the progress of all long-term land development and construction contracts, taking into consideration inputs from internal project managers and external customers in estimating these total contract costs to complete as well as in the evaluation of any potential risks and factors which may affect contract price, cost and timely completion of these contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

Cost allocation method on long-term land development contracts

Land development costs incurred are capitalised as work-in-progress and allocated to the respective parcels of land based on the relative sales method.

Fulfilment costs

Significant judgement is required to determine if the contract costs recognised are expected to be recovered. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the customers' ability to take delivery of the rig, ship and construction. The review also encompasses the analysis of the industry outlook and the customers' financial health.

B. Our Performance *(cont'd)*
B2. Turnover *(cont'd)*

Information regarding the turnover are included below:

(S$ million)	Note	Group 2019	Group 2018
Revenue from contracts with customers	(a)	9,613	11,634
Charter hire and rental income		5	55
		9,618	11,689

No revenue was recognised in 2019 and 2018 from performance obligations satisfied or partially satisfied in previous periods due to change in estimate of the transaction price.

Construction and engineering related activities for the Energy segment include service concession revenue. Included in service concession revenue is interest revenue of S$73 million (2018: S$53 million).

Revenue from contracts with customers

a. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major product / service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Reportable segments				
(S$ million)	Energy	Marine	Urban[1]	Others / Corporate	Total
2019					
Primary geographical markets					
Singapore	3,493	170	–	291	3,954
China	219	15	277	1	512
India	1,614	12	–	*	1,626
Rest of Asia	194	129	1	23	347
Middle East & Africa	68	13	–	–	81
UK	496	175	–	*	671
Norway	–	668	–	–	668
Rest of Europe	–	507	–	*	507
Brazil	–	358	–	–	358
USA	–	824	–	1	825
Other Countries	54	10	–	*	64
Total	6,138	2,881	278	316	9,613
Major product / service lines					
Energy products and related services (including electricity, gas and steam)	5,436	–	–	–	5,436
Water products and related services	207	–	–	–	207
Ship and rig repair, building, conversion and related services	–	2,840	–	–	2,840
Construction and engineering related activities	190	–	–	272	462
Others	305	41	278	44	668
Total	6,138	2,881	278	316	9,613
Timing of revenue recognition					
Over time	6,130	2,613	–	271	9,014
At a point in time	8	268	278	45	599
Total	6,138	2,881	278	316	9,613

[1] Revenue for the Urban business in 2019 was mostly from the sale of Nanjing Riverside Grandeur residential property in China.

B. Our Performance *(cont'd)*
B2. Turnover *(cont'd)*

Revenue from contracts with customers *(cont'd)*

a. Disaggregation of revenue from contracts with customers *(cont'd)*

	Reportable segments				
(S$ million)	Energy	Marine	Urban	Others / Corporate	Total
2018					
Primary geographical markets					
Singapore	3,814	154	–	233	4,201
China	216	2	–	1	219
India	1,685	1	–	*	1,686
Rest of Asia	200	421	3	21	645
Middle East & Africa	109	7	–	–	116
UK	454	195	–	*	649
Norway	3	1,627	–	*	1,630
Rest of Europe	–	913	–	–	913
Brazil	–	243	–	–	243
USA	–	1,185	–	*	1,185
Other Countries	55	92	–	*	147
Total	6,536	4,840	3	255	11,634
Major product / service lines					
Energy products and related services (including electricity, gas and steam)	5,694	–	–	–	5,694
Water products and related services	247	–	–	–	247
Ship and rig repair, building, conversion and related services	–	4,808	–	–	4,808
Construction and engineering related activities	246	–	–	210	456
Others	349	32	3	45	429
Total	6,536	4,840	3	255	11,634
Timing of revenue recognition					
Over time	6,517	2,441	1	209	9,168
At a point in time	19	2,399	2	46	2,466
Total	6,536	4,840	3	255	11,634

B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

Revenue from contracts with customers *(cont'd)*

b. Transaction price allocated to remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at reporting date. This is estimated based on the expected progress of the projects or expected energy output.

(S$ million)	Within the next 12 months	Between 1 to 5 years	More than 5 years	Total
2019				
Segment				
Energy	1,375	4,621	2,121	8,117
Marine	989	577	–	1,566
Urban	–	–	–	–
Others	338	712	40	1,090
Total	2,702	5,910	2,161	10,773
2018				
Segment				
Energy	1,522	5,413	2,247	9,182
Marine	2,175	913	–	3,088
Urban	285	–	–	285
Others	368	511	2	881
Total	4,350	6,837	2,249	13,436

Accounting policies

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to-date, then it recognises revenue in that amount.

Estimated amounts of considerations which are variable in nature are not included in the disclosure of transaction price allocated to the remaining performance obligations.

B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

Revenue from contracts with customers *(cont'd)*

c. Assets and liabilities related to contracts with customers

The Group and the Company has recognised the following assets and liabilities related to contracts with customers:

(S$ million)	Group 2019	Group 2018	Company 2019	Company 2018
Contract assets	1,501	1,022	–	10
Current contract liabilities	172	445	3	1
Non-current contract liabilities	69	64	30	30
Total contract liabilities	241	509	33	31

Significant changes in contract assets

The contract assets mainly relates to the Group's conditional rights to consideration for work completed or utilities delivered but not yet billed at reporting date on the long-term contracts for ship and rig building, conversion and repair, and infrastructure construction. The contract assets are transferred to trade receivables when the rights become unconditional.

Significant changes in the contract assets balances during the period are as follows:

(S$ million)	Group 2019	Group 2018	Company 2019	Company 2018
Transfer of contract assets recognised at the beginning of the year to trade receivables	(736)	(460)	10	–
Recognition of revenue, net of transfer to trade receivables during the year	1,207	818	(10)	10
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	2	2	–	–
– Contract modifications	3	1	–	–

Significant changes in contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time and at a point in time. For revenue recognised over time, the balance at year end will be recognised over the period stipulated in the contract.

B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

Revenue from contracts with customers *(cont'd)*

c. Assets and liabilities related to contracts with customers *(cont'd)*

Significant changes in the contract liabilities balances during the year are as follows:

	Group		Company	
(S$ million)	2019	2018	2019	2018
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(478)	(1,141)	(3)	(1)
Increases due to cash received, excluding amounts recognised as revenue during the year	268	388	6	18
Disposal of subsidiary	(23)	–	–	–
Write-off of contract liabilities to other income	(2)	–	(2)	–
Currency translation changes	(4)	(8)	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	(2)	(2)	–	–
– Contract modifications	(1)	(2)	–	–

Contract costs

(S$ million)	December 31, 2019	December 31, 2018
Group		
Current assets		
Costs to secure contracts	1	*
Fulfilment cost	89	329
	90	329
Non-current assets		
Costs to secure contracts	2	*

i. Costs to secure contracts

Management expects the incremental costs of securing contracts to be recoverable. The Group has therefore capitalised them in the amount of S$3 million (2018: less than S$1 million) as at December 31, 2019.

ii. Fulfilment cost

Costs incurred relating to rig and shipbuilding and construction that are to be sold upon completion are capitalised as fulfilment cost for future performance obligations. These costs are expected to be recoverable and are amortised to profit or loss when the related revenue is recognised. In 2019, S$560 million (2018: S$2,292 million) was amortised to cost of sales and there was no impairment losses (2018: S$nil). During the year, engineering designs under development of S$50 million (2018: S$nil) was reclassified from contract costs to intangible assets (Note D4(a)).

B. Our Performance *(cont'd)*

B3. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether we expect to be able to make use of these in future.

Accounting policies

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or recoverable in respect of the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, joint ventures and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Key estimates and judgements

The Group is subjected to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account current understanding and interpretation of existing tax laws and judgement as to whether the tax balances will be utilised and / or reversed in foreseeable future. The eventual taxes paid or received may vary, such differences will be charged to profit or loss in the period when determination is made.

B. Our Performance *(cont'd)*
B3. Taxation *(cont'd)*
a. Tax expenses
i. *Current tax expense*

(S$ million)	Group 2019	Group 2018
Current tax expense		
Current year	137	107
Over provided in prior years	(17)	(39)
Foreign withholding tax	17	27
	137	95
Deferred tax expense		
Movements in temporary differences	(78)	(27)
(Over) / Under provided in prior years	(12)	28
Effect of changes in tax rates	(1)	(8)
	(91)	(7)
Land appreciation tax		
Current year	32	–
Tax expense	78	88
Reconciliation of effective tax rate		
Profit for the year	217	332
Total tax expense	78	88
Share of results of associates and joint ventures, net of tax	(184)	(174)
Profit before share of results of associates and joint ventures, and tax expense	111	246
Tax using Singapore tax rate of 17%	19	42
Effect of changes in tax rates	(1)	(8)
Effect of different tax rates in foreign jurisdictions	21	19
Tax incentives and income not subject to tax	(42)	(38)
Expenses not deductible for tax purposes	55	52
Utilisation of deferred tax benefits not previously recognised	(9)	(53)
Over provided in prior years	(29)	(11)
Deferred tax benefits not recognised#	37	76
Foreign withholding tax	17	27
Land appreciation tax	32	–
Effect of tax reduction on land appreciation tax	(8)	–
Tax adjustment on changes in undistributed profits from foreign entities#	(12)	(17)
Others	(2)	(1)
Tax expense	78	88

Comparative balances have been revised to conform to current year presentation.

B. Our Performance *(cont'd)*
B3. Taxation *(cont'd)*
b. Deferred tax assets and liabilities

Accounting policies

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities and assets on a net basis.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Key estimates and judgements

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is premised on these subsidiaries' ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the subsidiaries' customers, which would then significantly affect the realisability of these deferred tax assets.

B. Our Performance *(cont'd)*

B3. Taxation *(cont'd)*

b. Deferred tax assets and liabilities *(cont'd)*

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

(S$ million)	At January 1	Recognised in profit or loss (Note B3(a))	Recognised in equity (Note B3(c))	Acquisition of subsidiaries (Note G2)	Disposal of subsidiaries (Note G2)	Transfer to held for sale	Translation adjustments	At December 31
Group								
2019								
Deferred tax liabilities								
Property, plant and equipment	485	(38)	–	–	(1)	(1)	*	445
Other financial assets	28	*	*	–	–	–	*	28
Trade and other receivables	26	(1)	–	–	–	–	–	25
Intangible assets	81	(19)	–	–	–	–	(1)	61
Other items	15	(12)	1	*	–	(1)	2	5
Total	635	(70)	1	*	(1)	(2)	1	564
Deferred tax assets								
Property, plant and equipment	(168)	2	–	–	–	5	1	(160)
Inventories	(3)	1	–	–	–	–	–	(2)
Trade receivables	2	(6)	–	–	–	1	*	(3)
Trade and other payables	(26)	(3)	*	–	–	1	*	(28)
Tax losses	(3)	(6)	–	–	–	2	1	(6)
Provisions	(49)	3	–	–	–	*	1	(45)
Other financial liabilities	(34)	(1)	6	–	–	–	*	(29)
Retirement benefit obligations	6	*	–	–	–	–	*	6
Other items	(2)	(11)	*	–	–	1	*	(12)
Total	(277)	(21)	6	–	–	10	3	(279)

B. Our Performance *(cont'd)*

B3. Taxation *(cont'd)*

b. Deferred tax assets and liabilities *(cont'd)*

(S$ million)	At January 1	Recognised in profit or loss (Note B3(a))	Recognised in equity (Note B3(c))	Acquisition of subsidiaries (Note G2)	Disposal of subsidiaries (Note G2)	Translation adjustments	At December 31
Group							
2018							
Deferred tax liabilities							
Property, plant and equipment	492	(6)	–	21	(9)	(13)	485
Other financial assets	39	–	(11)	–	–	–	28
Trade and other receivables	24	2	–	–	–	–	26
Intangible assets	64	(4)	–	24	–	(3)	81
Other items	16	–	(1)	–	–	*	15
Total	635	(8)	(12)	45	(9)	(16)	635
Deferred tax assets							
Property, plant and equipment	(171)	3	–	–	–	–	(168)
Inventories	(4)	1	–	–	–	–	(3)
Trade receivables	(2)	4	–	–	–	–	2
Trade and other payables	(20)	(6)	–	–	–	–	(26)
Tax losses	(13)	5	–	–	–	5	(3)
Provisions	(29)	(20)	–	–	–	–	(49)
Other financial liabilities	(22)	–	(12)	–	–	–	(34)
Retirement benefit obligations	–	6	–	–	–	–	6
Other items	(10)	8	–	–	–	–	(2)
Total	(271)	1	(12)	–	–	5	(277)

B. Our Performance *(cont'd)*
B3. Taxation *(cont'd)*
b. Deferred tax assets and liabilities *(cont'd)*

(S$ million)	At January 1, 2018	Recognised in profit or loss	At December 31, 2018	Recognised in profit or loss	At December 31, 2019
Company					
Deferred tax liabilities					
Property, plant and equipment	59	(2)	57	(21)	36
Deferred tax assets					
Provisions	(6)	(1)	(7)	–	(7)

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

(S$ million)	Group December 31, 2019	Group December 31, 2018	Company December 31, 2019	Company December 31, 2018
Deferred tax liabilities	348	425	29	50
Deferred tax assets	(62)	(67)	–	–
	286	358	29	50

As at December 31, 2019, a deferred tax liability of S$14 million (2018: S$16 million) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures were not recognised.

Deferred tax assets have not been recognised in respect of the following items, which are available to set off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions:

(S$ million)	Group December 31, 2019	Group December 31, 2018
Deductible temporary differences	133	173
Tax losses	1,656	1,547
Capital allowances	49	21
	1,838	1,741

Tax losses of the Group amounting to S$44 million (2018: S$253 million) will expire between 2020 and 2027 (2018: 2019 and 2026). The remaining tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised under the following circumstances:

i. Where they qualify for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; or

ii. Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

B. Our Performance *(cont'd)*
B3. Taxation *(cont'd)*
c. Other comprehensive income

Tax effects relating to each component of other comprehensive income:

(S$ million)	Group 2019 Before tax	2019 Tax expense	2019 Net of tax	2018 Before tax	2018 Tax expense	2018 Net of tax
Foreign currency translation differences for foreign operations	(94)	–	(94)	(160)	–	(160)
Exchange differences on monetary items forming part of net investment in a foreign operation	(3)	–	(3)	(1)	–	(1)
Share of other comprehensive income of associates and joint ventures	(12)	–	(12)	31	–	31
Cash flow hedges: net movement in hedging reserves (Note (i))	21	(6)	15	(125)	23	(102)
Financial assets at FVOCI: net movement in fair value reserve (Note (ii))	40	–	40	(4)	*	(4)
Realisation of reserve upon disposal of joint venture	(1)	–	(1)	–	–	–
Realisation of reserve upon disposal / liquidation of subsidiaries	(3)	–	(3)	19	–	19
Defined benefit plan actuarial gains and losses	7	(1)	6	(5)	1	(4)
Other comprehensive income	(45)	(7)	(52)	(245)	24	(221)

(S$ million)	Group 2019	Group 2018
i. Cash flow hedges:		
Net change in fair value of hedging instruments	36	50
Amount reclassified to profit or loss	(15)	(175)
Tax expense	(6)	23
Net movement in the hedging reserve during the year recognised in other comprehensive income	15	(102)
ii. Financial assets as FVOCI:		
Changes in fair value	40	4
Tax expense	–	*
Net changes in fair value during the year recognised in other comprehensive income	40	4

B. Our Performance *(cont'd)*

B4. Profit for the year

Accounting policies

Government grants related to asset are credited to a deferred asset grant account at fair value when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attaching to it. These grants are then recognised in profit or loss as "Other Income" on the straight-line basis over the estimated useful lives of the relevant assets.

Non-monetary government grants and assets received are valued at fair value or nominal amounts.

Grants that compensate the Group for expenses already incurred are recognised in profit or loss as "Other Income" on a systematic basis in the same periods in which the expenses are recognised.

Detailed below are the key amounts recognised in arriving at our profit for the year:

(S$ million)	Note	Group 2019	Group 2018
a. Expenses			
Allowance for / (write-back of) impairment losses (net)			
– property, plant and equipment	D1	81	5
– intangible assets	D4	64	–
– receivables and contract assets		7	3
Inventories written back		*	(1)
Amortisation of intangible assets	D4	54	47
Audit fees paid / payable			
– auditors of the Company		2	2
– other member firms of KPMG International		2	2
– other auditors		1	1
Non-audit fees paid / payable			
– auditors of the Company		1	1
– other member firms of KPMG International		*	1
– other auditors		1	1
Depreciation			
– property, plant and equipment	D1	584	547
– right-of-use assets	D2	43	–
– investment properties	D3	1	1
Operating lease expenses		–	22
Property, plant and equipment written off		13	11
Intangible assets written off	D4	*	*
Bad debts written off		*	*
Provision for fines and other related provision		7	25
Net change in fair value of cash flow hedges		(10)	(70)
Staff costs			
Staff costs		852	787
Included in staff costs are:			
Equity-settled share-based payments		10	11
Cash-settled share-based payments		(1)	2
Contributions to:			
– defined benefit plan		1	1
– defined contribution plan		67	49

B. Our Performance *(cont'd)*

B4. Profit for the year *(cont'd)*

(S$ million)	Note	Group 2019	Group 2018
b. Other operating income and (expenses)			
Grants received			
– income related		4	7
Gain on disposal of property, plant and equipment		15	4
Gain on disposal of asset held for sale		70	–
Net exchange loss		(11)	(22)
Net change in fair value of cash flow hedges		(1)	(2)
Net change in fair value of fair value hedges		4	(1)
Net change in fair value of financial assets at FVTPL (designated on initial recognition)		(2)	*
Net change in fair value of financial assets at FVTPL (mandatorily measured)		(9)	18
Gain from derecognition of financial assets		4	4
c. Non-operating income and (expenses)			
Gross dividend income from financial assets at FVOCI		*	*
Gain on disposal / liquidation of:			
– subsidiaries		16	11
– joint venture / associate		*	18
– business		–	15
Allowance for impairment losses			
– goodwill	D4	(65)	(1)
– joint venture		(1)	–
– assets reclassified to held for sale	B6	(64)	–
Negative goodwill		6	*

B. Our Performance *(cont'd)*

B5. Earnings per share

The Group presents basic and diluted earnings per share for its ordinary shares.

(S$ million)	Group 2019	Group 2018
i. Profit attributable to owners of the Company:		
Profit attributable to equity holders of the Company	247	347
Less: Profit attributable to perpetual security holders of the Company	(36)	(43)
Profit attributable to owners of the Company	211	304
ii. Weighted average number of ordinary shares *(in million)*:		
Issued ordinary shares at January 1	1,784	1,787
Effect of share options exercised, performance shares and restricted shares released	3	1
Effect of own shares held	(1)	(2)
Weighted average number of ordinary shares	1,786	1,786
Adjustment for dilutive potential ordinary shares		
– performance shares	7	3
– restricted shares	4	7
Weighted average number of ordinary shares adjusted for all dilutive potential shares	1,797	1,796
Earnings per ordinary share (cents)		
– basic[1]	11.81	16.98
– diluted[2]	11.74	16.87

[1] Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company (excluding perpetual security holders) by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

[2] Diluted earnings per ordinary share is by dividing the weighted average number of ordinary shares outstanding adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: performance shares and restricted shares.

B. Our Performance *(cont'd)*

B6. Assets or disposal groups held for sale

Accounting policies

Assets (or disposal groups) are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

Any impairment losses on initial classification and subsequent gains or losses on re-measurement are recognised in profit or loss. Subsequent increases in fair value less costs to sell are recognised in profit or loss (not exceeding the accumulated impairment loss that has been previously recognised).

		December 31, 2019			December 31, 2018
(S$ million)	Note	Carrying amount immediately before impairment	Impairment allocation	Carrying amount after impairment allocation	Carrying amount
Group					
Assets held for sale					
Property, plant and equipment	D1, (a), (c), (d)	91	(56)	35	127
Interest in associate	(b)	–	–	–	2
Right-of-use assets	(c)	1	–	1	–
Intangible assets	D2, (c)	13	(8)	5	–
Deferred tax assets	(c)	10	–	10	–
Trade and other receivables	(c)	19	–	19	–
Inventories	(c)	1	–	1	–
Cash and cash equivalents	(c)	4	–	4	–
		139	(64)	75	129
Liabilities held for sale					
Borrowings	(c)	6	–	6	–
Lease liabilities	(c)	1	–	1	–
Trade and other payables	(c)	21	–	21	–
Deferred tax liabilities	(c)	2	–	2	–
Current tax payable	(c)	1	–	1	–
		31	–	31	–
Company					
Property, plant and equipment	D1, (a)	–	–	–	127

The non-recurring fair value measurement for the assets or disposal groups held for sale has been categorised as a Level 3 fair value hierarchy.

B. Our Performance *(cont'd)*

B6. Assets or disposal groups held for sale *(cont'd)*

a. On August 25, 2017, the Company entered into a sale and purchase agreement to sell certain utilities assets to a customer for a consideration of US$113 million (approximately S$152 million). On August 8, 2018, the sale and purchase agreement was amended to sell additional utilities assets to the customer for a consideration of US$30 million (approximately S$41 million). The assets were classified as asset held for sale as the assets were available for immediate sale in their present condition and measured at its carrying amount as at December 31, 2018 and December 31, 2017, respectively. The sale has been completed in October 2019.

b. On January 15, 2019, the Group's subsidiaries, Sembcorp Marine Repairs and Upgrades Pte. Ltd. (SMRU) and Semb-Eco Pte. Ltd. (Semb-Eco) entered into a share swap agreement with Ecospec Global Technology Pte. Ltd. (EGT) and its shareholders. Consequently, EGT will cease to be an associate of the Group.

c. On February 6, 2020, the Group announced that certain wholly-owned subsidiaries of Sembcorp Utilities Pte Ltd have agreed to sell 100% of their interest in the water business in Chile for a total consideration of CLP27.8 billion (approximately S$49 million) to the Spanish construction and engineering service SACYR S.A. group of companies. Accordingly, the assets and liabilities were classified as assets held for sale and liabilities held for sale respectively as the disposal group was available for immediate sale in its present condition. It was measured at fair value less cost to sell as at December 31, 2019.

   Arising from the announced divestment, an impairment of S$64 million was charged under non-operating expenses (see Note B4) in 2019. In addition, a currency translation loss recognised in the foreign currency translation reserve will be taken to profit or loss upon completion of the sale in 2020. As at December 31, 2019, the accumulated currency translation loss was S$30 million.

d. In 2019, the Group's subsidiary, SES Engineering (M) Sdn Bhd reclassified a workshop in Malaysia from property, plant and equipment to assets held for sale.

C. Our Funding

C1. Capital structure

Capital management

The Group maintains a disciplined approach to capital management. Optimising our portfolio as well as maintaining investor, creditor and market's confidence and to sustain future development and growth while at the same time maintaining an appropriate dividend policy to the shareholders.

The Group's policy is to borrow centrally using a mixture of long-term and short-term capital market issues and borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries.

Capital is defined as equity attributable to the equity holders.

The Group's debt-to-capitalisation ratio as at the balance sheet date was as follows:

	Group	
(S$ million)	2019	2018
Debt	10,800	10,732
Total equity	7,879	7,938
Total debt and equity	18,679	18,670
Debt-to-capitalisation ratio	0.58	0.57

There were no changes in the Group's approach to capital management during the year. The debt amount does not include the lease liabilities of S$504 million on balance sheet, consequent to the adoption of SFRS(I) 16.

Some of its subsidiaries are required to maintain a certain ratio of net borrowings to net assets and certain level of leverage ratio as required under the loan arrangement with banks. These externally imposed capital requirements have been complied with as at the respective reporting dates.

C2. Share capital and treasury shares

Accounting policies

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

	Number of shares	
	Issued Share Capital	Treasury Shares
At January 1, 2019	1,787,547,732	3,100,138
Treasury shares purchased	–	2,030,100
Treasury shares transferred pursuant to restricted share plan	–	(3,163,962)
At December 31, 2019	1,787,547,732	1,966,276

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

C. Our Funding *(cont'd)*
C2. Share capital and treasury shares *(cont'd)*
Issued and paid up capital

As at December 31, 2019, the Company's issued and paid up capital excluding treasury shares comprised 1,785,581,456 (December 31, 2018: 1,784,447,594) ordinary shares.

Treasury shares

During the year, the Company acquired 2,030,100 (2018: 5,800,000) ordinary shares in the Company by way of on-market purchases. 3,163,962 (2018: 2,742,689) treasury shares were re-issued pursuant to the Restricted Share Plan (RSP).

As at December 31, 2019, 1,966,276 (December 31, 2018: 3,100,138) treasury shares were held that may be re-issued upon the vesting of performance shares and restricted shares under the Performance Share Plan (PSP) and RSP respectively.

C3. Other reserves

		Group		Company	
(S$ million)	Note	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Distributable					
Reserve for own shares	(a)	(4)	(9)	(4)	(9)
Non-distributable					
Currency translation reserve	(b)	(482)	(390)	–	–
Capital reserve	(c)	156	183	(158)	(149)
Merger reserve	(d)	29	29	–	–
Share-based payments reserve	(e)	(9)	(8)	158	151
Fair value reserve	(f)	74	34	–	–
Hedging reserve	(g)	(87)	(87)	–	–
		(323)	(248)	(4)	(7)

a. Reserve for own shares

Accounting policies

When the ordinary shares are reacquired by the Company, the consideration paid is recognised as deduction from equity, presented as reserve for own shares. Reacquired shares are classified as treasury shares.

When the treasury shares are subsequently sold or re-issued, the cost of the treasury shares is reversed from reserve for own shares account and the realised gain or loss on the transaction is presented as a change in equity of the Company. No gain or loss is recognised in profit or loss.

At December 31, 2019, the Company held 1,966,276 (2018: 3,100,138) of its own uncancelled shares as treasury shares.

C. Our Funding *(cont'd)*
C3. Other reserves *(cont'd)*

Type of other reserves	Nature
b. Foreign currency translation reserve	Comprises of: i. foreign exchange differences arising from translation of the financial statements of foreign entities, ii. effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign entities and iii. translation of foreign currency loan used to hedge or form part of the Group's net investments in foreign entities.
c. Capital reserve	Comprises of: i. acquisitions and disposals with non-controlling interests that do not result in a change of control, capitalisation of accumulated profits for the issue of bonus shares, capital reserve (net of goodwill) on consolidation and equity accounting, ii. asset revaluation reserve, capital redemption reserve, convertible loan stock reserve, iii. transfer from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries, associates and joint ventures operate, and treasury shares of a subsidiary and iv. recognition of call options issued to non-controlling interests of subsidiaries.
d. Merger reserve	The difference between the values of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling-of-interest method.
e. Share-based payments reserve	Represents the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares.
f. Fair value reserve	Includes the cumulative net change in the fair value of equity investments designated at FVOCI until the investments are derecognised. This does not include impairment losses recognised in profit or loss prior to January 1, 2018.
g. Hedging reserve	The effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

C. Our Funding *(cont'd)*

C4. Perpetual securities

Accounting policies

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution, subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issue and the perpetual securities are classified and presented as equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

On August 21, 2018, the Company has redeemed and cancelled S$200 million, 5% subordinated perpetual securities.

On June 22, 2017, the Company issued subordinated perpetual securities with an aggregate principal amount of S$200 million. Incremental costs incurred amounting to S$1 million was recognised in equity as a deduction from proceeds.

On May 20, 2015, the Company issued subordinated perpetual securities with an aggregate principal amount of S$600 million. Incremental costs incurred amounting to S$3 million was recognised in equity as a deduction from proceeds.

On August 21, 2013, the Company issued subordinated perpetual securities with an aggregate principal amount of S$200 million. Incremental costs incurred amounting to S$1 million was recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 3.70% to 4.75% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering memorandum, the Company may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the perpetual securities do not meet the definition for classification as a financial liability under SFRS(I) 1-32 *Financial Instruments: Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, distributions amounting to S$36 million (2018: S$43 million) were accrued to perpetual security holders.

As at December 31, 2019, S$7 million (2018: S$7 million) worth of perpetual securities was held by a related corporation.

C5. Dividends

Accounting policies

Dividends on ordinary shares are recognised when they are approved for payments. Dividends on ordinary shares and redeemable preference share capital classified as equity are accounted for as movements in revenue reserve.

	Group and Company	
(S$ million)	2019	2018
Dividend paid		
Interim one-tier tax exempt dividend of 2 cents per share in respect of year 2019 (2018: 2 cents per share in respect of year 2018)	36	36
Final one-tier tax exempt dividend of 2 cents per share in respect of year 2018 (2018: 2 cents per share in respect of year 2017)	35	35
	71	71

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 3 cents per share (2018: one-tier tax exempt dividend of 2 cents per share) amounting to an estimated net dividend of S$54 million (2018: S$36 million) in respect of the year ended December 31, 2019, based on the number of issued shares as at December 31, 2019.

The proposed dividend of 3 (2018: 2) cents per share has not been included as a liability in the financial statements.

C. Our Funding *(cont'd)*

C6. Interest-bearing borrowings

		Group	
(S$ million)	Note	December 31, 2019	December 31, 2018
Current liabilities			
Non-convertible debentures		4	–
Secured term loans	(i)	670	686
Unsecured term loans	(ii)	1,969	1,174
Bank overdrafts	E4	–	1
Finance lease liabilities	(iii)	–	1
		2,643	1,862
Non-current liabilities			
Non-convertible debentures		195	202
Secured term loans	(i)	3,020	3,063
Unsecured term loans	(ii)	3,442	5,603
Finance lease liabilities	(iii)	–	2
Secured bonds	(iv)	1,500	–
		8,157	8,870
Total interest-bearing borrowings (measured at amortised cost)		10,800	10,732

Included in interest-bearing borrowings are S$795 million (2018: S$840 million) of loans taken with a related corporation.

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

	Effective interest rate	
(%)	2019	2018
Group		
Floating rate loans	1.70 – 12.80	1.60 – 11.25
Fixed rate loans	0.77 – 11.48	0.77 – 11.48
Bonds and notes	2.94 – 4.25	2.94 – 4.25
Debentures	9.65 – 12.00	9.65 – 12.00

C. Our Funding *(cont'd)*

C6. Interest-bearing borrowings *(cont'd)*

i. Secured term loans

The secured term loans are collaterised by the following assets:

		Group Net Book Value	
(S$ million)	Note	December 31, 2019	December 31, 2018
Property, plant and equipment	D1(i)	5,159	4,827
Investment properties	D3	16	–
Unit trusts and funds	H3	78	55
Trade and other receivables	E1	1,228	1,285
Intangible assets	D4	*	*
Inventories	E2	95	142
Cash and cash equivalents	E4	338	293
Equity shares of a subsidiary		185	155

ii. Unsecured term loans

Included in the unsecured term loans are the following medium term notes of the Group:

The Company jointly with Sembcorp Financial Services Pte Ltd (SFS), a wholly-owned subsidiary of the Company, have established a S$2.5 billion Multicurrency Debt Issuance Programme (the Programme). Under the Programme, the Company, together with SFS and certain other subsidiaries of the Company (the Issuing Subsidiaries), may from time to time issue Notes and Securities under the Programme subject to availability of funds from the market. The obligations of the Issuing Subsidiaries under the Programme are fully guaranteed by the Company.

As at December 31, 2019 and December 31, 2018, SFS has the following outstanding medium term notes issued under the Programme:

				Principal amount	
(S$ million)	Nominal interest rate	Year of issue	Year of maturity	December 31, 2019	December 31, 2018
S$ medium term notes	3.7325%	2010	2020	300	300
S$ medium term notes	4.25%	2010	2025	100	100
S$ medium term notes	3.64%	2013	2024	200	200
S$ medium term notes	2.94%	2014	2021	100	100
S$ medium term notes	3.593%	2014	2026	150	150
				850	850

Apart from the medium term notes issued by SFS, the Company has S$800 million outstanding perpetual securities of which S$200 million was issued in 2013 and another S$600 million in 2015 under the Programme. The perpetual securities are accounted as equity of the Group.

As at December 31, an amount of S$165 million (2018: S$165 million) medium term notes was held by a related corporation.

C. Our Funding *(cont'd)*

C6. Interest-bearing borrowings *(cont'd)*

ii. Unsecured term loans *(cont'd)*

Sembcorp Marine Ltd (SCM), a subsidiary of the Company has a S$2 billion Multicurrency Multi-Issuer Debt Issuance Programme (the Programme) pursuant to which SCM, together with its subsidiaries, Jurong Shipyard Pte Ltd, Sembcorp Marine Repairs & Upgrades Pte Ltd and Sembcorp Marine Offshore Platforms Pte Ltd (formerly known as SMOE Pte Ltd) (the Issuing SCM Subsidiaries), may from time to time issue notes (the Notes) and / or perpetual securities (the Perpetual Securities), and together with the Notes (the Securities), denominated in Singapore dollars and / or any other currency as the relevant Issuer and the relevant dealer may agree. The obligations in respect of Securities issued by the Issuing Subsidiaries will be unconditionally and irrevocably guaranteed by SCM.

Under the Programme, SCM or any of the Issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore Dollars or any other currency. Such notes are listed on the Singapore Exchange Securities Trading Limited and are cleared through the Central Depository (Pte) Ltd. The notes are redeemable at par.

As at December 31, 2019 and December 31 2018, Jurong Shipyard Pte Ltd, a subsidiary of SCM, has the following outstanding medium term notes under the Programme:

(S$ million)	Nominal interest rate	Year of issue	Year of maturity	Principal amount
S$ medium term notes	2.95%	2014	2021	275
S$ medium term notes	3.85%	2014	2029	325
				600

As at December 31, 2019, an amount of S$168 million (2018: S$168 million) medium term notes was held by a related corporation.

iii. Finance lease liabilities

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

	December 31, 2018		
(S$ million)	Payments	Interest	Principal
Group			
Within 1 year	1	*	1
After 1 year but within 5 years	2	*	2
After 5 years	–	–	–
Total	3	*	3

Under the terms of the lease agreements, no contingent rents are payable. The interest rates range from 4.85% to 10.25% per annum in 2018. Following the adoption of SFRS(I) 16 on January 1, 2019, the finance lease liabilities were reclassified to lease liabilities.

C. Our Funding *(cont'd)*

C6. Interest-bearing borrowings *(cont'd)*

iv. Secured bonds

In June 2019, the Company's wholly-owned subsidiary, Sembcorp Financial Services Pte. Ltd (SFS), entered into a subscription agreement with DBS Bank to issue S$1.5 billion 3.55% per annum guaranteed bonds due 2024. Proceeds from the issuance of bonds were used to fund the S$2.0 billion 5-year subordinated loan facility provided by SFS to Sembcorp Marine Financial Services Pte. Ltd. ("SMFS"), a subsidiary of SCM Group, to retire SCM Group's S$1.5 billion of borrowings and for working capital and general corporate purposes. SCI acts as a guarantor for the bonds issuance. At balance sheet date, an amount of S$200,000,000 fixed fee guaranteed bonds was subscribed by a related corporation.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2019				2018			
(S$ million)	Accrued interest payable (Note E3)	Interest-bearing borrowings# (Note C6)	Lease liabilities (Note D2)	Total	Accrued interest payable (Note E3)	Interest-bearing borrowings# (Note C6)	Finance lease liabilities (Note D2)	Total
Balance at January 1	42	10,728	3	10,773	43	9,843	4	9,890
Recognised on adoption of SFRS(I) 16 (see Note A2(iv))	–	–	509	509	–	–	–	–
Revised balance at January 1	42	10,728	512	11,282	43	9,843	4	9,890
Cash flows								
Cash payments	–	(3,886)	(35)	(3,921)	–	(2,156)	–	(2,156)
Cash proceeds	–	4,007	–	4,007	–	3,011	–	3,011
Interest paid	(531)	–	(13)	(544)	(486)	–	–	(486)
Non-cash items								
Acquisition of subsidiary	–	–	–	–	–	244	1	245
Disposal of subsidiaries / disposal group held for sale	*	(17)	(2)	(19)	–	(2)	(2)	(4)
Interest expenses, including amortisation of capitalised transaction costs	546	5	18	569	484	2	–	486
New lease (2018: finance lease)	–	–	31	31	–	–	1	1
Write-off of lease liabilities	–	–	(7)	(7)	–	–	–	–
Foreign exchange movement	*	(37)	*	(37)	1	(214)	(1)	(214)
	546	(49)	40	537	485	30	(1)	514
Balance at December 31	57	10,800	504	11,361	42	10,728	3	10,773

Excluding bank overdraft (2018: finance lease liabilities and bank overdraft)

C. Our Funding *(cont'd)*
C7. Net interest expense

Accounting policies
Finance income is recognised in profit or loss as it accrues, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, unwinding of the discounts on provision, amortisation of capitalised transaction costs, transaction costs written off and termination of interest rate swaps. Interest income, interest expense and similar charges are expensed in profit or loss in the period using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset. The interest component of finance lease payments is recognised in profit or loss using the effective interest method. Termination of interest rate swaps are recognised in profit or loss.

In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the assets is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to gross basis.

		Group	
(S$ million)	Note	2019	2018
Finance income			
Finance income from financial assets measured at amortised cost			
– associates and joint ventures		6	7
– bank and others		101	69
Significant financing component from contracts with customers		25	11
		132	87
Finance costs			
Interest paid and payable to, measured at amortised cost			
– banks and others		535	469
Amortisation of capitalised transaction costs		12	17
Unwind of discount on restoration costs	H4	3	3
Significant financing component from contracts with customers		3	4
Interest rate swaps:			
– changes in fair value through profit or loss		14	15
– ineffective portion of changes in fair value		1	*
Interest expense on amortisation of lease liability	D2	18	–
		586	508

C. Our Funding *(cont'd)*
C8. Contingent liabilities

Key estimates and judgements
Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Group
The Group has provided guarantees to banks to secure banking facilities provided to joint ventures. These financial guarantee contracts are accounted for as insurance contracts. The principal risk to which the Group and the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate this risk, management continually monitors the risk and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Group's and Company's future cash flows.

Estimates of the Group's and Company's obligation arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of balance sheet date, there is no provision made in respect of the obligations.

As at the balance sheet date, the Group had the following contingent liabilities:

	Group	
(S$ million)	December 31, 2019	December 31, 2018
Guarantees given to banks to secure banking facilities provided to:		
– Joint ventures	123	212
– Others	121	121
Performance guarantees to external parties	377	372

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

	Group	
(S$ million)	December 31, 2019	December 31, 2018
Less than 1 year	94	83
Between 1 to 5 years	93	116
More than 5 years	57	134
	244	333

The Group's subsidiaries are involved in certain tax disputes, where the amount of potential exposure has been estimated to be approximately S$63 million (2018: S$52 million). Due to the nature of these tax disputes, the potential outcome and obligation is uncertain. No provisions have been recorded in this regard.

C. Our Funding *(cont'd)*

C8. Contingent liabilities *(cont'd)*

Company

a. The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, SFS. In July 2019, an additional S$1.5 billion guarantees were provided for the 5-year secured bond issued by SFS to fund a part of the S$2 billion subordinated loan facilities provides to SMFS (Note C6(iv)). These financial guarantee contracts are accounted for as insurance contracts.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S$6,194 million (2018: S$5,034 million), which include S$3,409 million (2018: S$2,436 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
(S$ million)	December 31, 2019	December 31, 2018
Less than 1 year	480	14
Between 1 to 5 years	2,579	1,772
More than 5 years	350	650
	3,409	2,436

b. The Company has provided corporate guarantees of S$130 million (2018: S$117 million) to a subsidiary, Sembcorp Cogen Pte Ltd (SembCogen) for the following:

i. Long-term contract (End User Agreement) dated January 15, 1999 with a fellow subsidiary, Sembcorp Gas Pte Ltd (SembGas) to purchase natural gas over the period of 22 years.

ii. Two long-term agreements entered in 2010 for the purchase of a total 42 BBtud (Billion British thermal units per day) of liquefied natural gas (LNG) from BG Singapore Gas Marketing Pte Ltd (BG). The agreements have a term of 10 years and SembCogen has an option to extend the term by 2 successive periods of 5 years each subject to fulfilment of conditions set in the agreements. The obligations of SembCogen under the LNG purchase agreements are currently secured by corporate guarantees issued by the Company in favour of BG.

C9. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to leases and agreements to buy assets such as network infrastructure and IT systems. These amounts are not recorded in the consolidated balance sheet since we have not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

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

a. Capital commitments

		Group	
(S$ million)	Note	2019	2018
– Commitments in respect of contracts placed		278	886
– Commitments in respect of a civil settlement in China	H5	45	–
– Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments		66	63
		389	949

C. Our Funding *(cont'd)*

C9. Commitments *(cont'd)*

b. Non-cancellable operating leases

As Lessees

Operating leases under SFRS(I) 1-17

The Group's commitments under non-cancellable operating leases are mainly land and buildings with lease term expiring within 5 months to 31 years. These leases have varying escalation clauses to reflect market rentals and renewal options for lease period of 3 to 30 years at rental rates based on prevailing market rates. There is no significant contingent rental on these leases.

(S$ million)	Group December 31, 2018	Company December 31, 2018
Lease payments due:		
Within 1 year	39	12
Between 1 and 5 years	101	33
After 5 years	600	63
	740	108

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

From January 1, 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note D2 and Note A1 for further information.

As Lessors

The Group leases out its investment properties and marine vessels. The lease agreement provides for additional lease payments annually based on changes to a price index. Non-cancellable operating lease rentals are receivable as follows:

Operating leases under SFRS(I) 16

(S$ million)	Group 2019
Lease receivable:	
Within 1 year	12
One to two years	3
Two to three years	3
Three to four years	2
Four to five years	2
More than 5 years	5
	27

Operating leases under SFRS(I) 1-17

(S$ million)	Group 2018
Lease receivable:	
Within 1 year	6
Between 1 and 5 years	10
More than 5 years	2
	18

D. Our Assets

D1. Property, plant and equipment

Accounting policies

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and impairment losses. The cost initially recognised includes acquisition costs and costs directly attributable to bringing the assets to the location and to a working condition for their intended use and capitalised borrowing costs. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of PPE. The estimated costs to be incurred for restore the asset upon expiry of the lease agreement also form part of the cost of the PPE.

i. Subsequent expenditure

Subsequent expenditure is recognised in the carrying amount of the asset when it is probable that future economic benefits will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of PPE are recognised as an expense when incurred. For items subject to regular overhauls, the overhaul costs incurred are capitalised and the carrying amounts of replaced components are written off to profit or loss.

ii. Depreciation

Depreciation is based on the cost of an asset less its residual value, being the estimated net amount obtain from disposal. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each major component of an item of PPE, unless it is included in the carrying amount of another asset.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land and wet berthage	Lease period of 3 to 60 years
Buildings	3 to 50 years
Improvements to premises	3 to 30 years
Quays and dry docks	6 to 60 years
Infrastructure	8 to 60 years
Plant and machinery	3 to 30 years
Marine vessels	7 to 31 years
Tools and workshop equipment	3 to 10 years
Furniture, fittings and office equipment	1 to 10 years
Motor vehicles	2 to 10 years

No depreciation is provided on freehold land and capital work-in-progress.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

iii. Impairment

The carrying value of assets is reviewed at least annually and when there is a trigger or an indication of impairment. Impairment occurs when the carrying value of assets or its smallest identifiable, independent asset group that generates cash flows, cash-generating unit (CGU) is greater than the present value of the net cash flows they are expected to generate.

iv. Reversals of impairment

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

v. Disposals

Gains or losses arising from the retirement or disposal of PPE are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss on the date of retirement or disposal.

Key estimates and judgements

The recoverable amount of an asset or CGU is the greater of its value in use (VIU) and its fair value less costs to sell. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The carrying value of property, plant and equipment is tested for impairment whenever there is any objective evidence or indication that the property, plant and equipment may be impaired. This determination and derivation of the relevant inputs requires significant judgement. Such impairment would take into account the market value of the asset, changes to the technological, market, economic or legal environment in which the Group operates, market interest rates, evidence of obsolescence or physical damage to the property, plant and equipment and changes to the expected usage to the property, plant and equipment.

The assets' depreciation methods, estimated useful lives and residual values, are reviewed annually and adjusted prospectively where appropriate. The review takes into consideration on factors such as changes in the expected level of usage and technological developments.

Impairment assessment of the Group's shipyards

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

The VIU calculation for the Group's CGUs used discounted cash flow projections which took into account management's assessment of the forecasted orderbook over a period of 5 years for Singapore and Brazil (the "projection periods"), with applicable growth rates for Singapore and Brazil beyond the projection periods (up to a maximum of 40 years). Key drivers supporting the recoverable amounts include: forecasted orderbook, project margins which are projected with reference to historical experience, and long-term growth rate of less than 5%.

The cash flows are projected based on the Group's historical experience, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, regulations relating to local content requirements in Brazil, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for drilling and production solutions. These cash flows are then discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 9.43% (2018: 6.60%) and 11.82% (2018: 12.46%) for the Singapore CGU and Brazil CGU respectively; and the Group assessed that no impairment loss is required for these individual CGUs.

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

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

Certain phases of the Brazil CGU are presently undergoing yard construction and the yard will gradually ramp up to its full operational capacity over the years. The Group has factored in the long-term fundamentals of the oil and gas industry in Brazil in their forecast. Changes in the recoverable amount are sensitive to impairment loss if the forecast orderbook and the forecasted margins beyond the near term were to deviate from the original forecast or if discount rate were to increase by 1.8%. The recoverable amount of the Brazil CGU is further subject to political risk and will be reviewed at regular intervals.

Changes to the assumptions used in relation to the above key drivers, such as delays and / or decrease in orderbook, and reduction in project margins could lead to lower operating cash inflows and material impairment outcomes, which might in turn affect the financial position and performance of the Group.

D. Our Assets *(cont'd)*

D1. Property, plant and equipment *(cont'd)*

The Group continues to invest in renewable power equipment and shipyard facilities' steam, electricity generating equipment and water treatments equipment and related infrastructure assets and shipyards facilities including berthage form the majority of our tangible assets. All assets are depreciated over their useful economic lives.

(S$ million)	Note	Leasehold and freehold land, wet berthage and buildings	Improvements to premises	Quays and dry docks	Infrastructure	Plant and machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
Group												
Cost / Valuation												
Balance at January 1, 2019		1,826	66	1,525	146	10,248	283	67	204	91	1,506	15,962
Translation adjustments		(10)	(1)	(5)	(10)	(50)	(3)	*	(2)	*	(11)	(92)
Additions	(xi)	3	2	1	6	110	48	6	11	4	877	1,068
Reclassification		213	47	93	16	680	–	1	2	*	(1,052)	–
Transfer to intangible assets		–	–	–	–	*	–	–	*	*	(1)	(1)
Transfer to other financial assets		(6)	(8)	–	–	(5)	–	–	*	*	*	(19)
Transfer to right-of-use assets		(63)	–	(42)	–	–	–	–	(2)	–	(4)	(111)
Disposals / Write-offs		(5)	(2)	–	–	(50)	(1)	*	(3)	(6)	*	(67)
Transfer to assets held for sale	B6	(15)	–	–	(64)	(51)	–	–	(2)	*	–	(132)
Disposal of subsidiaries	G2	(22)	(4)	–	–	(26)	–	–	(3)	(6)	*	(61)
Balance at December 31, 2019		1,921	100	1,572	94	10,856	327	74	205	83	1,315	16,547
Accumulated depreciation and impairment losses												
Balance at January 1, 2019		564	52	340	47	2,937	77	61	159	53	–	4,290
Translation adjustments		(3)	*	*	(3)	5	(1)	*	(1)	*	*	(3)
Depreciation for the year	B4(a)	56	3	66	10	411	10	4	16	8	–	584
Reclassification		(1)	2	–	–	(1)	–	–	*	*	–	–
Transfer to intangible assets		–	–	–	–	–	–	–	*	*	–	*
Transfer to other financial assets		*	(1)	–	–	(1)	–	–	*	*	–	(2)
Transfer to right-of-use assets		(15)	–	(21)	–	–	–	–	*	–	–	(36)
Disposals / Write-offs		(1)	(2)	–	–	(26)	*	*	(3)	(6)	–	(38)
Transfer to assets held for sale	B6	(6)	–	–	(24)	(10)	–	–	(1)	*	–	(41)
Disposal of subsidiaries	G2	(5)	*	–	–	(15)	–	–	(3)	(4)	–	(27)
Impairment losses	(iv), (v), (vi), B4(a)	1	*	–	–	74	–	–	*	–	6	81
Balance at December 31, 2019		590	54	385	30	3,374	86	65	167	51	6	4,808
Carrying amounts												
At January 1, 2019		1,262	14	1,185	99	7,311	206	6	45	38	1,506	11,672
At December 31, 2019		1,331	46	1,187	64	7,482	241	9	38	32	1,309	11,739

D. Our Assets *(cont'd)*

D1. Property, plant and equipment *(cont'd)*

(S$ million)	Note	Leasehold and freehold land, wet berthage and buildings	Improvements to premises	Quays and dry docks	Infrastructure	Plant and machinery	Marine vessels	Tools and workshop equipment	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
Group												
Cost / Valuation												
Balance at January 1, 2018		1,771	67	1,513	184	9,575	279	64	201	93	1,252	14,999
Translation adjustments		(11)	*	4	(6)	(456)	3	*	(1)	*	(12)	(479)
Additions		5	*	8	9	81	1	3	7	5	1,027	1,146
Reclassification		81	*	*	(34)	749	–	*	2	*	(798)	–
Transfer from inventory		–	–	–	–	8	–	–	–	–	–	8
Transfer to investment properties	D3	(5)	–	–	–	–	–	–	–	–	–	(5)
Disposals / Write-offs		(5)	(1)	*	–	(33)	–	*	(2)	(2)	(4)	(47)
Transfer to assets held for sale	B6	–	*	–	–	(36)	–	–	*	–	–	(36)
Acquisition of subsidiaries	(iii)	1	–	–	–	367	–	–	–	1	42	411
Disposal of subsidiaries		(11)	*	–	(7)	(7)	–	–	(3)	(6)	(1)	(35)
Balance at December 31, 2018		1,826	66	1,525	146	10,248	283	67	204	91	1,506	15,962
Accumulated depreciation and impairment losses												
Balance at January 1, 2018		512	51	293	41	2,631	60	57	145	51	–	3,841
Translation adjustments		*	*	*	(2)	(49)	1	*	*	*	–	(50)
Depreciation for the year	B4(a)	58	2	47	11	388	11	4	18	8	–	547
Transfer to investment properties	D3	(2)	–	–	–	*	–	–	*	–	–	(2)
Disposals / Write-offs		(1)	(1)	*	–	(18)	–	*	(2)	(2)	–	(24)
Transfer to assets held for sale	B6	–	*	–	–	(9)	–	–	*	–	–	(9)
Disposal of subsidiaries		(3)	*	–	(3)	(6)	–	–	(2)	(4)	–	(18)
Impairment losses	(vii), B4(a)	*	–	–	–	*	5	–	–	*	–	5
Balance at December 31, 2018		564	52	340	47	2,937	77	61	159	53	–	4,290
Carrying amounts												
At January 1, 2018		1,259	16	1,220	143	6,944	219	7	56	42	1,252	11,158
At December 31, 2018		1,262	14	1,185	99	7,311	206	6	45	38	1,506	11,672

D. Our Assets *(cont'd)*
D1. Property, plant and equipment *(cont'd)*

(S$ million)	Note	Leasehold and freehold land, wet berthage and buildings	Improvements to premises	Quays and dry docks	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Total
Company									
Cost									
Balance at January 1, 2019		20	8	8	678	17	2	39	772
Additions		*	*	–	11	2	1	2	16
Reclassification		–	–	–	39	*	–	(39)	–
Transfer from / (to) other category of assets		–	–	–	–	–	–	(1)	(1)
Disposals		*	(1)	–	(5)	*	*	–	(6)
Balance at December 31, 2019		20	7	8	723	19	3	1	781
Accumulated depreciation and impairment losses									
Balance at January 1, 2019		11	8	4	405	15	1	–	444
Depreciation for the year		1	*	*	30	1	*	–	32
Disposals		*	(1)	–	(3)	*	*	–	(4)
Balance at December 31, 2019		12	7	4	432	16	1	–	472
Carrying amounts									
At January 1, 2019		9	–	4	273	2	1	39	328
At December 31, 2019		8	–	4	291	3	2	1	309
Company									
Cost									
Balance at January 1, 2018		20	8	8	709	16	2	4	767
Additions		*	*	*	5	1	*	36	42
Reclassification		–	–	–	1	*	–	(1)	–
Transfer from inventory		–	–	–	1	–	–	–	1
Disposals		*	*	*	(2)	*	*	–	(2)
Transfer to assets held for sale	B6	–	*	–	(36)	–	–	–	(36)
Balance at December 31, 2018		20	8	8	678	17	2	39	772
Accumulated depreciation and impairment losses									
Balance at January 1, 2018		10	8	4	383	14	1	–	420
Depreciation for the year		1	*	*	32	1	*	–	34
Transfer to assets held for sale	B6	–	*	–	(9)	–	–	–	(9)
Disposals		*	*	*	(1)	*	*	–	(1)
Balance at December 31, 2018		11	8	4	405	15	1	–	444
Carrying amounts									
At January 1, 2018		10	–	4	326	2	1	4	347
At December 31, 2018		9	–	4	273	2	1	39	328

D. Our Assets *(cont'd)*

D1. Property, plant and equipment *(cont'd)*

Group

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

(S$ million)	Note	Group December 31, 2019	Group December 31, 2018
Freehold land and buildings		168	105
Leasehold land and buildings		52	33
Plant and machinery		4,680	4,484
Capital work-in-progress		216	159
Other assets		43	46
	C6(i)	5,159	4,827

ii. During the year, interest and direct staff costs amounting to S$51 million (2018: S$51 million) and S$8 million (2018: S$8 million), respectively were capitalised as capital work-in-progress. Included in these amounts are capitalised interest costs calculated using a capitalisation rate from 3.27% to 7.00% (2018: 1.92% to 4.75%).

iii. Property, plant and equipment arising from the acquisition of subsidiaries was at fair value at the acquisition date.

iv. In 2019, an impairment of S$22 million was recognised in cost of sales following an assessment of the plants' efficiency and effectiveness in meeting the new and more stringent effluent discharge standards that will come into force in Jiangsu, China in 2021. The Group used 4 years cash flow projections, representing the re-assessed estimated remaining useful life of the plant, with no terminal value considered and a pre-tax discount rate of 7.1% to determine the recoverable amount of the plants. Revenue is projected based on contracts secured with customers along with likely renewals and in consideration of treatment capacity of the plant. Inflation rates ranging from 0% to 3% has been used to project overheads and other general expenses. Expected capital expenditure for replenishment of parts and scheduled maintenance costs have been included in the projections in accordance with plant maintenance program.

v. In 2019, the market conditions in UK continue to be challenging and UK Power Reserve Limited's ("UKPR") performance was weak. Based on the expected value-in-use (VIU) as at December 31, 2019, the Group has recognised an impairment of S$52 million in cost of sales, with respect to plant and equipment. The key assumptions used in determining the VIU are included in the table for impairment testing for goodwill in Note D4.

vi. In 2019, management reviewed the economics of two of the wind power projects under development in India, which were impacted by the changes in the renewables market dynamics. Consequently the value-in-use of the related development costs is estimated to be S$nil as at December 31, 2019. Accordingly, an impairment loss of S$6 million was recognised in cost of sales.

vii. In 2019, property, plant and equipment included additional provision for restoration costs amounting to S$3 million (2018: S$4 million) (Note H4).

viii. The 5-year time charter contract of the Group's marine accommodation vessel ended in 2018. As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection took into account the expected renewal rates based on prevailing market conditions. The renewal rates assumed a certain level of discount from the current contractual rates but added 2% annual inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The utilisation rate is assumed to be at 95% throughout the cash flow periods; and the terminal value is based on the expected scrap value at the end of the economic useful life. These cash flows are then discounted using the weighted average cost of capital determined to be at 10.78% (2018: 12.66%). Based on the Group's assessment of the recoverable amount of the marine accommodation vessel which amounted to S$267 million (2018: S$196 million), no impairment loss (2018: impairment loss of S$5 million) was recognised in profit or loss. Any unfavourable changes to the above assumptions would lead to additional impairment.

D. Our Assets *(cont'd)*

D1. Property, plant and equipment *(cont'd)*

Group *(cont'd)*

ix. A subsidiary in India has entered into an agreement to convert an existing leasehold land upon which its property, plant and equipment reside, to freehold land. The subsidiary has fully paid for the conversion of the leasehold land based on the freehold rate. As at December 31, 2019, the land has not been transferred to the subsidiary. Pursuant to the current lease agreement, it is provided that in the event that the land is not transferred, the lessor is obliged to renew the lease for a further period on mutually agreed terms and conditions. No impairment, revision of useful life or provision for restoration cost has been recorded as at December 31, 2019, as the alienation of this leasehold land is in progress (approved by the Chief Minister and awaiting final approval of the Group of Ministers).

x. The Group leases out its marine vessel under an operating lease arrangement. Non-cancellable operating lease rentals receivables are included in Note C9(b) non-cancellable operating leases.

xi. The acquisition of marine vessel in 2019 was settled via an offset of payables and dividends receivable from a joint venture.

Change in estimates

During the year ended December 31, 2019, the Group revised its estimates for the useful lives of certain asset within marine vessel from 25 years to 31 years after conducting an operational review of its useful lives. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

(S$ million)	2019	2020	2021	2022	2023	Later
Group						
(Decrease) / increase in depreciation expense and (increase) / decrease in profit before tax	(1)	(2)	(2)	(2)	(2)	9

As part of the Group's transformation and yard consolidation strategy in the Marine business segment, the Group is scheduled to move out completely from its yard at Tanjong Kling Road (Tanjong Kling Yard) by end 2019 and return the yard to the Government ahead of its original schedule. Accordingly, the Group has revised its estimates for the useful lives of certain assets at Tanjong Kling Yard in 2018. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

(S$ million)	2019	2020	2021	2022	2023	Later
Group						
Increase / (decrease) in depreciation expense and decrease / (increase) in profit before tax	44	(10)	(9)	(9)	(9)	(18)

D. Our Assets *(cont'd)*
D2. Right-of-use assets and leases

Accounting policies

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, assets are measured at cost less accumulated depreciation and impairment losses. Income is recognised in accordance to Note B2 charter hire and rental income.

The Group determines whether an arrangement is or contains a lease at inception. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Until 2018, leases of property, plant and equipment were classified as either finance leases or operating leases, see Notes C9, D1 and D3 for details. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially used at the commencement date
- the extension option if the Group is reasonably certain to exercise that option
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- amounts expected to be payable by the Group under residual value guarantees, and
- payments of penalties for terminating the lease, if the leases term reflects the Group exercising that option

The Group assesses at lease commencement date whether it is likely to exercise the extension options and reassesses when there is a significant event or significant changes in circumstances within its control.

The Group leasing activities and how these are accounted for

The Group leases land and building from non-related parties. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The policy on impairment and reversal of impairment is consistent with property, plant and equipment as disclosed in Note D1.

Payment associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less while low-value assets comprise of office equipment.

Key estimates and judgements

The Group considers all facts and circumstances that create an economic incentive to exercise an extension option, extension options are only included in the lease term if the lease is reasonably certain to be extended. If the Group should exercise the extension option, the potential future lease payments would result in an increase in lease liability.

D. Our Assets *(cont'd)*
D2. Right-of-use assets and leases *(cont'd)*
i. Amounts recognised in the balance sheets
Group

(S$ million)	December 31, 2019	January 1, 2019#
Right-of-use assets		
Leasehold land and buildings	396	414
Plant and machinery	9	11
Marine vessels	52	55
Motor vehicles	1	*
Furniture, fittings and office equipment	6	3
	464	483

In the previous year, the Group and the Company only recognised lease assets and lease liabilities in relation to leases that were classified as finance leases' under SFRS(I) 1-17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's and the Company's borrowings. For adjustments recognised on adoption of SFRS(I) 16 on January 1, 2019, please refer to Note A2(iv).

Lease liabilities recognised in the balance sheets:

(S$ million)	December 31, 2019
Current	34
Non-current	470
	504
Maturity analysis	
Within 1 year	34
After 1 year but within 5 years	112
After 5 years	358
Total	504

During the year, cost of S$75 million was transferred from property, plant and equipment and remaining additions to the right-of-use assets were S$32 million.

D. Our Assets *(cont'd)*

D2. Right-of-use assets and leases *(cont'd)*

i. Amounts recognised in the balance sheets *(cont'd)*

Company

(S$ million)	December 31, 2019	January 1, 2019#
Right-of-use assets		
Leasehold land and buildings	68	76
Plant and machinery	32	34
Motor vehicles	*	–
	100	110

In the previous year, the Group and the Company only recognised lease assets and lease liabilities in relation to leases that were classified as finance leases' under SFRS(I) 1-17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's and the Company's borrowings. For adjustments recognised on adoption of SFRS(I) 16 on January 1, 2019, please refer to Note A2(iv).

Lease liabilities recognised in the balance sheets:

(S$ million)	December 31, 2019
Current	4
Non-current	116
	120
Maturity analysis	
Within 1 year	4
After 1 year but within 5 years	16
After 5 years	100
Total	120

During the year, additions to the right-of-use assets were S$1 million.

ii. Amounts recognised in profit or loss

(S$ million)	Group 2019
Depreciation charge of right-of-use assets	
Leasehold land and buildings	36
Plant and machinery	2
Marine vessels	3
Motor vehicles	1
Furniture, fittings and office equipment	1
	43
Interest expense (included in finance cost)	18
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	7
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	4
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	*

The total cash outflow for leases in 2019 was S$48 million.

D. Our Assets *(cont'd)*

D3. Investment properties

The Group holds certain properties for rental yields and for capital appreciation.

Accounting policies

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 20 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate. No depreciation is provided on the freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

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

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

D. Our Assets *(cont'd)*
D3. Investment properties *(cont'd)*

		Group		
(S$ million)	Note	Investment properties	Investment properties work-in-progress	Total
Cost				
Balance at January 1, 2019		50	80	130
Translation adjustments		(2)	*	(2)
Additions		*	21	21
Reclassification		98	(98)	–
Balance at December 31, 2019		146	3	149
Accumulated depreciation and impairment losses				
Balance at January 1, 2019		20	–	20
Translation adjustments		*	–	*
Depreciation for the year	B4(a)	1	–	1
Balance at December 31, 2019		21	–	21
Carrying amounts				
At January 1, 2019		30	80	110
At December 31, 2019		125	3	128
Cost				
Balance at January 1, 2018		45	63	108
Translation adjustments		*	(3)	(3)
Additions		*	20	20
Transfer from property, plant and equipment	D1	5	–	5
Balance at December 31, 2018		50	80	130
Accumulated depreciation and impairment losses				
Balance at January 1, 2018		17	–	17
Translation adjustments		*	–	*
Depreciation for the year	B4(a)	1	–	1
Transfer from property, plant and equipment	D1	2	–	2
Balance at December 31, 2018		20	–	20
Carrying amounts				
At January 1, 2018		28	63	91
At December 31, 2018		30	80	110

D. Our Assets *(cont'd)*
D3. Investment properties *(cont'd)*

Amounts recognised in profit or loss

	Group	
(S$ million)	2019	2018
Rental income	8	8
Operating expenses arising from rental of investment properties	5	5

The fair value of the investment properties as at the balance sheet date is S$175 million (2018: S$154 million). The fair values are mostly determined by independent professional valuers using a combination of investment income method and direct or market comparison techniques, including adjustments to reflect the specific use of the investment properties. Such valuation is derived from observable market data from an active and transparent market. In the absence of current prices in an active market, the fair values are determined by considering the aggregate of the estimated cash flow expected to be received from renting out the properties or Directors' valuation. A yield that reflects the specific risks inherent in the cash flows is then applied to the net annual cash flows to obtain the fair values.

Investment properties of S$16 million (2018: S$nil) have been pledged to secure loan facilities.

The Group leases out its investment properties. The lease agreement provides for additional lease payments annually based on changes to a price index. Non-cancellable operating lease rentals receivable are included in Note C9(b).

D. Our Assets *(cont'd)*

D4. Intangible assets

The balance sheets contain significant intangible assets, mainly in relation to goodwill, intellectual property rights and long-term contracts. Goodwill, which arises when business acquired at a higher amount than the fair value of its net assets primarily due to the synergies expected to create, is not amortised but is subject to annual impairment reviews. The intellectual property rights and long-term contracts are amortised over the estimated life of the rights and contracts.

Accounting policies

a. Goodwill

Goodwill is measured at cost less accumulated impairment losses. The goodwill cost represents the excess of:

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

When the excess is negative, a negative goodwill is recognised immediately in profit or loss.

Goodwill is tested for impairment on an annual basis.

Goodwill that has previously been taken to reserves is not taken to profit or loss when (i) the business is disposed of or discontinued or (ii) the goodwill is impaired. Similarly, negative goodwill that has previously been taken to reserves is not taken to profit or loss when the business is disposed of or discontinued.

b. Intellectual property rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 10 to 15 years.

c. Service concession arrangements

The Group recognises an intangible asset arising from a service concession arrangement, when it has a right to charge for usage of the concession infrastructure. This intangible asset is measured at fair value upon initial recognition by reference to the fair value of the services provided. Subsequent to initial recognition, the intangible asset is measured at cost, which includes capitalised borrowing costs, less accumulated amortisation and accumulated impairment losses.

The estimated useful life of an intangible asset in a service concession arrangement is the period when the Group has a right to charge the public for the usage of the infrastructure to the end of the concession period.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of 25 to 30 years.

D. Our Assets *(cont'd)*

D4. Intangible assets *(cont'd)*

Accounting policies *(cont'd)*

d. Long-term contracts

Long-term revenue and supplier contracts are fair valued using cash flow projections over the contractual period of 1 to 30 years. Amortisation is recognised in profit or loss on a straight-line basis over the contractual period.

e. Water rights

Water rights are perpetual in nature. Water rights are measured at cost less accumulated impairment losses. Water rights are tested for impairment annually.

f. Other intangible assets

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

g. Subsequent expenditure

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

h. Impairment

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated and tested for impairment annually and as and when indicators of impairment occur.

i. Reversals of impairment

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

Key estimates and judgements

The Group performs regular (at least annually) technical, commercial and management review to confirm the continued intent to develop the engineering designs for the offshore solutions. Where there is no longer an intention to continue the development, the carrying amount of the design under development is expensed off to profit or loss immediately. When the design is available for use, the capitalised costs will be reclassified within intangible assets and commence amortisation.

D. Our Assets *(cont'd)*
D4. Intangible assets *(cont'd)*

(S$ million)	Note	Goodwill	Service concession arrangements	Long-term contracts	Intellectual property rights	Water rights	Design under development	Others	Total
Group									
Cost									
Balance at January 1, 2019		298	84	229	284	10	–	60	965
Translation adjustments		(1)	(3)	4	*	*	–	(3)	(3)
Additions	(c)	–	1	–	9	*	–	8	18
Acquisition of subsidiaries	(c)	1	–	–	6	–	–	–	7
Disposal of subsidiary		(1)	–	–	–	–	–	(1)	(2)
Disposal		–	(9)	–	–	*	–	(23)	(32)
Transfer from / (to) assets held for sale	B6	–	(10)	–	–	(10)	–	*	(20)
Transfer from other category of asset	(a)	–	–	–	–	–	50	1	51
Write-off	B4(a)	–	*	–	–	–	–	*	*
Other		2	–	(1)	–	–	–	–	1
Balance at December 31, 2019		299	63	232	299	*	50	42	985
Accumulated amortisation and impairment losses									
Balance at January 1, 2019		26	31	18	78	*	–	33	186
Translation adjustments		–	(2)	3	*	–	–	(1)	*
Amortisation charge for the year	B4(a)	–	5	15	26	*	–	8	54
Disposal of subsidiary		(1)	–	–	–	–	–	(1)	(2)
Disposal		–	(4)	–	–	*	–	(1)	(5)
Transfer from / (to) assets held for sale	B6	–	(7)	–	–	*	–	*	(7)
Transfer from other category of asset		–	–	–	–	–	–	*	*
Reclass within intangible asset		–	–	–	10	–	–	(10)	–
Impairment losses	B4(c), (b)	65	–	64	–	–	–	–	129
Write-off	B4(a)	–	*	–	–	–	–	*	*
Balance at December 31, 2019		90	23	100	114	*	–	28	355
Carrying amounts									
At January 1, 2019		272	53	211	206	10	–	27	779
At December 31, 2019		209	40	132	185	*	50	14	630

a. During the year, engineering design under development of S$50 million (2018: S$nil) was reclassified from contract costs to intangible assets as management had re-assessed that the costs incurred met the criteria for recognition as development costs as this relate to technical knowledge gained from development activities that are not contract specific and will give rise to future economic benefits.

b. The Group recognised impairment loss on goodwill of S$65 million in non-operating expenses and long-term contracts of S$64 million in cost of sales.

c. With the completion of the share swap agreement with RGT in B6(b), Semb-Eco, Semb-Eco Technology Pte. Ltd. and Semb-Eco R&D Pte. Ltd. became wholly-owned subsidiaries of the Group. In conjunction with the share swap, S$9 million intellectual property rights were added.

D. Our Assets *(cont'd)*
D4. Intangible assets *(cont'd)*

(S$ million)	Note	Goodwill	Service concession arrangements	Long-term contracts	Intellectual property rights	Water rights	Others	Total
Group								
Cost								
Balance at January 1, 2018		224	155	94	229	10	41	753
Translation adjustments		(18)	(10)	(18)	–	–	5	(41)
Additions		–	3	–	–	–	17	20
Acquisition of subsidiaries		93	–	153	55	–	–	301
Disposal of subsidiary		–	(64)	–	–	–	(3)	(67)
Write-off	B4(a)	(1)	–	–	–	–	–	(1)
Balance at December 31, 2018		298	84	229	284	10	60	965
Accumulated amortisation and impairment losses								
Balance at January 1, 2018		26	54	11	56	–	25	172
Translation adjustments		–	(3)	(1)	–	–	–	(4)
Amortisation charge for the year	B4(a)	–	7	8	22	–	10	47
Disposal of subsidiary		–	(27)	–	–	–	(2)	(29)
Impairment losses	B4(c)	1	–	–	–	–	–	1
Write-off	B4(a)	(1)	–	–	–	–	–	(1)
Balance at December 31, 2018		26	31	18	78	–	33	186
Carrying amounts								
At January 1, 2018		198	101	83	173	10	16	581
At December 31, 2018		272	53	211	206	10	27	779

Intangible assets of less than S$1 million (2018: less than S$1 million) have been pledged to secure loan facilities.

D. Our Assets *(cont'd)*
D4. Intangible assets *(cont'd)*

(S$ million)	Goodwill	Others	Total
Company			
Cost			
Balance at January 1, 2019	19	18	37
Additions	–	4	4
Disposals	–	*	*
Transfer from / (to) other category of assets	–	1	1
Balance at December 31, 2019	19	23	42
Accumulated amortisation and impairment losses			
Balance at January 1, 2019	–	13	13
Amortisation charge for the year	–	3	3
Balance at December 31, 2019	–	16	16
Carrying amounts			
At January 1, 2019	19	5	24
At December 31, 2019	19	7	26
Cost			
Balance at January 1, 2018	19	15	34
Additions	–	3	3
Balance at December 31, 2018	19	18	37
Accumulated amortisation and impairment losses			
Balance at January 1, 2018	–	9	9
Amortisation charge for the year	–	4	4
Balance at December 31, 2018	–	13	13
Carrying amounts			
At January 1, 2018	19	6	25
At December 31, 2018	19	5	24

D. Our Assets *(cont'd)*

D4. Intangible assets *(cont'd)*

Amortisation

The amortisation of intangible assets is analysed as follows:

(S$ million)	Group 2019	Group 2018
Cost of sales	48	41
Administrative expenses	6	6
Total	54	47

Service concession arrangements

The subsidiaries in Chile, Panama, South Africa and China have service concession agreements with the local municipalities in Chile; Panama; Mbombela and Ilembe in South Africa; and Fuzhou, Xinmin and Yanjiao in People's Republic of China to supply drinking water to the local communities. In 2019, the subsidiaries in Xinmin China (2018: the subsidiaries in South Africa) which have service concession agreements have been disposed.

Under these arrangements, the charges for use of these assets are adjusted regularly in accordance to the agreed cost reference and escalation formula in the concession agreement and approved by the respective local authorities. (Note A2(iii)).

Long-term contracts

India

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

The significant terms of the above PPAs are as follows:

- A subsidiary in India has a long-term contract to provide 500 megawatts of power to the Andhra Pradesh Power distribution companies for a period of 25 years.
- The subsidiaries in the renewables sector in India have long-term contracts with India's State Electricity Boards in Gujarat, Karnataka, Maharashtra, Rajasthan and Tamil Nadu, with tenures ranging from 10 to 30 years. These subsidiaries also sell electricity to commercial customers with tenures ranging from 10 to 25 years.

United Kingdom (UK)

The subsidiaries in the UK acquired in 2018, have contracted with the National Grid of the UK to generate electricity through a portfolio of diesel and gas generators in multiple sites across the UK and supplier contracts with tenures ranging from 1 to 15 years. The majority of these contracts provide fixed rate cash flows relating to plant availability (Capacity Market contracts).

In 2019, the Group has recognised an impairment of S$64 million. See Note D4(a) for key assumptions used.

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs, re-deployable modularised LNG and LPG solutions, and all of Sevan Marine ASA and HiLoad LNG ASA intellectual property rights.

Water rights

The water rights mainly have infinite useful lives and are perpetual in nature. The water rights as established in the acquisition contracts were obtained from the General Water Directorate (DGA), a regulatory body under the Ministry of Public Works in Chile. The rights allow the Group to extract water from the specific water sources and supply water to end customers.

Other intangible assets

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

D. Our Assets *(cont'd)*

D4. Intangible assets *(cont'd)*

Goodwill

Group

Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

(S$ million)	Group December 31, 2019	Group December 31, 2018
Cash-generating Unit (CGU)		
SUT Division	19	19
Sembcorp Gas Pte Ltd	42	42
SEIL (Project I) (formerly known as Sembcorp Energy India Ltd)	24	25
SEIL (Project II) (formerly known as Sembcorp Gayatri Power Limited)	41	41
Sembcorp Green Infra Limited and its subsidiaries	38	38
UKPR	27	83
Sembcorp Cogen Pte Ltd	–	–
Multiple units with insignificant goodwill	18	24
	209	272

The recoverable amounts for SUT Division, Sembcorp Gas Pte Ltd, SEIL (Project I), Sembcorp Green Infra Limited and its subsidiaries, SEIL (Project II) and UKPR were determined using value-in-use calculations. Cash flow projections used in the value-in-use calculations were prepared based on management's past experience in operating the business and forward market outlook over the long-term nature of the utilities and power business. Pre-tax discount rates between 5.0% to 11.0% (2018: 5.6% to 12.3%) had been used.

Impairment testing for goodwill

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

At the balance sheet date, based on the following key assumptions, except for UKPR, the recoverable amounts of the respective CGUs exceeded their carrying amounts.

D. Our Assets *(cont'd)*
D4. Intangible assets *(cont'd)*

a. Key assumptions on recoverable amounts on respective CGUs

	SUT Division	Sembcorp Gas Pte Ltd	SEIL (Project I) (formerly known as Sembcorp Energy India Ltd)	SEIL (Project II) (formerly known as Sembcorp Gayatri Power Limited)	Sembcorp Green Infra Limited and its subsidiaries	UKPR
Cash flow projections period	Remaining useful life of plants assumed 21 years (2018: 20 years)	Remaining contractual period of existing contracts	Remaining useful life of plants assumed 21 years (2018: 22 years)	Remaining useful life of plants assumed 22 years (2018: 23 years)	Remaining useful life of plants assumed 30 years (2018: 28 years)	Estimated remaining useful life of the plants ranging from 2020 to 2039
Terminal value	None	None	None	None	None	None
Revenue and margins	Based on contracts secured along with likely renewals and forecasted demand for industrial utilities and services; as well as forecasted margins	Based on estimated sales and purchases of gas quantities derived from the contractual period of existing contracts	Based on combination of long-term and short-term contracts secured at contracted tariffs as well as electricity spot prices. Contract renewals are assumed based on estimated demand and supply as well as margin	Primarily based on the forecasted combination of long-term and short-term contracts and electricity spot prices with reference to estimated demand and supply of electricity as well as margin	Based on long-term contracts secured at contracted tariffs. New contracts and contract renewals are assumed based on estimated demand and supply as well as margin	Based on market supply and demand forecast on the estimated electricity and at forecasted margins
Expected capital expenditure	In accordance with plant maintenance programme	In accordance with plant maintenance programme and pipeline servicing	In accordance with plant maintenance programme	In accordance with plant maintenance programme	In accordance with plant maintenance programme	In accordance with plant maintenance programme
Inflation rate assumptions used to project overheads and other general expenses	1.3% to 1.4% (2018: 1.0% to 1.8%)	1.3% to 1.4% (2018: 1.0% to 1.8%)	4% (2018: 4%)	4% (2018: 4%)	4% (2018: 4%)	2.5% (2018: 2.5%)
Others	NA	Forward USD / SGD exchange rate and High Sulphur Fuel Oil (HSFO) prices with reference to forward quotes were assumed in the forecast performance	Cash flows are estimated based on the premise that the conversion of the leasehold land, which the subsidiary has already paid in full, will be converted to freehold (Note D1(ix))	NA	NA	A combination of economic and industry factors including an increase in energy capacity and a reduction in underlying demand due to energy efficiency and reduced industrial production

In 2019, the impairment reviews performed for UKPR resulted in impairment losses on property, plant and equipment of S$52 million and long-term customer contracts of S$64 million for certain individual CGUs, as well as an impairment of S$62 million in goodwill which has been allocated to a group of CGUs. Total impairment charge recognised for the year amounted to S$178 million.

An increase in the after-tax discount rate from 7.0% to 8.2% would result in an overall additional impairments of S$51 million.

Company

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

E. Working Capital

E1. Trade and other receivables

Trade and other receivables mainly consist of amounts owed to the Group by customers and amounts paid to the Group's suppliers in advance. Trade receivables are shown net of an allowance for bad or doubtful debts.

Accounting policies

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, where they are recognised at fair value. The carrying value of trade receivables is reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the impairment policies and the calculation of the loss allowance are provided in Note F4.

The Group classified its other financial assets at amortised cost only if (i) the asset is held within a business model whose objective is to collect the contractual cash flows and (ii) the contractual term give rise to cash flows that are solely payments of principal and interest. Such assets are subsequently measured at amortised costs using the effective interest method. The amortised costs is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

In the service concession arrangements, the Group recognises a financial asset arising from its construction services when it has an unconditional contractual right to receive fixed and determinable amounts of payments irrespective of the output produced. The consideration receivable is measured initially at fair value and subsequently measured at amortised cost using the effective interest method.

		December 31, 2019			December 31, 2018		
(S$ million)	Note	Non-current	Current	Total	Non-current	Current	Total
Group							
Trade receivables		1,055	1,188	2,243	965	1,252	2,217
Service concession receivables	(a)	1,017	38	1,055	1,061	13	1,074
Amounts due from related parties	G5	30	56	86	40	128	168
Staff loans		–	*	*	–	*	*
Deposits		6	21	27	77	13	90
Sundry receivables	(b)	–	101	101	–	94	94
Unbilled receivables	(c)	–	415	415	–	422	422
Loan receivables	(e)	–	14	14	137	209	346
Recoverables		–	38	38	–	22	22
Interest receivables		–	10	10	–	7	7
		2,108	1,881	3,989	2,280	2,160	4,440
Loss allowance	F4	(10)	(191)	(201)	(10)	(197)	(207)
Financial assets at amortised costs	F4, (d)	2,098	1,690	3,788	2,270	1,963	4,233
Prepayments	(f)	45	99	144	79	105	184
Other receivables	(g)	–	16	16	–	–	–
Employee defined benefit asset	H2	10	–	10	*	–	*
Advances to suppliers		–	227	227	–	221	221
Tax recoverable		17	16	33	17	22	39
		2,170	2,048	4,218	2,366	2,311	4,677

E. Working Capital *(cont'd)*

E1. Trade and other receivables *(cont'd)*

		December 31, 2019			December 31, 2018		
(S$ million)	Note	Non-current	Current	Total	Non-current	Current	Total
Company							
Trade receivables		–	15	15	–	26	26
Amounts due from related parties	G5	345	13	358	268	11	279
Deposits		–	2	2	–	2	2
Unbilled receivables	(c)	–	49	49	–	53	53
Recoverables		–	–	–	–	1	1
		345	79	424	268	93	361
Loss allowance	(g)	–	*	*	–	–	–
Financial assets at amortised costs	F4	345	79	424	268	93	361
Prepayments	(f)	4	4	8	5	3	8
Advances to suppliers		*	*	*	–	*	*
		349	83	432	273	96	369

a. Service concession receivables

Through its subsidiaries, the Group have service concession agreements with the local government and governing agency. The agreements in Chile, Panama and Singapore are for supply of treated water while the agreements in Myanmar and Bangladesh are for supply of electricity. The power plants in Myanmar and Bangladesh have commenced commercial operations in phases from October 2018 and in 2019. The Group recorded construction revenue and profits of S$58 million and S$29 million (2018: S$181 million and S$9 million), respectively.

The guaranteed sum receivables from the grantors for the construction of the underlying assets are discounted at interest rates ranging from 3.6% to 8.5%.

As at December 31, 2018, management was finalising the land lease agreement with the relevant authority for the power plant constructed in Myanmar. As at December 31, 2019, the agreement has been finalised.

b. Sundry receivables

Sundry receivables represent mainly GST receivables and miscellaneous receivables.

c. Unbilled receivables

Unbilled receivables represent revenue accrued for sale of utilities commodities and services. Included in the Company's unbilled receivables are amounts of S$22 million (2018: S$17 million) due from related companies.

d. Trade and other receivables

Trade and other receivables of S$1,228 million (2018: S$1,285 million) have been pledged to secure loan facilities. Included in the pledged amount is S$428 million (2018: S$390 million) that relates to the underlying assets of the service concession arrangements.

e. Loan receivables

In 2018, the non-current loan receivables relates to loan extended to a customer. During the year, the Group monetised these receivables at a face value, through a non-recourse assignment to a bank.

E. Working Capital *(cont'd)*

E1. Trade and other receivables *(cont'd)*

f. Prepayments

Prepayments are charged to profit or loss on a straight-line basis over the prepaid period. They relate primarily to:

Group

i. Connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines to a related corporation amounted to S$24 million (2018: S$26 million);

ii. Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank; and

iii. Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

Company

i. Connection and capacity charges prepaid for the use of pipelines and pipe racks.

g. Other receivables

Other receivables represent amount settled with a vendor in the form of strategic spares expected to be received in 2020.

E. Working Capital *(cont'd)*

E2. Inventories

Accounting policies

i. Inventories

Finished goods, consumable materials and spares are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expense.

Key estimates and judgements

Key source of estimation uncertainty – determination of net realisable value of inventories

The net realisable value of inventories of subsidiaries in the Marine sector is estimated by reference to contract prices. However, such net realisable value may not be the actual realisable value, arising from contract modifications, if any, which may result in other variable considerations. Such contract modifications may significantly affect the eventual realisable value of inventories and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories in future.

ii. Development properties

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, related expenditure and financing charges incurred during the period of development. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Key estimates and judgements

Critical accounting judgements in applying the Group's accounting policies – classification of development properties

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

	Group		Company	
(S$ million)	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Raw materials and consumables	225	243	*	2
Finished goods	183	175	7	8
	408	418	7	10
Allowance for inventory obsolescence	(22)	(25)	(3)	(3)
	386	393	4	7
Properties under development	*	120	–	–
	386	513	4	7
Amounts recognised in profit or loss				
– Inventories recognised as an expense in cost of sales	1,927	1,695	–	–
– Inventories (written back) / written down and allowance for stock obsolescence	*	1	–	–

Inventories of S$95 million (2018: S$142 million) have been pledged to secure loan facilities.

E. Working Capital *(cont'd)*

E3. Trade and other payables

Trade and other payables mainly consist of amounts the Group owes to its suppliers that have been invoiced or are accrued. They also include taxes and social security amounts due in relation to the Group's role as an employer.

Accounting policies

Trade and other payables (excluding advance payments from customers, deferred grants, deferred income and retirement benefit obligations) are classified as financial liabilities measured at amortised costs. Trade payables are not interest-bearing and are stated at their nominal value.

(S$ million)	Note	Group December 31, 2019	Group December 31, 2018	Company December 31, 2019	Company December 31, 2018
Current liabilities					
Trade payables		1,012	1,094	7	14
Advance payments from customers		17	17	*	*
Amounts due to related parties	G5	22	14	102	2
Accrued capital and operating expenditure	(a)	1,487	1,571	116	109
Deposits		33	34	*	*
Accrued interest payable		57	42	–	–
Other creditors		216	196	19	5
		2,844	2,968	244	130
Non-current liabilities					
Deferred grants	(b)	2	4	*	*
Amounts due to related parties	G5	–	–	145	245
Other long-term payables	(c)	73	171	26	23
Deferred income		51	62	*	–
Retirement benefit obligation	H2	5	5	–	–
		131	242	171	268

a. Included in the Company's accrued operating expenses are amounts of S$53 million (2018: S$43 million) due to related companies.

b. Deferred grants relate to government grants for capital assets.

c. Other long-term payables include retention monies of subsidiaries, long-term employee benefits and accrued operating and maintenance services which will be billed only after the initial payment-free period, which is more than one year.

E. Working Capital *(cont'd)*

E4. Cash and cash equivalents

Accounting policies

Cash and cash equivalents which comprise cash balances and bank deposits are classified as financial assets measured at amortised costs. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheets.

The majority of the Group's cash is held in bank deposits or money market funds which have a maturity of three months or less to enable us to meet our short-term liquidity requirements.

(S$ million)	Note	Group December 31, 2019	Group December 31, 2018	Company December 31, 2019	Company December 31, 2018
Fixed deposits with banks		380	323	–	–
Cash and bank balances		1,387	1,602	1,123	759
Cash and cash equivalents in the balance sheets		1,767	1,925	1,123	759
Restricted bank balances		(27)	(1)	–	–
Bank overdrafts	C6	–	(1)	–	–
Cash and cash equivalents in the consolidated statement of cash flows		1,740	1,923	1,123	759
Cash and cash equivalents inclusive of placement with:					
– A subsidiary		–	–	1,122	756
– A related corporation		283	424	1	3

Fixed deposits with banks of the Group earn interest at rates ranging from 0.65% to 9.00% (2018: 0.10% to 9.00%) per annum.

Included in the Group's cash and cash equivalents in the balance sheet is an amount of S$338 million (2018: S$293 million) over which banks have a first charge in the event that the respective subsidiaries do not meet the debt servicing requirement.

F. Our Financial Instruments and Risks Management

F1. Market risk

This note details the treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

In the last couple of years, we have embarked on transitioning our Governance Assurance Framework (GAF) to Integrated Assurance Framework (IAF) to place greater emphasis on multi-level line of defense (LOD) model. Through the IAF structure, the respective LODs work together to ensure that key financial, operational, compliance and IT risks are reviewed and tested using a robust assurance process. Under the IAF, a pragmatic and collaborative approach to risk and controls assessment has been established, with common and consistent criteria to assess the risks and the adequacy and effectiveness of the internal controls.

Most of our key markets, being the first LOD, have implemented the IAF, which requires them to work with the second LOD comprising business lines, subject matter experts and corporate functions, to perform a thorough review and assessment of their risks and internal controls.

Clear escalation procedures and key risk indicators have been established and aligned with the Group's risk appetite.

The proactive management of key risks and controls strengthens not only the Group's reporting and monitoring capabilities, but also cultivates a risk culture of accountability and ownership.

Key themes of the IAF included cyber security, plant availability and reliability, health and safety, regulatory and compliance, people and talent management, fraud and governance.

Financial risk management objectives and policies

The Group's day-to-day operations, new investment opportunities and funding activities introduce financial risks, which are actively managed by management with Board oversight. These risks are grouped into the following categories:

- Market: The risk that fluctuations in commodity prices, foreign exchange and interest rates adversely impact the Group's results.
- Liquidity: The risk that the Group will not be able to meet the financial obligations as they fall due.
- Credit: The risk that a counterparty will not fulfil its financial obligations under a contract or other arrangement.

The Board has adopted the Group Treasury Policies and financial authority limits to manage these risks. The Group Treasury Policies set out the parameters for financing structure, liquidity, counterparty risk management, foreign exchange risk management and use of derivative transactions. Derivative transactions are permitted only if it involves underlying assets or liabilities.

F. Our Financial Instruments and Risks Management *(cont'd)*

F1. Market risk *(cont'd)*

Financial risk management objectives and policies (cont'd)

Market risk is the possibility that changes in interest rates, foreign exchange rates, price of unit trust, equity securities and commodities will adversely affect the value of the Group's assets, liabilities or expected future cash flows. The objective of market risk management is to manage and reduce the above exposures within acceptable parameters.

i. Interest rate risk

The Group's interest rate exposure is primarily in relation to its fixed rate borrowings (fair value risk), variable-rate borrowings and cash and cash equivalents (cash flow risk).

The Group's policy is to target at least 50% of its debt portfolio with fixed interest rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at variable rate and using interest rate swaps and cross currency swaps to hedge the variability in cash flows attributable to the floating interest rates.

On the basis that the variable rate net debt position at December 31, 2019 (both issued and hedged) and assuming other factors (principally foreign exchange rates and commodity prices) remained constant and that no further interest rate management action was taken, an increase in interest rates of 1% would have at Group level, decreased profit before tax (PBT) by S$23 million and increased equity by S$17 million (2018: decreased PBT by S$38 million and increased equity by S$33 million, based on the floating rate position at December 31, 2018). At Company level, PBT would have increased by S$11 million (2018: increased PBT by S$8 million) and no impact to equity. A 1% decrease in interest rates would have the opposite effect for both Group and Company.

ii. Foreign currency risk

The Group is exposed to currency risk on foreign currency denominated borrowings and investments; and foreign currency denominated commercial transactions.

The Group limits its exposure to changes in foreign exchange rates through forward foreign exchange contracts and cross currency interest rate swaps. In certain circumstances, borrowings are left in a foreign currency, or swapped from one foreign currency to another, to hedge expected future business cash flows in that currency. Significant foreign currency denominated transactions undertaken in the normal course of operations are managed on a case-by-case basis.

F. Our Financial Instruments and Risks Management *(cont'd)*

F1. Market risk *(cont'd)*

Financial risk management objectives and policies (cont'd)

ii. Foreign currency risk (cont'd)

The summary of quantitative data about the Group's exposure to foreign currency risk (excluding the Group's net investments hedge in its subsidiaries in United Kingdom (UK)) based on its risk management policy was as follows:

(S$ million)	SGD	USD	EURO	GBP	INR	BRL	Others
Group							
2019							
Financial assets							
Cash and cash equivalents	19	272	36	1	–	5	43
Loan to an associate	–	–	–	66	–	–	–
Trade and other receivables	58	2,491	15	136	975	20	193
Other financial assets	–	85	–	–	–	–	–
	77	2,848	51	203	975	25	236
Financial liabilities							
Trade and other payables	125	1,186	66	243	*	70	89
Interest-bearing borrowings	–	351	–	–	–	–	102
Lease liabilities	26	48	–	–	–	*	1
	151	1,585	66	243	*	70	192
Net financial assets / (liabilities)	(74)	1,263	(15)	(40)	975	(45)	44
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(1)	(242)	(128)	(9)	–	–	(41)
Add: Contract assets	–	1,140	77	–	–	–	14
Less: Cross currency swap / foreign exchange forward contracts	17	(1,126)	(95)	–	(959)	–	(4)
Net currency exposure	(58)	1,035	(161)	(49)	16	(45)	13
2018							
Financial assets							
Cash and cash equivalents	25	257	7	10	–	2	8
Loan to an associate	–	–	–	58	–	–	–
Trade and other receivables	23	1,698	26	1,026	941	8	173
Other financial assets	–	36	–	–	–	–	–
	48	1,991	33	1,094	941	10	181
Financial liabilities							
Trade and other payables	142	936	58	500	–	80	41
Interest-bearing borrowings	–	436	–	316	–	–	104
	142	1,372	58	816	–	80	145
Net financial assets / (liabilities)	(94)	619	(25)	278	941	(70)	36
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(3)	(222)	(221)	(21)	–	55	(112)
Add: Contract assets	–	954	1	3	–	–	9
Less: Cross currency swap / foreign exchange forward contracts	40	(476)	–	(298)	(925)	–	43
Net currency exposure	(57)	875	(245)	(38)	16	(15)	(24)

The Company's gross exposure to foreign currencies is as follows:

(S$ million)	USD 2019	USD 2018
Company		
2019		
Financial assets		
Cash and cash equivalents	28	25
Trade and other receivables	18	33
	46	58
Financial liabilities		
Trade and other payables	39	27
Net financial assets	7	31
Net currency exposure	7	31

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Group at the balance sheet date would have increased / (decreased) equity and PBT by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of firm commitments in foreign currencies and no further foreign exchange risk management action were taken.

	Group				Company	
	Equity		Profit before tax		Profit before tax	
(S$ million)	2019	2018	2019	2018	2019	2018
SGD	1	3	(7)	(9)	–	–
USD	(60)	(67)	202	96	1	3
EURO	(8)	–	6	(2)	–	–
GBP	5	5	(4)	(8)	–	–
INR	–	–	2	2	–	–
BRL	–	–	(4)	(7)	–	–
Others	–	–	5	8	–	–

A 10% weakening of the above currencies against the functional currencies of the Group at the balance sheet date would have had the equal but opposite effect on the above currencies to the amounts shown above.

F. Our Financial Instruments and Risks Management *(cont'd)*

F1. Market risk *(cont'd)*

Financial risk management objectives and policies (cont'd)

iii. Price risk

Unit trust and funds, and equity securities price risk

The Group is exposed to unit trust and funds, and equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as FVTPL or FVOCI, respectively.

If prices for unit trusts and funds and equity securities increase by 10% with all other variables held constant, the increase in equity and PBT will be S$9 million and S$9 million, respectively: (2018: increase in equity and PBT are S$11 million and S$7 million, respectively). Conversely, if prices decrease by 10% the equity and PBT would have had the equal but opposite effect to the amounts.

Commodity risk

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

Contracts for differences are entered into with counterparty at a strike price, with or without fixing the quantity upfront, to hedge against adverse price movements on the sale of electricity. Exposure to price fluctuations arising on the purchase of fuel is managed via fuel oil swaps where the price of fuel is indexed to a benchmark fuel price index, for example Singapore High Sulphur Fuel Oil 180 CST fuel oil and Dated Brent.

The Group designates the fuel oil swaps and electricity futures in their entirety in cash flow hedges to hedge its commodity risk and applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference index of Singapore High Sulphur Fuel Oil 180 CST fuel oil and Dated Brent, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

The Group did not identify any significant sources of ineffectiveness in these hedge relationships.

Sensitivity analysis

If prices for commodities increase by 10% with all other variables held constant, the increase in equity as a result of fair value changes on cash flow hedges will be:

	Group	
(S$ million)	2019	2018
Equity	25	27

A 10% decrease in the prices for commodities would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2018 and assumes that all other variables remain constant.

F. Our Financial Instruments and Risks Management *(cont'd)*

F2. Hedges and financial instruments

Key estimates and judgements

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group considers the critical terms in assessing if each designated derivative is expected to be and has been effective in offsetting changes in cash flows of the hedged item.

In these hedge relationships, the main sources of ineffectiveness are due to:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- changes in the timing of hedged transactions.

The Group uses derivative instruments (derivatives) (as disclosed in Note H3) for managing its risks as described above. Derivatives are contracts whose value is derived from an underlying price index (or other variable) that require little or no initial net investment, and that are settled at a future date. Derivatives are carried on the balance sheet at fair value. Movements in the price of the underlying variables, which cause the value of the contract to fluctuate, are reflected in the fair value of the derivative. The method of recognising changes in fair value depends on whether the derivative is designated in an accounting hedge relationship. Derivatives not designated as accounting hedges are referred to as economic hedges.

The Group's exposure to the interest rate benchmark reform as at December 31, 2019 is attributable to the interest rate swaps and cross currency swaps to hedge SOR and LIBOR cash flows on the Group's bank loans maturing from 2020 to 2026. The Group's exposure to SOR and LIBOR designated in a hedging relationship that is directly affected by the interest rate benchmark reform approximates nominal amount of S$2,844 million at December 31, 2019.

Fair value gains and losses attributable to economic hedges are recognised in the income statement while recognition of fair value gains and losses of those attributable to accounting hedges depends on the nature of the item being hedged.

Derivatives designated as hedging instruments

The Group designates certain derivatives as either:

i. Hedges of fair value of recognised assets, liabilities or firm commitments (fair value hedge)

ii. Hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction (cash flow hedge)

iii. Hedges of a net investment in a foreign operation (net investment hedge)

The effective portion of changes in fair value of derivatives designated as fair value hedge are recognised in profit or loss at the same time when all changes in the fair value of the underlying item relating to the hedged risks are recognised in profit or loss. The effective portion of changes in the fair value of derivatives designated as cash flow hedges are recognised in the hedge reserve (in equity).

Certain determinants of fair value included in derivatives or mismatches between the timing of the instrument and the underlying item in the hedge relationship, can cause hedge ineffectiveness. Any ineffectiveness is recognised immediately in profit or loss as change in fair value of derivatives.

When the underlying hedged item is sold or repaid, the unamortised fair value adjustments of a fair value hedge or the amounts accumulated in the hedge reserve for a cash flow hedge, is recognised immediately in profit or loss.

When the hedging instrument expires or is sold, terminated or no longer qualifies for hedge accounting, the unamortised fair value adjustments of a fair value hedge or the amounts accumulated in the hedge reserve for a cash flow hedge, is recognised in profit or loss when the hedged item is recognised in profit or loss, which may occur over time.

F. Our Financial Instruments and Risks Management *(cont'd)*
F2. Hedges and financial instruments *(cont'd)*
Cash flow hedges

Key estimates and judgements

For cash flow hedging relationships directly impacted by IBOR (i.e. hedges of SOR), the Group assumes that the cash flows of the hedged item and hedging instrument will not be altered as a result of IBOR. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item.

In Singapore, SIBOR and SOR continue to be used as reference rates in financial markets and are used in the valuation of instruments with maturities that exceed the expected end date for SIBOR and SOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at December 31, 2019.

The Group designates certain forward foreign exchange contracts, interest rate swaps, cross currency interest rate swaps and fuel oil swaps in cash flow hedge relationships.

At December 31, 2019, the Group held the following instruments to hedge exposures to changes in foreign currency, interest rates and commodity prices:

(S$ million)	Rate ($)	Interest rate (%)	Maturity: Within 1 year	Maturity: Between 1 to 5 years	Maturity: More than 5 years
2019					
Foreign currency risk					
Forward foreign exchange contracts (Buy / Sell)					
– SGD / USD	0.72–0.76	–	1,145	653	–
– USD / SGD	1.29–1.45	–	295	60	–
– SGD / INR	52.88–55.56	–	146	142	–
– EUR / SGD	1.51–1.63	–	72	35	–
– USD / INR	70.08–73.55	–	39	–	–
Interest rate risk					
Interest rate swap (IRS)					
– Float-to-fixed	–	0.87–5.53	1,017	961	100
Foreign currency and interest rate risk					
Cross currency swaps					
– SGD / INR	46.96	9.46–10.20	740	–	–
– USD / INR	66.75	8.36	–	298	–
– CLP / USD	0.0014–0.0015	1.50–2.88	–	50	–
Commodity risk					
Fuel oil swaps					
– Fuel oil swap ($ per MT)	242.00–439.75	–	292	58	–
– Fuel oil swap ($ per BBL)	55.47–68.12	–	45	8	–
– Electricity futures market contracts	74.36–101.55	–	32	1	–
– Coal commodity contracts	45.94–136.00	–	16	–	–

F. Our Financial Instruments and Risks Management *(cont'd)*
F2. Hedges and financial instruments *(cont'd)*
Cash flow hedges *(cont'd)*

(S$ million)	Rate ($)	Interest rate (%)	Maturity: Within 1 year	Maturity: Between 1 to 5 years	Maturity: More than 5 years
2018					
Foreign currency risk					
Forward foreign exchange contracts (Buy / Sell)					
– SGD / USD	0.70 – 0.77	–	1,013	223	–
– USD / SGD	1.29 – 1.45	–	275	118	–
– SGD / INR	52.03	–	104	–	–
Interest rate risk					
Interest rate swap (IRS)					
– Float-to-fixed	–	1.18 – 3.11	505	1,282	–
Foreign currency and interest rate risk					
Cross currency swaps					
– SGD / INR	46.96	9.46 – 10.20	166	740	–
– USD / INR	66.75	8.36	–	309	–
– CLP / USD	0.0015	3.39	30	–	–
Commodity risk					
Fuel oil swaps					
– Fuel oil swap ($ per MT)	244.25 – 496.00	–	273	103	–
– Fuel oil swap ($ per BBL)	61.20 – 77.60	–	10	–	–
– Electricity futures market contracts	85.99 – 125.00	–	4	5	–

The amounts at the reporting date relating to items designated as hedged items were as follows:

(S$ million)	Cash flow hedge reserve for continuing hedges: 2019	Cash flow hedge reserve for continuing hedges: 2018
2019		
Foreign currency risk		
Receivables	3	8
Highly probable purchases	(3)	(1)
Highly probable sales	12	–
Interest rate risk		
Variable rate borrowings	(36)	(8)
Foreign currency and interest rate risk		
Receivables	7	1
Variable rate borrowings	(9)	(3)
Commodity risk		
Highly probable purchases	(17)	(52)

F. Our Financial Instruments and Risks Management *(cont'd)*

F2. Hedges and financial instruments *(cont'd)*

Cash flow hedges *(cont'd)*

The amounts related to items designated as hedging instruments and hedge ineffectiveness were as follows:

	Foreign currency risk	Interest rate risk	Foreign currency risk and interest rate risk	Commodity risk			
	Forward foreign exchange contracts	Interest rate swaps	Cross currency swaps	Fuel oil swaps	Electricity futures market contracts	Coal commodity contracts	Total
2019							
Nominal amount *(S$ million)*	2,587	2,078	1,008	403	33	16	6,125
Quantity	–	–	–	802,192 MT and 378,299 BBL	–	–	802,192 MT and 378,299 BBL
Carrying amount *(S$ million)*							
Other financial assets	24	–	97	14	*	–	135
Other financial liabilities	7	43	–	35	2	2	89
Fair value increase / (decrease) *(S$ million)*							
Hedging instruments	18	(32)	1	51	(1)	(1)	36
Hedged items	(13)	32	(1)	(51)	1	1	(31)
Hedge ineffectiveness	5	–	–	–	–	–	5
Reconciliation of hedging reserve *(S$ million)*							
Changes in fair value	18	(32)	1	51	(1)	(1)	36
Amounts reclassified to profit or loss:							
– Cost of goods sold	(12)	–	–	(9)	–	–	(21)
– Non-operating income / (expense)	(10)	–	–	–	–	–	(10)
– Finance cost	–	1	15	–	–	–	16
	(4)	(31)	16	42	(1)	(1)	21
Tax on above items							(6)
Change in hedging reserve							15
Share of other comprehensive income of associates and joint ventures							(12)
Movement during the year							3

F. Our Financial Instruments and Risks Management *(cont'd)*

F2. Hedges and financial instruments *(cont'd)*

Cash flow hedges *(cont'd)*

The amounts related to items designated as hedging instruments and hedge ineffectiveness were as follows:

	Foreign currency risk	Interest rate risk	Foreign currency risk and interest rate risk	Commodity risk		
	Forward foreign exchange contracts	Interest rate swaps	Cross currency swaps	Fuel oil swaps	Electricity futures market contracts	Total
2018						
Nominal amount *(S$ million)*	1,733	1,787	1,245	386	9	5,160
Quantity	–	–	–	750,276 MT and 91,400 BBL	–	750,276 MT and 91,400 BBL
Carrying amount *(S$ million)*						
Other financial assets	14	2	90	7	1	114
Other financial liabilities	17	13	–	68	1	99
Fair value increase / (decrease) *(S$ million)*						
Hedging instruments	(47)	3	126	(28)	(1)	53
Hedged items	49	(3)	(126)	28	1	(51)
Hedge ineffectiveness	2	–	–	–	–	2
Reconciliation of hedging reserve *(S$ million)*						
Changes in fair value	(47)	3	126	(28)	(1)	53
Amounts reclassified to profit or loss:						
– Cost of goods sold	6	–	–	(72)	–	(66)
– Non-operating income / (expense)	2	–	–	–	–	2
– Finance cost	–	2	(116)	–	–	(114)
	(39)	5	10	(100)	(1)	(125)
Tax on above items						23
Change in hedging reserve						(102)
Share of other comprehensive income of associates and joint ventures						27
Movement during the year						(75)

F. Our Financial Instruments and Risks Management *(cont'd)*

F2. Hedges and financial instruments *(cont'd)*

Cash flow hedges *(cont'd)*

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

(S$ million)	Cash flow hedge reserve 2019	Cash flow hedge reserve 2018
Balance at January 1	(87)	(27)
Movement during the year		
Changes in fair value:		
Foreign currency risk	18	(47)
Interest rate risk	(32)	3
Foreign currency and interest rate risk	1	126
Commodity risk	49	(29)
Amount reclassified to profit or loss:		
Foreign currency risk	(22)	8
Interest rate risk	1	2
Foreign currency and interest rate risk	15	(116)
Commodity risk	(9)	(72)
Tax on movements on reserves during the year	(6)	23
Share of other comprehensive income of associates and joint ventures	(12)	27
	3	(75)
Share of non-controlling interests	(3)	15
Balance at December 31	(87)	(87)

Net investment hedges

The Group's investments in its United Kingdom (UK) subsidiaries are hedged by GBP / SGD forward foreign exchange contracts (hedging instrument), which mitigates the currency risks arising from the subsidiaries' net assets. The carrying amount of the hedging instrument of S$22 million (2018: S$26 million) is included in other financial assets.

The notional amount of the contracts are S$365 million (2018: S$353 million). During the financial year, hedging loss of S$4 million (2018: Hedging gain of S$26 million) was recognised in other comprehensive income. As at December 31, 2019, the balance of foreign currency translation reserve for continuing hedges is S$33 million (2018: S$37 million).

F. Our Financial Instruments and Risks Management *(cont'd)*

F3. Liquidity risk

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

In particular, the Group's subsidiaries in the marine sector will continue to take steps to manage cost, cash flows and gearing to strengthen their financial position. While the majority of their contracts and new orders are secured on progressive payment terms, future new orders may result in increased working capital needs.

Maturity profile of the Group's and the Company's financial liabilities

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

A total of S$2.6 billion of interest-bearing borrowings are due within 12 months. This amount included S$1.4 billion from SCM Group. SCM Group is finalising with lenders to refinance and re-profile current loans with longer term maturities. The Group has at least S$1.0 billion in committed revolving credit facilities with final maturity dates beyond 2022 that can be drawn down.

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

		Cash flows			
(S$ million)	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
Group					
2019					
Derivatives					
Derivative financial liabilities	94				
– inflow		1,017	637	380	–
– outflow		(1,119)	(712)	(402)	(5)
Derivative financial assets	(172)				
– inflow		2,444	1,969	467	8
– outflow		(2,295)	(1,839)	(456)	–
Non-derivative financial liabilities					
Trade and other payables*	2,807	(2,807)	(2,786)	(13)	(8)
Lease liabilities	504	(1,036)	(45)	(179)	(812)
Interest-bearing borrowings	10,800	(13,257)	(3,037)	(7,538)	(2,682)
	14,033	(17,053)	(5,813)	(7,741)	(3,499)

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

F. Our Financial Instruments and Risks Management *(cont'd)*

F3. Liquidity risk *(cont'd)*

Maturity profile of the Group's and the Company's financial liabilities *(cont'd)*

(S$ million)	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
		Cash flows			
Group					
2018					
Derivatives					
Derivative financial liabilities	105				
– inflow		1,747	1,461	286	–
– outflow		(1,864)	(1,551)	(306)	(7)
Derivative financial assets	(153)				
– inflow		2,977	1,795	1,169	13
– outflow		(2,858)	(1,764)	(1,094)	–
Non-derivative financial liabilities					
Trade and other payables*	3,053	(3,053)	(2,917)	(52)	(84)
Interest-bearing borrowings	10,732	(13,032)	(1,977)	(6,913)	(4,142)
	13,737	(16,083)	(4,953)	(6,910)	(4,220)

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

(S$ million)	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
		Cash flows			
Company					
2019					
Non-derivative financial liabilities					
Trade and other payables*	397	(424)	(235)	(189)	–
Lease liabilities	120	(194)	(8)	(32)	(154)
	517	(618)	(243)	(221)	(154)
2018					
Non-derivative financial liabilities					
Trade and other payables*	398	(432)	(139)	(146)	(147)

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

F. Our Financial Instruments and Risks Management *(cont'd)*

F3. Liquidity risk *(cont'd)*

Maturity profile of the Group's and the Company's financial liabilities *(cont'd)*

The following table indicates the periods in which the cash flow associated with derivatives that are cash flow hedges are expected to impact the profit or loss and the fair value of the related hedging instruments.

(S$ million)	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	Over 5 years
		Cash flows			
Group					
2019					
Derivative financial liabilities	89				
– inflow		821	543	278	–
– outflow		(910)	(614)	(292)	(4)
Derivative financial assets	(135)				
– inflow		1,811	1,344	467	–
– outflow		(1,694)	(1,238)	(456)	–
	(46)	28	35	(3)	(4)
2018					
Derivative financial liabilities	99				
– inflow		1,168	890	278	–
– outflow		(1,265)	(951)	(313)	(1)
Derivative financial assets	(114)				
– inflow		1,519	715	804	–
– outflow		(1,453)	(713)	(740)	–
	(15)	(31)	(59)	29	(1)

F. Our Financial Instruments and Risks Management *(cont'd)*

F4. Credit risk

The Group only deals with pre-approved customers and financial institutions with good credit rating. To minimise the Group's counterparty risk, the Group enters into derivative transactions only with creditworthy institutions. Cash and fixed deposits are placed in banks and financial institutions with good credit rating. For some customers, the Group may also obtain security in the form of deposits, guarantees, deeds of undertaking or letters of credit which can be called upon in the counterparty defaults.

For the Company's amounts due from subsidiaries, the Company considers the financial assets to have a low credit risk by taking into consideration the Group's financial ability to settle the amounts, in estimating the risk of default used in measuring expected credit loss.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the customer and default or significant delay in payments.

When the Group determine whether the credit risk has increased significantly, the Group considered reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment and includes forward-looking information. Customer collectability is assessed on an ongoing basis and any resulting impairment losses are recognised in the profit or loss.

The maximum exposure to credit risk is the carrying amount of each financial asset, including derivatives, in the balance sheet, before taking into account any collateral held. The Group does not hold any collateral in respect of its financial assets, except for balances with customers where guarantees or security deposits are obtained.

The carrying amount of receivables from the Group's most significant customer of the Marine business was S$1,073 million as at December 31, 2019 (2018: S$955 million). This receivable is secured over a right to repossess and to re-sell the assets delivered in the event of default by the customer, and no allowance is recognised.

Expected credit loss (ECL) assessment for customers with credit ratings (or equivalent) as at December 31, 2019 and December 31, 2018

The Group allocates exposure to credit risk with reference to the key customers by segmenting the customers based on the geographic region and industry classification.

The Group applies the simplified approach to provide ECL on trade and unbilled receivables and contract assets without a significant financing component. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs. To measure expected lifetime ECLs, these balances have been grouped based on common credit risk characteristics and ageing profiles. A receivable balance is written-off to the extent that there is no realistic prospect of recovery. The loss allowance for service concession receivables is measured at 12-month ECL.

For customers with credit ratings (or equivalent), an ECL rate is calculated for each segment based on probabilities of default and loss given default. 12-month and lifetime probabilities of default are based on historical data supplied by Standards and Poor's and Moody's for each credit rating. Loss given default parameters generally reflect an assumed recovery rate of 38.2% (2018: 37.8%.) The Group monitors changes in credit risk by tracking published external credit ratings.

The Group uses a provision matrix to measure the ECLs of certain customers. The ECL assets are grouped based on shared credit risk characteristics and days past due. In calculating the ECL rates, the Group considers historical loss rates for each category of customers and adjust to reflect current and forward looking macroeconomic factors affecting the ability of the customers to settle the receivables.

F. Our Financial Instruments and Risks Management *(cont'd)*

F4. Credit risk *(cont'd)*

(S$ million)	Equivalent to external credit rating	Credit impaired	Gross carrying amount	Loss allowance	Net carrying amount
Group					
2019					
Receivables measured at lifetime ECL					
Trade and other receivables and contract assets					
– Industrial	AAA–B+	No	2,893	(2)	2,891
– Government	AAA–BBB	No	50	–	50
– Retail	AAA–CCC	No	23	(1)	22
– Others	BBB–CCC	No	121	(1)	120
– Industrial	Not applicable	Yes	155	(155)	–
			3,242	(159)	3,083
Receivables measured at 12-month ECL					
Service concession receivables	AAA–B		1,055	(8)	1,047
Total			4,297	(167)	4,130
2018					
Receivables measured at lifetime ECL					
Trade and other receivables and contract assets					
– Industrial	AAA–B+	No	2,858	(5)	2,853
– Government	AAA–BBB	No	33	–	33
– Retail	AAA–CCC	No	35	(1)	34
– Others	BBB–CCC	No	89	(2)	87
– Industrial	Not applicable	Yes	159	(159)	–
			3,174	(167)	3,007
Receivables measured at 12-month ECL					
Service concession receivables	AAA–B		1,074	(9)	1,065
Total			4,248	(176)	4,072
Company					
2019					
Receivables measured at lifetime ECL					
Trade and other receivables and contract assets					
– Industrial	AA+–B+	No	42	*	42
2018					
Receivables measured at lifetime ECL					
Trade and other receivables and contract assets					
– Industrial	BBB	No	73	–	73

There were no trade and other receivables and contract assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets.

F. Our Financial Instruments and Risks Management *(cont'd)*

F4. Credit risk *(cont'd)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers with no credit rating or no representative credit rating or equivalent:

(S$ million)	Credit impaired	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Group					
2019					
Not past due	No	0.2%	475	(1)	474
Past due 0 to 3 months	No	0.4%	71	*	71
Past due 3 to 6 months	No	0.5%	213	(1)	212
Past due 6 to 12 months	No	1.7%	167	(3)	164
More than 1 year	No	36.2%	66	(24)	42
Total			992	(29)	963
Company					
2019					
Not past due	No		72	–	72
Past due 0 to 3 months	No		7	–	7
Total			79	–	79

(S$ million)	Credit impaired	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Group					
2018					
Not past due	No	0.1%	447	*	447
Past due 0 to 3 months	No	0.1%	253	*	253
Past due 3 to 6 months	No	0.4%	78	*	78
Past due 6 to 12 months	No	3.7%	82	(3)	79
More than 1 year	No	31.1%	74	(23)	51
Total			934	(26)	908
Company					
2018					
Not past due	No		94	–	94
Past due 0 to 3 months	No		9	–	9
Total			103	–	103

For remaining financial assets at amortised cost amounting to S$201 million (2018: S$280 million) which pertain mainly to long-term fixed deposits with financial institutions, dividend receivables from joint ventures and GST receivables, the Group considers the risk or probability that a credit loss occurs, and recognises a loss allowance of S$5 million (2018: S$5 million).

The Company held non-trade receivables from its subsidiaries of S$245 million (2018: S$245 million). These balances are amounts lent to subsidiaries to satisfy short-term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for debt investments. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

F. Our Financial Instruments and Risks Management *(cont'd)*

F4. Credit risk *(cont'd)*

Movements in the loss allowance for trade and other receivables and contract assets are as follows:

		Group			Company		
(S$ million)	Note	12-month ECL 2019	Lifetime ECL 2019	Total 2019	12-month ECL 2019	Lifetime ECL 2019	Total 2019
Balance at January 1		9	198	207	–	–	–
Currency translation difference		*	(8)	(8)	–	–	–
Impairment loss recognised		*	16	16	–	*	*
Loss allowance utilised		*	(1)	(1)	–	–	–
Loss allowance written back		(1)	(8)	(9)	–	–	–
Transferred to assets held for sale		–	(4)	(4)	–	–	–
Disposal of subsidiary		–	*	–	–	–	–
Balance at December 31	E1	8	193	201	–	*	*

		Group			Company		
(S$ million)	Note	12-month ECL 2018	Lifetime ECL 2018	Total 2018	12-month ECL 2018	Lifetime ECL 2018	Total 2018
Balance at January 1		8	210	218	–	2	2
Currency translation difference		–	(9)	(9)	–	–	–
Impairment loss recognised		1	9	10	–	–	–
Loss allowance utilised		–	(4)	(4)	–	(2)	(2)
Loss allowance written back		–	(6)	(6)	–	–	–
Disposal of subsidiary		–	(2)	(2)	–	–	–
Balance at December 31	E1	9	198	207	–	–	–

F. Our Financial Instruments and Risks Management *(cont'd)*
F5. Financial instruments
Estimation of fair values

Accounting policies

SFRS(I) 13 establishes a fair value hierarchy that prioritises the inputs used to measure fair value. The three levels of the fair value input hierarchy defined by SFRS(I) 13 are as follows:

- Level 1 – Using quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Using inputs, other than those used for Level 1, that are observable for the financial instruments either directly (prices) or indirectly (derived from prices).
- Level 3 – Using inputs not based on observable market data (unobservable input).

Securities

The fair value of financial assets is based on quoted market prices (bid price) in an active market at the balance sheet date without any deduction for transaction costs. If the market for a quoted financial asset is not active, and for unquoted financial assets, the Group establishes fair value by using other valuation techniques.

Derivatives

The derivatives used by the Group for hedging and enhancement of performance purposes. These derivatives are mainly foreign exchange contracts, foreign exchange swaps, interest rate swaps, cross currency swaps, fuel oil swaps, electricity futures market contracts. They are accounted on consistent basis as disclosed in the most recent annual financial report.

i. The fair value of foreign exchange contracts and foreign exchange swaps are accounted for based on the difference between the contractual price and the current forward market price.

ii. The fair values of interest rate swaps and cross currency swaps are the indicative amounts that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

iii. The fair value of fuel oil swaps contracts is accounted for based on the difference between the contractual strike price with the counterparty and the current forward market price.

iv. Contracts for differences (CFDs) are accounted for based on the difference between the contracted price entered into with the counterparty and the reference price. The CFDs are measured at cost since the fair value cannot be measured reliably as there have been minimal trades made in the electricity future market. Upon settlement, the gains and losses for CFDs are taken to profit or loss.

Non-derivative non-current financial assets and liabilities

Carrying amount of non-derivative non-current financial assets and liabilities on floating interest rate terms are assumed to approximate their fair value because of the short period to repricing. Fair values for the remaining non-derivative non-current financial assets and liabilities are calculated using discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

F. Our Financial Instruments and Risks Management *(cont'd)*
F5. Financial instruments *(cont'd)*
Estimation of fair values *(cont'd)*

Accounting policies *(cont'd)*

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

For financial instruments not actively traded in the market, fair value is determined by independent third party or by various valuation techniques, with assumptions based on existing market conditions at each balance sheet date.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Fair value hierarchy

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
(S$ million)	Level 1	Level 2	Level 3	Total
Group				
As at December 31, 2019				
Financial assets at FVOCI	–	–	87	87
Financial assets at FVTPL	81	–	25	106
Derivative financial assets	–	172	–	172
	81	172	112	365
Derivative financial liabilities	–	(94)	–	(94)
	81	78	112	271
As at December 31, 2018				
Financial assets at FVOCI	71	–	37	108
Financial assets at FVTPL	56	–	15	71
Derivative financial assets	–	153	–	153
	127	153	52	332
Derivative financial liabilities	–	(105)	–	(105)
	127	48	52	227

There have been no transfers between the different levels of the fair value hierarchy at December 31, 2019 and December 31, 2018.

F. Our Financial Instruments and Risks Management *(cont'd)*

F5. Financial instruments *(cont'd)*

Fair value hierarchy *(cont'd)*

Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements of financial assets at FVOCI and FVTPL in Level 3 of the fair value hierarchy:

(S$ million)	Financial assets at FVOCI 2019	2018
Group		
As at January 1	37	42
Net change in fair value recognised in OCI	50	(5)
As at December 31	87	37

(S$ million)	Financial assets at FVTPL 2019	2018
Group		
As at January 1	15	11
Addition	1	*
Reclassification#	13	–
Net change in fair value recognised in profit or loss	(4)	4
As at December 31	25	15

Sembcorp Jingmen Water Co. Ltd (SJW) has a disagreement with the local authorities on the treatability of wastewater from a customer. On December 31, 2019, an administrative decision was issued by the City Construction Bureau, in Jingmen, China, which allows the local authorities to take over temporarily the operation of SJW for the period from June 28, 2019 to May 28, 2020. As a result, during this period, the Group is deemed to have lost control of SJW, and accordingly SJW was deconsolidated and recognised as 'other financial assets'.

Financial assets at FVOCI in Level 3 of the fair value hierarchy include unquoted equity shares (2018: unquoted equity shares). The fair value of the unquoted equity shares are determined by reference to the investment's net asset values as stated in the unaudited financial statements. The estimated fair value would increase / (decrease) if the net asset values for unquoted equity shares were higher / (lower).

Assets and liabilities not carried at fair value but for which fair values are disclosed#

(S$ million)	Fair value measurement using: Level 1	Level 2	Level 3	Total
Group				
At December 31, 2019				
Investment properties	–	152	23	175
Associate	181	–	–	181
Service concession receivables	–	1,253	–	1,253
Long-term interest-bearing borrowings	–	(8,226)	–	(8,226)
At December 31, 2018				
Investment properties	–	132	22	154
Associate	240	–	–	240
Service concession receivables	–	1,068	–	1,068
Long-term interest-bearing borrowings	–	(8,821)	–	(8,821)

(S$ million)	Fair value measurement using: Level 1	Level 2	Level 3	Total
Company				
At December 31, 2019				
Investment in a subsidiary	1,682	–	–	1,682
Amounts due from related parties	–	346	–	346
Amounts due to related parties	–	(149)	–	(149)
At December 31, 2018				
Investment in a subsidiary	1,962	–	–	1,962
Amounts due from related parties	–	267	–	267
Amounts due to related parties	–	(244)	–	(244)

Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature, frequent pricing and where the effect of discounting is immaterial.

F. Our Financial Instruments and Risks Management *(cont'd)*

F5. Financial instruments *(cont'd)*

Fair value versus carrying amount

The fair value of financial assets and financial liabilities measured on amortised cost basis for the Group and the Company approximate the carrying amounts, except for service concession receivables and non-current borrowings of the Group and the Company.

(S$ million)	Financial assets at amortised costs	Other financial liabilities	Total carrying amount	Fair value
Group				
As at December 31, 2019				
Service concession receivables	1,055	–	1,055	1,253
Interest-bearing borrowings:				
Non-current borrowings	–	8,157	8,157	8,226
As at December 31, 2018				
Service concession receivables	1,065	–	1,065	1,068
Interest-bearing borrowings:				
Non-current borrowings	–	8,868	8,868	8,821
Company				
As at December 31, 2019				
Amounts due from related parties	345	–	345	346
Amounts due to related parties	–	145	145	149
As at December 31, 2018				
Amounts due from related parties	268	–	268	267
Amounts due to related parties	–	245	245	244

G. Group Structure

This section provides key information on the Group's interests in joint arrangements, controlled entities and transactions with non-controlling interests. It also provides information on business acquisitions and disposals made during the year as well as information relating to Group's related parties and the extent of related parties transactions.

G1. Subsidiaries

Accounting policies

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

Investment in subsidiaries

(S$ million)	Company December 31, 2019	Company December 31, 2018
At cost and carrying value:		
Quoted equity shares	739	739
Unquoted equity shares	1,616	1,616
Preference shares	288	288
Share-based payments reserve	3	4
	2,646	2,647

The fair value of the equity interest of the listed subsidiary, with a carrying amount of S$739 million (2018: S$739 million), amounts to S$1,682 million (2018: S$1,962 million) based on the last transacted market price on the last transaction day of the year.

G. Group Structure *(cont'd)*

G1. Subsidiaries *(cont'd)*

Subsidiaries

Details of key subsidiaries of the Group are as follows:

	Country of incorporation	Effective equity held by the Group 2019 %	2018 %
Energy			
Sembcorp Utilities Pte Ltd[1]	Singapore	100	100
Sembcorp Cogen Pte Ltd[1]	Singapore	100	100
Sembcorp Gas Pte Ltd[1]	Singapore	100	70.00
Sembcorp Utilities (UK) Limited[2]	United Kingdom	100	100
Sembcorp Energy UK Limited[2]	United Kingdom	100	100
Sembcorp Environment Pte. Ltd.[1]	Singapore	100	100
SembWaste Pte Ltd[1]	Singapore	100	100
Sembcorp Energy India Ltd, SEIL[2]	India	100	93.73
Sembcorp Green Infra Limited (SGI)[2]	India	100	93.73
Sembcorp Myingyan Power Company Limited[2]	Myanmar	100	100
Sembcorp North-West Power Company Ltd.[2]	Bangladesh	71.00	83.02
Marine			
Sembcorp Marine Ltd[1]	Singapore	61.01	61.01
Jurong Shipyard Pte Ltd[1]	Singapore	61.01	61.01
PPL Shipyard Pte Ltd[1]	Singapore	61.01	61.01
Sembcorp Marine Repairs & Upgrades Pte. Ltd.[1]	Singapore	61.01	61.01
Sembcorp Marine Offshore Platforms Pte Ltd[1]	Singapore	61.01	61.01
Urban			
Sembcorp Development Ltd[1]	Singapore	100	100
Vietnam Singapore Industrial Park Pte Ltd[1]	Singapore	96.59	96.59
Singapore Technologies Industrial Corp Ltd[1]	Singapore	100	100
Nanjing Riverside Quay Co., Ltd[2]	People's Republic of China	100	100
Others			
Sembcorp Design and Construction Pte Ltd[1, 3]	Singapore	–	100
Singapore Precision Industries Pte Ltd[1]	Singapore	100	100

[1] Audited by KPMG LLP, Singapore

[2] Audited by member firms of KPMG International

[3] On December 12, 2019, divestment of commercial construction business of Sembcorp Design and Construction (SDC) has been completed. The defence construction business has been transferred to Sembcorp Specialised Construction Pte Ltd and SDC has ceased to be part of the Group.

G. Group Structure *(cont'd)*

G2. Acquisition and disposal of subsidiaries

Disposal of significant subsidiaries

For the year 2019, the Group divested its commercial design and construction business (100% stake in Sembcorp Design and Construction Pte Ltd) and a water business in China (80% stake in Sembcorp Lianyungang Water Co).

For the year 2018, disposal of subsidiaries primarily relates to the Group's divestment of its municipal water operations in South Africa Water business, including a 100% stake in Sembcorp Utilities South Africa Pty Ltd, 100% stake in Sembcorp Silulumanzi (RF) Pty Ltd and 73.4% stake in Sembcorp Siza Water (RF) Pty Ltd to South African Water Works Pty Ltd.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

(S$ million)	Note	2019	2018
Property, plant and equipment		34	6
Intangible assets		1	38
Other receivables		53	17
Inventory		–	1
Cash and cash equivalents		73	15
Total assets		161	77
Trade and other payables		66	15
Other liabilities		28	3
Borrowing		9	–
Lease liability / finance lease		1	2
Current tax payable		7	–
Deferred tax liabilities	B3(b)	1	9
Total liabilities		112	29
Net assets derecognised		49	48
Less: Non-controlling interest		(2)	(4)
Realisation of currency translation		*	26
		47	70
Gain on disposal		16	8
Consideration received		63	78
Less: Cash and cash equivalents disposed of		(73)	(15)
Net cash (outflow) / inflow		(10)	63

G. Group Structure *(cont'd)*
G2. Acquisition and disposal of subsidiaries *(cont'd)*
Acquisition of significant subsidiaries
2018

i. On June 1, 2018, the Group acquired 100% equity stake in UK Power Reserve (UKPR), the UK's largest flexible distributed energy generator. The acquisition positions the Group for the global energy transition and build an integrated energy business in the UK.

Revenue and profit contribution
The acquired business contributed revenue of S$63 million and loss of S$32 million to the Group's result for the period from June 1, 2018 to December 31, 2018.

Had the acquired businesses been consolidated from January 1, 2018, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2018, would have been S$11,790 million and S$330 million respectively.

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

(S$ million)	2018
a. Effect on cash flows of the Group	
Cash paid	401
Less: Cash and cash equivalents in subsidiaries acquired	(35)
Cash outflow on acquisition	366

(S$ million)	Note	At fair value
b. Identifiable assets acquired and liabilities assumed		
Property, plant and equipment		400
Intangible assets	D4	153
Other receivables		65
Inventories		3
Cash and cash equivalents		35
Total assets		656
Trade and other payables		53
Other financial liabilities		1
Borrowings		244
Finance lease		1
Deferred tax liabilities	B3(b)	45
Total liabilities		344
Total net identifiable assets		312
Add: Goodwill	D4	89
Consideration transferred for the businesses		401

G. Group Structure *(cont'd)*
G2. Acquisition and disposal of subsidiaries *(cont'd)*
Acquisition of significant subsidiaries *(cont'd)*
2018 *(cont'd)*

Measurement of fair values
The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique	Key assumptions
Property, plant and equipment	Market Value Approach	• Freehold land – Prevailing market rates of similar agricultural lands from certified land valuer. • Plant and machinery – Current replacement costs derived from market quotes received from suppliers / manufacturers.
Intangible assets	Multi-period Excess Earnings Method (MEEM)	• Cash flows from Capacity Market contracts with the National Grid of UK. • Contract tenure of 1 – 14 years. • Discount rates range from 12% to 16%.

The Group has finalised the fair values of identifiable assets acquired and liabilities assumed during the measurement period with no significant change from the provisional amount.

Goodwill
The goodwill of S$89 million recognised on acquisition is primarily attributed to:

- the value of the acquired workforce; and
- the value associated with future earnings generated through either non-contractual services (e.g. Energy Optimisation and TRIAD) or from securing contractual services (e.g. capacity market, fast reserve and firm frequency reserve) in the future which were not secured at the date of acquisition and therefore cannot be recognised.

The goodwill recognised is not expected to be deductible for tax purpose.

Acquisition-related costs
The Group incurred acquisition related cost of S$3 million. These costs have been charged to profit or loss.

Acquired receivables
Included in trade and other receivables are trade receivables stated at fair value of S$2 million. The gross contractual amount for trade receivables due was S$2 million and, at the acquisition date, the entire contractual amount was expected to be collectible.

The above are inclusive of fair value adjustments, determined on a provisional basis.

G. Group Structure *(cont'd)*
G2. Acquisition and disposal of subsidiaries *(cont'd)*
Acquisition of significant subsidiaries *(cont'd)*

2018 *(cont'd)*

ii. In 2018, the Company's wholly-owned subsidiary, Sembcorp Marine Integrated Yard ("SMIY"), acquired the title to all of Sevan Marine ASA's ("Sevan Marine") intellectual property, and 95% of the shares of HiLoad LNG AS ("HiLoad"), a Sevan Marine subsidiary. The intellectual property acquired relates mainly to patents for the geostationary cylindrical hull design. In addition, SMIY acquired the balance 5% equity interest in HiLoad from a minority shareholder. Consequently, the intangible asset and financial statements of HiLoad were consolidated into the Group's financial statements.

Effect of acquisition

Revenue and profit contribution

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

Had the acquired businesses been consolidated from January 1, 2018, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2018, would not have been significant.

Consideration transferred

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

(S$ million)	2018
a. Effect on cash flows of the Group	
Cash paid	55
Less: Cash and cash equivalents in subsidiaries acquired	*
Cash outflow on acquisition	55

(S$ million)	As reported 2018	Fair value adjustment	Final purchase equation
b. Identifiable assets acquired and liabilities assumed			
Intangible assets	55	6	61
Trade and other receivables	*	–	*
Cash and cash equivalents	*	–	*
Total assets	55	6	61
Trade and other payables	*	*	*
Deferred tax liabilities	–	2	2
Total liabilities	*	2	2
Net identifiable assets	55	4	59
Add: Goodwill	–	1	1
Less: Negative goodwill	–	(5)	(5)
Consideration transferred for the business	55	–	55

Acquisition-related costs

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

i. The Group made adjustments in 2019 to the provisional fair value originally recorded in 2018. Purchase price adjustments, which are non-cash in nature made during the measurement period have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects are immaterial to the Group.

G. Group Structure *(cont'd)*
G3. Non-controlling interests

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company.

Acquisition of significant non-controlling interests

2019

On December 30, 2019, the Group increased its shareholding in Sembcorp Energy India Limited (SEIL) from 94% to 100% for a consideration of S$77 million.

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

	SEIL	
(S$ million)	2019	2018
Group's ownership interest at January 1	1,308	1,360#
Effect of increase in Group's ownership interest	99	29
Share of comprehensive income and capital injection during the year	163	(81)
Group's ownership interest at December 31	1,570	1,308

Amount consists of Group's ownership interest in SEIL, SGPL and SGI before reorganisation

G. Group Structure *(cont'd)*

G3. Non-controlling interests

Acquisition of significant non-controlling interests *(cont'd)*

2019 *(cont'd)*

The following summarises the financial information of the Group's subsidiaries with material non-controlling interests (NCI), based on its (consolidated) financial statements prepared in accordance with SFRS(I):

(S$ million)	2019 Sembcorp Marine Group	2018 Sembcorp Marine Group	2018 Sembcorp Energy India Group
NCI percentage	39%	39%	6%
Country of incorporation	Singapore	Singapore	India
Operating segment	Marine	Marine	Energy
Revenue	2,882	4,888	1,686
(Loss) / profit for the year	(140)	(78)	27
Other comprehensive income	(6)	(36)	(113)
Total comprehensive income	**(146)**	**(114)**	**(86)**
Attributable to non-controlling interests:			
(Loss) / profit for the year	(57)	(33)	4
Other comprehensive income	(2)	(17)	(9)
Total comprehensive income	**(59)**	**(50)**	**(5)**
Non-current assets	5,894	5,617	5,167
Current assets	2,565	2,960	1,216
Non-current liabilities	(3,377)	(3,466)	(3,406)
Current liabilities	(2,875)	(2,763)	(1,563)
Net assets	**2,207**	**2,348**	**1,414**
Net assets attributable to non-controlling interests	**875**	**931**	**106**
Cash flows (used in) / from operating activities	(296)	(170)	397
Cash flows used in investing activities	(312)	(382)	(707)
Cash flows from financing activities	164	89	344
Net (decrease) / increase in cash and cash equivalents	**(444)**	**(463)**	**34**
Dividends paid to non-controlling interests	**–**	**(8)**	**–**

G. Group Structure *(cont'd)*

G4. Associates and joint ventures

Accounting policies

Associates are those entities in which the Group has significant influence, but no control or joint control, over the financial and operating policies of these entities.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has significant influence over another entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group has joint control over the entity.

Key estimates and judgements

The recoverable amount of the interest in an associate was estimated based on its value-in-use. In estimating the recoverable amount, the Group applied the relief from royalty method to value the existing intellectual properties owned by the associate. As the associate is a new start-up with various intellectual properties at different stages of their business life cycles, the discount rates applied by the Group range from 20% to 22%, to reflect the higher risks inherent in the forecasted cash flows. Any significant changes to these forecasted cash flows, caused by changes in the risk of returns of the various intellectual properties may result in material adjustments on the associate's recoverable amounts in future periods.

(S$ million)	Note	Group December 31, 2019	Group December 31, 2018
Associates and joint ventures		1,630	1,683
Loan to an associate	(a)	66	58
		1,696	1,741

In 2019, the Group received dividends of S$201 million (2018: S$236 million) from its investments in associates and joint ventures.

a. On adoption of SFRS(I) 9, the loan is classified as financial assets at amortised cost. Allowance for impairment on this loan is insignificant.

   The loan to an associate is unsecured, bears interest at 8.5% per annum and has no fixed terms of repayment. The settlement of the amount is neither planned nor likely to occur in the foreseeable future and hence the loan is classified as non-current.

G. Group Structure *(cont'd)*

G4. Associates and joint ventures *(cont'd)*

The carrying value includes goodwill on acquisition as follows:

(S$ million)	Group 2019	Group 2018
Balance at January 1	3	2
Goodwill on acquisition	–	1
Balance at December 31	3	3

Associates

There are no individual associates that are considered to be material to the Group as at December 31, 2019 and December 31, 2018. Summarised financial information of the associates presented in aggregate, representing the Group's share, is as follows:

(S$ million)	Group December 31, 2019	Group December 31, 2018
Carrying amount	413	415
Profit for the year	34	26
Other comprehensive income	(15)	7
Total comprehensive income	19	33

The fair value of the equity interest of a listed associate amounts to S$181 million (2018: S$240 million) based on the last transacted market price on the last transaction day of the year.

G. Group Structure *(cont'd)*

G4. Associates and joint ventures *(cont'd)*

Joint ventures

The Group has two (2018: one) joint ventures that are material and a number of joint ventures that are individually immaterial to the Group. All are equity accounted. Summarised financial information of the material joint ventures is presented as follows:

(S$ million)	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
December 31, 2019		
Revenue	129	521
Profit for the year[a]	60	130
Other comprehensive income	–	–
Total comprehensive income	60	130
Attributable to non-controlling interests	–	19
Attributable to investee's shareholders	60	111

[a] Includes depreciation and amortisation of S$52 million, finance income of S$7 million, finance cost of S$16 million and income tax expense of S$34 million

(S$ million)	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
Non-current assets	739	166
Current assets[b]	134	745
Non-current liabilities[c]	(292)	(168)
Current liabilities[d]	(173)	(234)
Non-controlling interests	–	(78)
Net assets	408	431

[b] Includes cash and cash equivalents of S$203 million

[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of S$443 million

[d] Includes current financial liabilities (excluding trade and other payables and provisions) of S$127 million

(S$ million)	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co	Individually immaterial joint ventures	Total
December 31, 2019				
Group's interest in net assets of investees at beginning of the year	186	193	889	1,268
Group's share of:				
Profit from continuing operations	29	56	64	149
Other comprehensive income	–	–	(22)	(22)
Total comprehensive income	29	56	42	127
Dividends received during the year	(14)	(28)	(141)	(183)
Translation during the year	(5)	*	*	(5)
Impairment during the year	–	–	(1)	(1)
Addition during the year, net of disposal	–	–	11	11
Carrying amount of interest in investees at end of the year	196	221	800	1,217

G. Group Structure *(cont'd)*
G4. Associates and joint ventures *(cont'd)*
Joint ventures *(cont'd)*

(S$ million)	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
December 31, 2018		
Revenue	74	418
Profit for the year[a]	30	114
Other comprehensive income	–	–
Total comprehensive income	30	114
Attributable to non-controlling interests	–	12
Attributable to investee's shareholders	30	102

[a] Includes depreciation and amortisation of S$31 million, finance income of S$7 million, finance cost of S$9 million and income tax expense of S$31 million

Non-current assets	827	153
Current assets[b]	93	737
Non-current liabilities[c]	(257)	(170)
Current liabilities[d]	(276)	(268)
Non-controlling interests	–	(73)
Net assets	387	379

[b] Includes cash and cash equivalents of S$191 million

[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of S$412 million

[d] Includes current financial liabilities (excluding trade and other payables and provisions) of S$89 million

(S$ million)	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co	Individually immaterial joint ventures	Total
December 31, 2018				
Group's interest in net assets of investees at beginning of the year	111	240	911	1,262
Group's share of:				
Profit from continuing operations	15	52	81	148
Other comprehensive income	–	–	24	24
Total comprehensive income	15	52	105	172
Dividends received during the year	(17)	(96)	(103)	(216)
Translation during the year	(5)	(3)	(24)	(32)
Addition during the year, net of disposal	82	–	–	82
Carrying amount of interest in investees at end of the year	186	193	889	1,268

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S$364 million (2018: S$405 million).

The Group's interest in joint ventures with total carrying amount of S$80 million (2018: S$83 million) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

G. Group Structure *(cont'd)*
G4. Associates and joint ventures *(cont'd)*
Associates, joint ventures and joint operations

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

Name of key associates	Country of incorporation	Effective equity held by the Group 2019 %	Effective equity held by the Group 2018 %
Energy			
^^^ Sembcorp Salalah Power and Water Company SAOG	Oman	40.00	40.00
Urban			
^^ Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	45.36	45.36
** Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	21.50	21.50
Name of key joint ventures			
Energy			
^ Phu My 3 BOT Power Company Ltd.	Vietnam	66.67	66.67
# Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	30.00	30.00
* Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	40.00	40.00
# Chongqing Songzao Sembcorp Electric Power Co., Ltd	People's Republic of China	49.00	49.00
## Guohua AES (Huanghua) Wind Power Co., Ltd	People's Republic of China	49.00	49.00
Urban			
^^ Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	49.26	49.26
^^ Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd	People's Republic of China	25.00	25.00
*** PT Kawansan Industri Kendal	Indonesia	49.00	49.00
Name of key joint operations			
Others			
### Sinohydro-Sembcorp Joint Venture	Singapore	–	50.00

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

^ Audited by Ernst & Young Vietnam Limited
^^ Audited by member firms of KPMG International
# Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company
** Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China
Audited by KPMG LLP, Singapore
*** Audited by BDO Indonesia
^^^ Audited by PricewaterhouseCoopers LLC
Audited by Baker Tilly Certified Public Accountants Co., Ltd, China
* Audited by Ernst & Young, Abu Dhabi

G. Group Structure *(cont'd)*

G5. Related party information

a. Amounts due from related parties

(S$ million)	Note	Associates December 31, 2019	Associates December 31, 2018	Joint ventures December 31, 2019	Joint ventures December 31, 2018	Related companies December 31, 2019	Related companies December 31, 2018	Total December 31, 2019	Total December 31, 2018
Group									
Amounts due from:									
Trade		6	5	15	11	20	23	41	39
Non-trade		1	1	14	88	–	*	15	89
Loans		*	–	30	40	–	–	30	40
	E1	7	6	59	139	20	23	86	168
Loss allowance		(1)	(1)	(7)	(6)	*	(1)	(8)	(8)
		6	5	52	133	20	22	78	160
Amounts due within 1 year		(6)	(5)	(24)	(94)	(20)	(22)	(50)	(121)
		–	–	28	39	–	–	28	39

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

The loans to joint ventures of S$28 million (2018: S$39 million) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 1.66% to 1.91% (2018: 1.03% to 4.43%) per annum. The remaining balance is repayable in the next 12 months.

(S$ million)	Note	Subsidiaries December 31, 2019	Subsidiaries December 31, 2018	Total December 31, 2019	Total December 31, 2018
Company					
Amounts due from related parties	E1	358	279	358	279
Amounts due within 1 year	E1	(13)	(11)	(13)	(11)
	E1	345	268	345	268

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

The loans to related parties of S$345 million (2018: S$268 million) are unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 3.24% to 4.75% (2018: 3.24% to 4.75%) per annum.

b. Amounts due to related parties

(S$ million)	Note	Associates December 31, 2019	Associates December 31, 2018	Joint ventures December 31, 2019	Joint ventures December 31, 2018	Related companies December 31, 2019	Related companies December 31, 2018	Total December 31, 2019	Total December 31, 2018
Group									
Amounts due to:									
Trade		*	2	2	7	15	1	17	10
Non-trade		1	1	–	*	1	–	2	1
Advance payment – trade		–	–	3	3	–	–	3	3
	E3	1	3	5	10	16	1	22	14

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

G. Group Structure *(cont'd)*

G5. Related Party Information *(cont'd)*

b. Amounts due to related parties *(cont'd)*

(S$ million)	Note	Subsidiaries December 31, 2019	Subsidiaries December 31, 2018	Total December 31, 2019	Total December 31, 2018
Company					
Amounts due to:					
Trade	(i)	1	1	1	1
Non-trade		1	1	1	1
Loans from a related party	(ii)	245	245	245	245
		247	247	247	247
Amounts due after 1 year		(145)	(245)	(145)	(245)
	E3	102	2	102	2

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

ii. The loans from a related party of S$245 million (2018: S$245 million) bear interest rates ranging from 3.72% to 3.82% (2018: 3.72% to 3.82%) per annum and are unsecured.

c. Related party transactions

In addition to the above, the Group had the following significant outstanding balances and transactions with related parties during the year:

(S$ million)	Outstanding balances 2019	Outstanding balances 2018	Transactions 2019	Transactions 2018
Related corporations				
Sales	20	23	197	187
Purchases including rental	15	1	316	237
Finance income	–	–	1	1
Finance expense	1	–	36	46
Associates and joint ventures				
Sales	21	10	72	67
Purchases including rental	5	12	9	11
Payment on behalf	–	–	5	5
Loans due from	30	40	–	–

On July 8, 2019, the Group issued S$1.5 billion of five-year 3.55% per annum bond to DBS Bank, a related party, as sole lead manager and initial purchaser through a private placement. The investors of the bond include Temasek Holdings (Private) Limited, the Company's immediate and ultimate holding company and an interested person. An amount of S$2.3 million management and agent fees was paid to DBS Bank in relation to the issuance of the above bonds. The above transactions were reviewed and approved by the Audit Committee and Board of Directors to ensure that the effective cost of the bond was not higher than the cost issued to third parties.

G. Group Structure *(cont'd)*

G5. Related party information *(cont'd)*

d. Compensation of key management personnel

The Group considers the directors of the Company (including the Group President & CEO of the Company); the Group Chief Financial Officer; the President & CEO of Sembcorp Marine Ltd; the Head of Singapore, South East Asia & China (Energy); the Head of India (Energy) and the CEO of Sembcorp Development Ltd to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*. These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

(S$ million)	Group 2019	Group 2018
Directors' fees paid / payable to:		
– Directors of the Company	2	2
– Other directors of the Company	1	1
Director's remuneration of the Company	2	2
Other key management personnel remuneration	6	6
	11	11
Fair value of share-based compensation	3	3

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonus (which includes Annual Wage Supplement (AWS), discretionary bonus and performance targets bonus). In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added (EVA), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank will increase or decrease by the yearly EVA performance achieved and the pay-outs made from the bonus bank. The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to the profit or loss.

H. Other Disclosures

H1. Share-based incentive plans

This section sets out details of the Group's share-based remuneration arrangements, including details of the Company's Performance Share Plan (PSP) and Restricted Share Plan (RSP) (known as SCI PSP 2010, SCI RSP 2010 and collectively known as 2010 Share Plans). Details of its listed subsidiary's share plans is disclosed in the listed subsidiary's publicly available financial statements.

Accounting policies

Equity settled share-based incentive plan

The fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares.

For awards granted with market-based performance conditions, in estimating the fair value of the compensation cost, market-based performance conditions are taken into account.

For awards granted with non-market based performance conditions, the compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

At the balance sheet date, the Company revises its estimates of the number of performance-based shares that the employees are expected to receive based on the achievement of non-market performance conditions and the number of shares ultimately given. It recognises the impact of the revision of the original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The share-based payments reserve relating to the performance shares released is transferred to share capital when new shares are issued. When treasury shares are issued, the cost of treasury shares is transferred to share-based payments reserve.

In the Company's separate financial statements, the fair value of performance shares and restricted shares granted to employees of its subsidiaries is recognised as an increase in the cost of the Company's investment in subsidiaries, with a corresponding increase in equity over the vesting period.

Cash settled share-based incentive plan

The compensation cost of Sembcorp Challenge Bonus is measured at the fair value of the liability at each balance sheet date and spread over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the bonus.

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay. The liability takes into account the probability of achieving the performance conditions in the future. With effect from 2018, the liability takes into account the performance achieved for the year.

Until the liability is settled, the Group will re-measure the fair value of the liability at each balance sheet date and at the date of settlement with any changes in fair value recognised in profit or loss for the period.

Key estimates and judgements

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

H. Other Disclosures *(cont'd)*

H1. Share-based incentive plans *(cont'd)*

The table below shows share-based expense that was recognised during the year.

(S$ million)	Note	2019	2018
Equity-settled share-based	(a)	9	11
Cash-settled share-based	(b)	(1)	2

a. Equity-settled share-based incentive

The 2010 Share Plans were incentive scheme approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on April 22, 2010. The SCI RSP 2010 is for directors and employees of the Group whereas the SCI PSP 2010 is primarily for key executives of the Group.

A participant's award under the 2010 Share Plans is determined by the Executive Resource & Compensation Committee (ERCC) taking into account, *inter alia*, the participant's performance during the relevant period, and his / her capability, entrepreneurship, scope of responsibility and skill set.

Award granted from 2019

After comprehensive review of the Group's total remuneration structure, with effect from FY2019, shares will be granted to eligible employees under the SCI RSP 2010 based on financial performance and corporate objectives achieved in the preceding year. The performance criteria for FY2019 restricted shares awards granted are calibrated based on Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), Return On Equity (ROE) (excluding Sembcorp Marine Ltd), and non-financial performance targets, comprising transformation milestones and adherence to environment, health and safety standards achieved by the Group for FY2018.

For managerial participants, depending on achievement on criteria outlined above, a quarter of the SCI RSP 2010 awards granted will vest immediately with the remaining three-quarters vest over the following three years in equal tranches, subject to individual performance and fulfilment of service conditions at vesting.

b. Cash-settled share-based

Based on achievement, the non-managerial participants of the Group will receive a cash-settled notional restricted shares award known as the Sembcorp Challenge Bonus.

Movement in the number of shares under the Company's PSP and RSP are as follows:

	2019		2018	
	PSP	RSP	PSP	RSP
At January 1	3,601,553	5,082,597	2,403,303	9,727,916
Shares awarded	2,487,800	3,509,203	1,982,000	178,600
Shares released	–	(3,252,945)	–	(2,675,126)
Shares lapsed	–	(140,955)	(40,000)	(707,698)
Performance shares lapsed arising from targets not met	(770,000)	(1,187,000)	(743,750)	(1,441,095)
At December 31	5,319,353	4,010,900	3,601,553	5,082,597

H. Other Disclosures *(cont'd)*

H1. Share-based incentive plans *(cont'd)*

Sembcorp Industries Performance Share Plan

PSP awards granted have both market-based and non-market-based performance conditions. With the ERCC's approval on the achievement factor for the achievement of the performance targets for the performance period 2016 to 2018 (2018: performance period 2015 to 2017), no performance shares were released via the issuance of treasury shares (2018: nil).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end December 31, 2019, was 5,319,353 (2018: 3,601,553). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 7,979,029 (2018: 5,402,329) performance shares.

Sembcorp Industries Restricted Share Plan

Of the restricted shares released, 88,983 (2018: 55,437) restricted shares were cash-settled. The remaining restricted shares were released via the issuance of treasury shares.

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2019, was 4,010,900 (2018: 5,082,597). With the change in the remuneration structure, with effect from 2019 award, the RSP balances represent 100% of targets achieved, but not released subject to individual performance and fulfilment of service conditions at vesting. The actual release of the awards is a maximum of 4,010,900 (2018: 4,489,401) restricted shares.

Awards for the performance and corporate objectives achieved in 2019 (2018: 2018) will be granted in 2020 (2018: 2019).

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

	PSP Year of Grant		RSP Year of Grant	
	2019	2018	2019	2018
Fair value at measurement date	S$1.24	S$1.29	S$2.44	NA
Assumptions under the Monte Carlo model				
Share price	S$2.53	S$2.73	S$2.54	NA
Expected volatility	22.5%	21.6%	19.8%	NA
Risk-free interest rate	1.9%	2.0%	1.9%	NA
Expected dividend	3.2%	3.2%	2.7%	NA

With the ERCC's approval on the achievement factor for performance targets for the performance period 2017 to 2018 (2018: performance period 2016 to 2017), a total of S$1.2 million, equivalent to 462,048 (2018: S$0.9 million, equivalent to 258,928) notional restricted shares, were awarded and paid.

H. Other Disclosures *(cont'd)*

H2. Retirement benefit obligations

The Group's post-employment retirement benefits is predominantly through participation in defined contribution plans. The Group also operates a few defined benefit scheme of which the largest is in the UK.

Accounting policies

Employee benefits

Defined contribution plans

Under a defined contribution plan, an entity pays fixed contributions into an independent funds or separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

Under a defined benefit plan, the Group's net obligation in respect of defined benefit pension plans is calculated separately for each defined benefit plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

Re-measurements calculation is performed annually by a qualified actuary using the projected unit credit method. Changes from defined benefit plans comprise of actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises these changes immediately in other comprehensive income and all expenses related to defined benefit plans in employee benefits expense in profit or loss. The difference between the present value of the defined benefit obligation and the settlement price, is recognised as gains and losses on settlement in profit or loss.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Long-term employee benefits

Long-term employee benefits other than retirement plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Long-term employee benefits are reported in other long-term payables.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided. The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Staff retirement benefits

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff retirement benefit plan or, in respect of unionised employees of a subsidiary who joined on or before December 31, 1988, based on an agreement with the union.

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

H. Other Disclosures *(cont'd)*

H2. Retirement benefit obligations *(cont'd)*

(S$ million)	Note	Group December 31, 2019	Group December 31, 2018
Provision for retirement gratuities	(a)	4	4
Retirement benefit obligations / (assets)	(b)	(9)	1
		(5)	5
Retirement benefit obligations			
– Non-current	E3	5	5
Retirement benefit assets			
– Non-current	E1	(10)	*

a. Provision for retirement gratuities

(S$ million)	Group 2019	Group 2018
Balance at January 1	4	4
Translation adjustments	*	*
Provision made during the year	1	1
Less: Amount paid	(1)	(1)
Balance at December 31	4	4

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

H. Other Disclosures *(cont'd)*

H2. Retirement benefit obligations *(cont'd)*

b. Retirement benefit obligations

Certain subsidiaries provide pension arrangements to its full time employees through defined benefit plans. One of the pension schemes has been closed to further accruals from June 1, 2013. The pensions for all active members at the closure date, which are based on service prior to closure, remain linked to final pensionable salary.

The numbers shown below have been based on calculations carried out by qualified independent actuaries to take into account the requirements of SFRS(I) 1-19 in order to assess the liabilities of the schemes at December 31, 2019 and December 31, 2018.

The present values of the funded defined benefit obligations, the related current service cost and, where applicable, past service cost was measured using the projected unit credit method. Details of the schemes are as follows:

(S$ million)	Group December 31, 2019	Group December 31, 2018
Present value of funded defined benefit obligations	230	214
Fair value of plan assets	(239)	(213)
(Surplus) / Deficit in scheme	(9)	1

The amounts included in the balance sheet are as follows:

(S$ million)	Group December 31, 2019	Group December 31, 2018
Retirement benefit obligations	*	1
Retirement benefit assets	(9)	*
	(9)	1

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

(S$ million)	Group December 31, 2019	Group December 31, 2018
Equity instruments	44	34
Debt instruments	169	154
Other assets	26	25
	239	213

The plan assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by the Group.

H. Other Disclosures *(cont'd)*

H2. Retirement benefit obligations *(cont'd)*

b. Retirement benefit obligations *(cont'd)*

Movement in net defined benefit liability / (asset)

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability / (asset) and its components.

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability / (asset)	
(S$ million)	2019	2018	2019	2018	2019	2018
Group						
Balance at January 1	214	242	(213)	(245)	1	(3)
Included in income statement						
Service cost	*	1	*	*	*	1
Interest cost / (income)	6	6	(6)	(6)	*	*
Included in other comprehensive income						
Re-measurements loss / (gain):						
Actuarial loss / (gain) arising from:						
– demographic assumptions	15	(10)	–	–	15	(10)
– financial assumptions	(4)	2	–	–	(4)	2
– experience adjustment	*	*	–	–	*	*
Return on plan assets excluding interest income	–	–	(17)	12	(17)	12
Effect of movements in exchange rates	6	(8)	(8)	9	(2)	1
	17	(16)	(25)	21	(8)	5
Other						
Contributions paid by employer	–	–	(2)	(2)	(2)	(2)
Benefits paid	(7)	(19)	7	19	*	*
	(7)	(19)	5	17	(2)	(2)
Balance at December 31	230	214	(239)	(213)	(9)	1

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 (2018: 17) years.

Principal actuarial assumptions

The main financial assumptions used by the independent qualified actuaries to calculate the liabilities under SFRS(I) 1-19 are as follows:

	Group	
(%)	December 31, 2019	December 31, 2018
Discount rate at December 31	2.0	2.8
Future rate of pension increases	1.9 – 2.6	1.9 – 3.1

Assumptions regarding future mortality are based on published statistics and mortality tables. The expected remaining life expectancy of an individual retiring at age 65 is 21 (2018: 21) for male and 23 (2018: 24) for female.

A 1% increase / decrease in discount rate would have decreased / increased the defined benefit obligations by 15.4% / 19.7% (2018: 15.7% / 20.0%). A 1% increase / decrease in future rate of pension increases would have increased / decreased the defined benefit obligations by 14.2% / 12.0% (2018: 12.6% / 12.4%).

H. Other Disclosures *(cont'd)*

H3. Other financial assets and liabilities

Accounting policies

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial liabilities

The Group initially recognises financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group classifies financial liabilities as measured at amortised cost or FVTPL.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group's equity investments are classified as FVOCI. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at FVTPL

All other financial assets not classified as measured at amortised costs or FVOCI as described above are measured at FVTPL. This includes derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial liabilities is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial assets and financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of its risks and rewards of the transferred assets. In these cases, the transferred assets are not recognised.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantively different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including non-cash transferred or liabilities assumed) is recognised in profit or loss.

H. Other Disclosures *(cont'd)*
H3. Other financial assets and liabilities *(cont'd)*

	Note	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current
2019					
At fair value through other comprehensive income:					
– Equity shares	(a)	–	87	–	–
At fair value through profit or loss:					
– Cross currency swaps		–	8	–	2
– Interest rate swaps		*	*	1	*
– Foreign exchange option contracts		–	*	–	*
– Forward foreign exchange contracts		3	*	1	–
– Foreign exchange swap contracts		3	–	1	–
– Equity shares	(b)	13	–	–	–
– Unit trusts and funds	(c)	81	12	–	–
		100	20	3	2
Hedge of net investment in foreign operations:					
– Forward foreign exchange contracts		22	–	–	–
		22	–	–	–
Cash flow hedges:					
– Forward foreign exchange contracts		14	10	5	2
– Fuel oil swaps		12	2	33	2
– Interest rate swaps		–	–	5	38
– Cross currency swaps		79	18	–	–
– Commodity contracts		–	–	2	–
– Electricity futures market contracts		*	–	2	*
		105	30	47	42
Fair value hedges:					
– Forward foreign exchange contracts		1	–	–	–
		1	–	–	–
At amortised cost:					
– Long-term fixed deposits		–	129	–	–
Total		**228**	**266**	**50**	**44**

H. Other Disclosures *(cont'd)*
H3. Other financial assets and liabilities *(cont'd)*

	Note	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current
2018					
At fair value through other comprehensive income:					
– Equity shares		–	108	–	–
At fair value through profit or loss:					
– Cross currency swaps		–	8	–	2
– Interest rate swaps		–	*	–	*
– Foreign exchange option contracts		–	*	–	*
– Forward foreign exchange contracts		–	–	2	–
– Foreign exchange swap contracts		5	–	*	–
– Commodity swaps		*	–	–	–
– Commodity contracts		–	–	2	–
– Unit trusts and funds	(c)	56	15	–	–
		61	23	4	2
Hedge of net investment in foreign operations:					
– Forward foreign exchange contracts		–	26	–	–
		–	26	–	–
Cash flow hedges:					
– Forward foreign exchange contracts		13	1	12	5
– Fuel oil swaps		7	*	46	22
– Interest rate swaps		*	2	*	13
– Cross currency swaps		13	77	–	–
– Electricity futures market contracts		1	–	*	1
		34	80	58	41
At amortised cost:					
– Long-term fixed deposits		–	25	–	–
Total		**95**	**262**	**62**	**43**

a. In 2019, as part of the Group's strategy on portfolio rebalancing, entire investment in Gallant Venture was sold. The shares were sold at a fair value of S$63 million at the time of sale. The cumulative loss of S$4 million is included in fair value reserve.

b. Sembcorp Jingmen Water Co. Ltd (SJW) has a disagreement with the local authorities on the treatability of the wastewater from a customer. On December 31, 2019, an administrative decision was issued by the City Construction Bureau in Jingmen, China which allows the local authorities to temporarily take over the operation of SJW for the period from June 28, 2019 to May 28, 2020. As a result, during this period, the Group is deemed to have lost control of SJW, and SJW's net assets of S$13 million is deconsolidated and recognised as 'other financial assets' accordingly.

c. Included in unit trust and funds are amounts of S$78 million (2018: S$55 million) pledged to secure loan facilities.

H. Other Disclosures *(cont'd)*
H4. Provisions

Accounting policies

A provision is an amount set aside based on reliable estimate to settle a probable legal or constructive obligation from a past event.

Key estimates and judgements

Estimates of the Group's obligations arising from contracts or regulations that exist as at balance sheet date may be affected by future events, which cannot be predicted with any certainty. The assumptions and estimates are made based on the management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates.

Certain of the Group's subsidiaries are involved in claims, litigations, land disputes and other regulatory matters in certain countries at year end. Due to the nature of these disputes and matters and also in view of the uncertainty of the outcome, the Group believes that the amount of exposure cannot currently be determinable. Therefore, no impairment, revision of useful or provision for restoration cost, where applicable has been recorded.

Provision for restoration cost

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

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligations for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

H. Other Disclosures *(cont'd)*
H4. Provisions *(cont'd)*

Movements in provisions are as follows:

(S$ million)	Note	Claims (i)	Restoration costs (ii)	Warranty (iii)	Fines (iv)	Others (v)	Total
Group							
2019							
Balance at January 1		24	108	58	40	19	249
Translation adjustments		*	(3)	*	(1)	*	(4)
Provisions made during the year		9	5	9	–	9	32
Provisions reversed during the year		(8)	(6)	(24)	–	(2)	(40)
Provisions utilised during the year		(13)	(2)	(1)	(10)	(2)	(28)
Transfer to other payables	(a)	–	–	–	(29)	(7)	(36)
Disposal of subsidiaries		–	–	–	–	*	*
Unwind of discount on restoration costs	C7	–	3	–	–	–	3
Balance at December 31		12	105	42	–	17	176
Provisions due:							
– within 1 year		12	2	15	–	5	34
– after 1 year but within 5 years		–	49	27	–	11	87
– after 5 years		–	54	–	–	1	55
		12	105	42	–	17	176
2018							
Balance at January 1		25	108	21	25	18	197
Translation adjustments		–	(4)	–	–	–	(4)
Provisions made during the year		10	4	64	25	2	105
Provisions reversed during the year		(10)	(3)	(27)	–	–	(40)
Provisions utilised during the year		(1)	*	–	(10)	(1)	(12)
Disposal of subsidiaries		–	*	–	–	–	*
Unwind of discount on restoration costs	C7	–	3	–	–	–	3
Balance at December 31		24	108	58	40	19	249
Provisions due:							
– within 1 year		24	–	17	40	5	86
– after 1 year but within 5 years		–	36	41	–	12	89
– after 5 years		–	72	–	–	2	74
		24	108	58	40	19	249

a. Following the conclusion of the legal proceedings in China related to the discharge of off-specification wastewater by Sembcorp Nanjing Suiwu Company Limited announced on February 7, 2020 (Note H5), the balance provisions amount of S$36 million was transferred to current and non-current other payables of S$21 million and S$15 million, respectively.

H. Other Disclosures *(cont'd)*

H4. Provisions *(cont'd)*

(S$ million)	Claims (i)	Restoration costs (ii)	Total
Company			
2019			
Balance at January 1	19	16	35
Provisions made during the year	2	*	2
Provisions reversed during the year	(8)	(6)	(14)
Provisions utilised during the year	(2)	–	(2)
Balance at December 31	11	10	21
Provisions due:			
– within 1 year	11	–	11
– after 5 years	–	10	10
	11	10	21
2018			
Balance at January 1	16	16	32
Provisions made during the year	4	–	4
Provisions utilised during the year	(1)	–	(1)
Balance at December 31	19	16	35
Provisions due:			
– within 1 year	19	–	19
– after 5 years	–	16	16
	19	16	35

H. Other Disclosures *(cont'd)*

H4. Provisions *(cont'd)*

i. Claims

This provision relates to the obligations arising from contractual and commercial arrangements in the Group's and the Company's operations, based on the best estimate of the possible outflow considering both contractual and commercial factors.

ii. Restoration costs

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

iii. Warranty

Provision for warranty relate to contracts with contractual warranty terms. The provision for warranty is based on estimates from weighing all possible outcomes by their associated probabilities and estimates made from historical warranty data associated with similar projects.

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

iv. Fines

The provision for fines was made relating to an alleged discharge of off-specification wastewater by Sembcorp Nanjing Suiwu Company Limited in China. The legal proceedings were concluded on February 7, 2020 (see Note H5 on Subsequent events). With the proceedings concluded, the provision amount is reclassified to other payables.

v. Others

Others include provision for maintenance obligation recognised for the contractual obligations to maintain the infrastructure and equipment to specified levels of serviceability under the service concession agreements. The amount also includes provision for legal and professional fee, amongst others. These provisions are measured at the best estimate of the expenditure required and timing of outflows, to settle the present obligation at the end of each reporting period.

H5. Subsequent events

On January 3, 2020 the Group announced that it has entered into a sale and purchase agreement with Veolia Environmental Services Asia Pte. Ltd. to acquire 100% equity interest in Veolia ES Singapore Pte. Ltd. and the public cleaning business of Veolia ES Singapore Industrial Pte. Ltd. (VESSI) for approximately S$28 million. The completion of the acquisition is subject to conditions precedent including regulatory approvals.

On February 6, 2020, the Group announced that it has agreed to sell 100% of its interest in the water business in Chile for a total consideration of CLP27.8 billion (approximately S$49 million) to the Spanish construction and engineering service SACYR S.A. group of companies. Arising from the divestment, an impairment of S$64 million was recognised in the profit or loss, and a foreign currency translation loss (S$30 million, as at December 31, 2019) will be taken to profit or loss upon completion of the sale, expected by mid-2020.

On February 7, 2020, the Group announced that the legal proceedings in China related to the discharge of off-specification wastewater by its 95%-owned joint venture wastewater treatment company, Sembcorp Nanjing Suiwu Company Limited was concluded following the issue of the final mediation agreement. The Group's share of fines and cash settlement for both the criminal and civil claims was a total of S$54 million, fully provided, and the Group is committed to new investments of S$45 million over the next four years to develop projects and initiatives to support environmental protection in China.

H. Other Disclosures *(cont'd)*

H6. New or revised accounting standards and interpretations not yet effective

The following new SFRS(I)s, amendments and interpretations of SFRS(I)s are effective for annual periods beginning after January 1, 2019:

Applicable to 2020 financial statements

- Amendments to SFRS(I) 3 *Definition of a business*
- Amendments to SFRS(I) 1–1 and SFRS(I) 1–8 *Definition of Material*
- Amendments to References to Conceptual Framework in SFRS(I) Standards

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance contracts*

Mandatory effective date deferred

- Amendments to SFRS(I) 10 and SFRS(I) 1–28
  Sales or contribution of assets between an investor and its associate or joint venture

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group does not expect significant impact on the financial statements upon the adoption of these new SFRS(I)s.

H7. Update in relation to investigations of "Operacao Lava Jato" (Operation Car Wash)

The Group's subsidiary, Sembcorp Marine Ltd (SCM), refers to its earlier announcements on July 3, 2019, July 8, 2019, February 3, 2020 and February 21, 2020 in relation to ongoing investigations related to Operation Car Wash in Brazil. It has come to the SCM's attention that the Ministerio Publico Federal in Brazil (MPF) have filed charges against Mr Guilherme Esteves de Jesus (GDJ) for money laundering and ex-employee Mr Martin Cheah Kok Choon (MCKC) for money laundering and corruption in connection with certain drilling rig construction contracts entered into in 2012 by subsidiaries of SCM with subsidiaries of Sete Brasil (Contracts). GDJ has been convicted by the Federal Courts of Curitiba of the crimes of the corruption, money laundering and participation in a criminal organisation. GDJ is connected to the consultant engaged by SCM's subsidiaries in connection with the Contracts.

MCKC is the former President of Estaleiro Jurong Aracruz Ltda (EJA), SCM's Brazilian subsidiary. MCKC's employment with the SCM Group was terminated in June 2015. SCM has lodged suspicious transaction reports in respect of MCKC with the Commercial Affairs Department of the Singapore Police Force.

The above charges filed against MCKC and GDJ by the MPF are in their personal capacities and not against EJA. Other than MCKC, SCM is not aware of any other employee past or present of SCM that is a subject of the ongoing investigations by the Brazilian authorities related to Operation Car Wash.

SCM Group continues to cooperate fully with the Brazilian authorities investigating the above matter.

As at the date of these financial statements, proceedings are ongoing and it is premature to predict and the SCM Group cannot reliably determine the eventual outcome to this matter. The timeline for resolution of this matter also cannot be determined presently.

As SCM is separately listed on the Singapore Exchange Securities Trading Limited (SGX-ST) and managed independently by SCM's board of directors, the above disclosure on Operation Car Wash is extracted from SCM's announcements issued on the website of the SGX-ST and / or from SCM audited financial statements.

I. Supplementary Information

I1. Directors and key executives remuneration

(Under SGX-ST Listing Manual requirements)

Directors' and key executives' remuneration earned for the year

Summary compensation table for the year ended December 31, 2019

Name of Director	Salary[1] S$'000	Bonus earned S$'000	Fair value of share-based compensation granted for the year[3] S$'000	Directors' fees Cash-based[4] S$'000	Directors' fees Share-based[5] S$'000	Brought forward bonus bank[2] S$'000
Payable by Company						
Ang Kong Hua	–	–	–	525	225	–
Neil McGregor	1,522	(198)	1,691	–	–	221
Margaret Lui[4]	–	–	–	127	54	–
Tan Sri Mohd Hassan Marican	–	–	–	117	50	–
Tham Kui Seng	–	–	–	115	50	–
Dr Teh Kok Peng	–	–	–	127	54	–
Ajaib Haridass	–	–	–	128	55	–
Nicky Tan[4]	–	–	–	126	54	–
Yap Chee Keong	–	–	–	127	54	–
Jonathan Asherson OBE	–	–	–	127	54	–
Dr Josephine Kwa Lay Keng	–	–	–	82	35	–
Payable by Subsidiaries						
Neil McGregor[4]	–	–	–	210	–	–
Tan Sri Mohd Hassan Marican	–	–	–	378	162	–
Tham Kui Seng	–	–	–	59	–	–
Name of Key Executive						
Graham Cockroft[4]	557	45	609	30	–	37
Wong Weng Sun	788	(173)	–	–	–	1,825
Koh Chiap Khiong[4]	629	121	913	205	–	910
Kelvin Teo[5]	435	120	445	10	–	197
Vipul Tuli	691	199	760	–	–	187

I. Supplementary Information *(cont'd)*

I1. Directors and key executives remuneration *(cont'd)*
(Under SGX-ST Listing Manual requirements) *(cont'd)*

Directors' and key executives' remuneration earned for the year *(cont'd)*

Notes:

1 The amounts shown are inclusive of basic salary, fixed allowances, AWS and other emoluments.

2 The Brought forward bonus bank is the outstanding balance of bonus as at December 31, 2019 (incorporating any adjustment made to the bank balance but excluding the bonus earned during the financial year). Typically, one-third of the accumulated bonus, comprising bonus earned in the financial year and the brought forward bonus, is paid out in cash each year, with the balance carried forward to the following year. Future balances of the bonus bank will be adjusted according to the yearly EVA performance of the Group and its subsidiaries, and payouts will be made accordingly from the bonus bank.

3 The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executives will not be vested with any shares.

4 Directors' fees in cash for Margaret Lui are payable to Azalea Investment Management Pte Ltd. Directors' fees in cash for Nicky Tan are payable to Tan Kok Wah and Tee Min Foundation Ltd. Directors' fees in cash from subsidiaries for Neil McGregor, Graham Cockroft and Koh Chiap Khiong are payable to SCI. Directors' fees in cash from subsidiaries for Kelvin Teo are payable to Sembcorp Parks Management Pte Ltd and Batamindo Shipping & Warehousing Pte Ltd.

5 To align the interests of non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the Sembcorp Industries Restricted Share Plan 2010.

From 2011, the awards granted under the Sembcorp Industries Restricted Share Plan 2010 to all directors as part of their directors' fees (except for Neil McGregor, who was the Group President & CEO, and who did not receive any directors' fees) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth the value of their annual base retainer fee (currently S$75,000); any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

The actual number of shares awarded to each non-executive director will be determined with reference to the volume-weighted average price of a share on the SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash. A non-executive director who steps down before the payment of the share component will receive all of his / her director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

Details of the performance shares and restricted shares granted to the directors are set out in the section on Share-based Incentive Plans in the Directors' Statement.

I. Supplementary Information *(cont'd)*

I2. Interested person transactions
(Under SGX-ST Listing Manual requirements)

For the purposes of Chapter 9 of the SGX-ST Listing Manual, shareholders' approval is required for any interested person transaction of a value equal to, or more than 5% of the Group's latest audited consolidated net tangible assets (NTA) or when aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than 5% of the Group's latest NTA. For FY2019, the 5% Group's consolidated NTA as at December 31, 2018 was S$300 million.

Chapter 9 however permits the Company to obtain a shareholders' mandate for recurrent transaction of a revenue or trading nature or those necessary for its day-to-day operations. At the Annual General Meeting held on April 2019, the Company obtained approval for such shareholders' mandate.

Transactions under shareholders' mandate

(S$ million)	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S$100,000)** **FY2019**
Sale of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Mapletree Investments Pte Ltd and its Associates	1.3
– PSA International Pte Ltd and its Associates	5.2
– Singapore Power Limited and its Associates	2.8
– Singapore Technologies Telemedia Pte Ltd and its Associates	1.2
– Temasek Capital (Private) Limited and its Associates	8.8
	19.3
Olam International Ltd and its Associates	4.3
Singapore Telecommunications Ltd and its Associates	146.0
CapitaLand Ltd and its Associates	23.8
Singapore Technologies Engineering Ltd and its Associates	0.2
	193.6
Purchase of goods and services	
Temasek Holdings (Private) Limited and its Associates	
– Singapore Power Limited and its Associates	5.0
– Surbana-Jurong Private Limited and its Associates	9.2
– Temasek Capital (Private) Limited and its Associates[1]	466.3
– Certis CISCO Security Pte Ltd and its Associates	0.1
	480.6
Singapore Technologies Engineering Ltd and its Associates	0.2
Starhub Ltd and its Associates	1.9
	482.7
Provision of management and support services	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates	3.0
	679.3

Note:

1 This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity up to November 10, 2019. Up until November 10, 2019, Sembcorp Gas Pte Ltd is 30% owned by Seletar Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

I. Supplementary Information *(cont'd)*

I2. Interested person transactions *(cont'd)*

(Under SGX-ST Listing Manual requirements) *(cont'd)*

Treasury transactions

On June 21, 2019, the Company announced that it issued S$1.5 billion of five-year 3.55% per annum bonds to DBS Bank, a related party as sole lead manager and initial purchaser through a private placement. The investors of the bond include Temasek, the Company's immediate and ultimate holding company, and an Interested Person.

The issue of the bonds to DBS Bank is not an Interested Person Transaction. However, assuming that it is treated as an Interested Person Transaction, the maximum amount at risk is the total interest payable on the S$1.5 billion principal amount of bonds calculated at the fixed rate of 3.55% per annum for 5 years, which is S$266.25 million.

Transactions not under shareholders' mandate

(S$ million)	Aggregate value of all interested person transactions conducted during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) FY2019
Investment of Funds	
Temasek Holdings (Private) Limited and its Associates	
– ABC World Asia Pte Ltd and its Associates	20.0
Acquisition of Shares[2]	
Temasek Holdings (Private) Limited and its Associates	
– Temasek Capital (Private) Limited and its Associates	12.1
	32.1

[2] On November 11, 2019, the Group completed its acquisition of the remaining 30% shareholding in Sembcorp Gas Pte Ltd from Seletar Investments Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

I. Supplementary Information *(cont'd)*

I3. EVA statements

(S$ million)	Note	2019	2018
Net operating profit before tax expenses		111	246
Adjusted for:			
Share of associates' and joint ventures' profits		226	225
Interest expense	1	552	502
Others	2,3	126	(18)
Adjusted profit before interest and tax		1,015	955
Cash operating taxes	4	(304)	(227)
Net operating profit after tax (NOPAT)		711	728
Average capital employed	5	20,246	19,291
Weighted average cost of capital	6	6.2%	6.2%
Capital charge		1,255	1,196
Add: Capital Charge Deferral (net)	7	46	67
Economic Value Added (EVA)		(498)	(401)
Non-controlling share of EVA		147	153
EVA attributable to shareholders		(351)	(248)
Less: Unusual items (UI) gains	8	(19)	(9)
EVA attributable to shareholders (exclude UI)		(370)	(257)

Notes:

[1] Interest expense includes imputed interest on the present value of operating leases and capitalised interest charged to profit or loss upon disposal of the assets

[2] Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress

[3] In 2018, this included adjustments that exclude the profits of certain contracts which, with the adoption of SFRS(I) 15 had been reversed, and subsequently recognised when the projects were delivered to the customers in 2018

[4] The reported current tax is adjusted for the statutory tax impact of interest expense

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

(S$ million)	2019	2018
Major capital components:		
Property, plant and equipment	12,374	11,711
Investments	2,188	2,207
Other long-term assets	2,948	3,173
Net working capital and long-term liabilities	2,736	2,200
Average capital employed	20,246	19,291

[6] The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:

i. Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2018: 5.0%);

ii. Risk-free rate 2.32% (2018: 2.26%) based on yield-to-maturity of Singapore Government 10-year Bonds;

iii. Ungeared beta ranging from 0.5 to 1.0 (2018: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and

iv. Cost of Debt rate at 3.48% (2018: 3.12%)

[7] Capital charge deferral (net) refers to deferral of capital charge on investments made for projects where returns are not immediate at the time of investment (e.g. Greenfield projects), less the cost of deferral of weighted average cost of capital

[8] Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment

I. Supplementary Information *(cont'd)*

I4. List of properties

Marine

Location	Description & approximate land area	Tenure	Usage
Singapore Yards[1]			
Tanjong Kling Road[#]	Land area: 491,056 m² Buildings, workshops, drydocks and quays	10 years leasehold 10 years renewal (JTC Land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
Admiralty Road East / Admiralty Road West	Land area: 860,716 m² Buildings, workshops, drydocks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage and workshops
Pandan Road	Land area: 141,791 m²	15 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
Pandan Road	Land area: 9,182 m²	30 years leasehold (JTC Land)	Steel fabrication and precision machining of components for offshore jack-up oil rigs
Tuas Crescent	Land area: 58,226 m²	9.5 years leasehold (JTC Land)	Fabrication of jack-up oil rigs and associated sub- structure modules
Shipyard Road[#]	Land area: 63,300 m² Buildings, workshops and drydocks	22 months tenancy (JTC Land)	Ship repairs and shipbuilding including drydocks, berthage and workshops
Tuas Road[#]	Land area: 59,942 m² Buildings, workshops, docks and quays	14 years leasehold (JTC Land)	Shipbuilding and fabrication including berthage and workshops
Tuas South Boulevard Phase I	Land area: 733,104 m² Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
Tuas South Boulevard Phase II	Land area: 345,600 m²	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
Tuas South Boulevard Phase IIIa	Land area: 411,131 m² (Pending final survey of land by JTC)	30 plus 30 years leasehold (JTC land)	Marine engineering activities including repair, conversion, upgrading and building of rigs, ships and offshore structures

[#] The properties are being prepared to be handed back to JTC following expiry of tenure.

Group's effective interest as at December 31, 2019:

[1] 61.01%

[2] 54.91%

[3] 52.35%

I. Supplementary Information *(cont'd)*

I4. List of properties *(cont'd)*

Marine *(cont'd)*

Location	Description & approximate land area	Tenure	Usage
Overseas Yards			
P.T. Karimun Sembawang Shipyard[1]			
Karimun Island, Indonesia	Land area: 307,650 m² 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 workshop
Estaleiro Jurong Aracruz[1]			
Municipality of Aracruz, State of Espirito Santo, Brazil	Land area: 825,000 m² Slipways, berthing quays, drydock, ancillary steel and piping facilities	Freehold	Drillships construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
P.T. SMOE Indonesia[2]			
Batam Island, Indonesia	Land area: 815,036 m² Workshops, office buildings and 547 metres of jetty for modules load-out	30 years leasehold	Workshops and fabrication facilities
Miscellaneous			
JPL Industries[3]			
Jurong Pier Road	Land area: 27,783 m²	20 years leasehold (JTC Land)	Copper slag recycling
SES Engineering Sdn Bhd[1]			
Perindustrian Taman Johor, Johor Bahru	Land area: 5,235 m² Workshop and a 3-storey office building	Freehold	Metal Fabrication workshop
Sembmarine SLP Ltd[1]			
Lowestoft, Suffolk, UK	Land area: 55,000 m² Workshops and office building	Freehold and leasehold land ranging from 22 to 99 years	Workshops and fabrication facilities
Mendon Spring[1]			
Pasir Panjang	9 units of 3-room apartment with built-in area of 99 m² per unit	Freehold	Residential properties

I. Supplementary Information *(cont'd)*
I4. List of properties *(cont'd)*
Urban

Description	Type	Land tenure	Net lettable / saleable area (sq m)	Group's effective interest	Status
China					
Industrial & Business Properties					
1. International Water Hub, Nanjing	Office & Exhibition Centre	Leasehold 50 years from 2015	52,516	100.0%	Completed Development
2. Jiangdao Intelligent Cube, Nanjing	Incubator	Leasehold 50 years from 2012	106,218	21.5%	Completed Development
3. Jiangdao Technology Innovation Centre, Nanjing	Office & Exhibition Centre	Leasehold 50 years from 2012	49,340	21.5%	Completed Development
4. Wuxi-Singapore Industrial Park	Ready-built Factories	Leasehold 50 years from 1995	371,459	45.4%	Completed Development
5. Wuxi-Singapore Industrial Park	Built-to-specs Factories	Leasehold 50 years from 2006	292,737	45.4%	Completed Development
Commercial & Residential Properties					
1. Jiangdao Xin Tiandi, Nanjing	Retail Mall	Leasehold 40 years from 2012	66,274	21.5%	Under Development
2. Jiangdao Hua Ting, Nanjing	Residential	Leasehold 70 years from 2012	7,761	21.5%	Completed Development
3. Modena by Fraser, Wuxi New District	Service Apartment	Leasehold 40 years from 2008	11,056	45.4%	Completed Development
4. Riverside Grandeur, Nanjing	Residential	Leasehold 70 years from 2015	25,523	100.0%	Completed Development
Indonesia					
Industrial & Business Properties					
1. Kendal Industrial Park, Central Java	Ready-built Factories	Leasehold 28 years from 2017	2,746	49.0%	Completed Development

Description	Type	Land tenure	Net lettable / saleable area (sq m)	Group's effective interest	Status
Vietnam					
Industrial & Business Properties					
1. VSIP Bac Ninh Phase I - V	Ready-built Factories	Leasehold 50 years from 2007	37,035	46.5%	Completed Development
2. VSIP Binh Duong II-A	Ready-built Factories & Shop Kiosks	Leasehold 50 years from 2008	67,734	49.3%	Completed Development
3. VSIP Hai Phong	Ready-built Factories	Leasehold 50 years from 2008	30,051	49.3%	Completed Development
4. VSIP Nghe An	Ready-built Factories	Leasehold 50 years from 2015	8,810	49.3%	Completed Development
5. VSIP Binh Duong I	Ready-built Factories	Leasehold 50 years from 1996	57,813	49.3%	Completed Development
6. VSIP Binh Duong II	Ready-built Factories	Leasehold 50 years from 2005	25,016	49.3%	Completed Development
7. SIS Hai Phong Phase I	Warehousing	Leasehold 44 years from 2014	15,000	70.0%	Completed Development
8. SIS Hai Phong Phase II	Warehousing	Leasehold 43 years from 2016	14,279	70.0%	Completed Development
9. SIS Hai Phong Phase III	Warehousing	Leasehold 40 years from 2018	13,195	70.0%	Under Development
Commercial & Residential Properties					
1. VSIP Hai Phong	Retail Mall	Leasehold 50 years from 2008	421	46.5%	Completed Development
2. VSIP Plaza, Quang Ngai	Retail Mall	Leasehold 50 years from 2012	3,062	49.3%	Completed Development
3. VSIP, Bac Ninh	Shophouses	Leasehold 50 years from 2007	680	46.5%	Completed Development
4. Suncasa, Binh Duong	Residential & Shophouses	Leasehold 50 years from 2008	58,941	49.3%	Completed Development
5. Bel Homes, Bac Ninh	Residential & Shophouses	Leasehold 50 years from 2007	58,863	46.5%	Completed Development
6. The Habitat Binh Duong II	Residential & Retail	Leasehold 45 years from 2018	31,559	51.6%	Under Development
7. VSIP Binh Duong II-A	Retail	Leasehold 50 years from 2008	436	49.3%	Completed Development

Corporate and Others

Description	Type	Land tenure	Net lettable / saleable area (sq m)	Group's effective interest
Singapore				
30 Hill Street	Office	Freehold land and building	11,410	100%