

# Notes to the Financial Statements

Year ended December 31, 2020

## 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 is 49.48% owned by Temasek Holdings (Private) Limited. Under SFRS(I) 10 Consolidated Financial Statements, 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 February 25, 2021.

### A1. Basis of preparation

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

All references to SFRS(I)s and IFRSs 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 dollar 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)s 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.

Information about key management judgements and estimates that are considered material to the financial statements are incorporated in respective notes to the financial statements.

The COVID-19 pandemic and the responses of governments in dealing with the pandemic have reduced the level of general activity within the community, economy and business operations globally. The COVID-19 crisis and a decline in energy prices have impacted and will continue to impact the Group's earnings, cash flow and financial position. The financial statements have been prepared based on assumptions and conditions prevalent as at December 31, 2020. Given ongoing economic uncertainty, these assumptions could change in the future.

# Notes to the Financial Statements

Year ended December 31, 2020

## 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 policies described below, other accounting policies are included in the respective notes to the financial statements.

Certain comparative amounts have been re-presented, as a result of an operation discontinued during the current financial year (see Note G3).

#### i. Foreign currencies

##### Foreign currency transactions and balances

Transactions in foreign currencies are translated into the functional currency of the individual entity at exchange rates at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are 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 translated 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 translation are recognised in profit or loss, except following translation 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.

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

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

#### 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 or 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 or 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 or 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.

# Notes to the Financial Statements

Year ended December 31, 2020

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

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

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

##### Non-controlling interests

NCI are 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.

##### 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.

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

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

#### 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 D3(c) respectively).

#### iv. Adoption of new accounting policies

The Group has applied the following amendments to SFRS(I)s which became effective on January 1, 2020. The Group has also early adopted the amendments to SFRS(I) 16 on COVID-19-Related Rent Concessions to all property leases, which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification. The details of the accounting policies and related disclosures are in Note D1.1 on Right-of-Use Assets and Leases.

- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*
- Amendments to SFRS(I) 3 *Definition of a business*
- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Amendment to SFRS(I) 16 *COVID-19-Related Rent Concessions*

## 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 three (2019: 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 of continuing operations are as follows:

#### i. Energy

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. Urban

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

#### iii. Others / Corporate

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

## Notes to the Financial Statements

Year ended December 31, 2020

### B. Our Performance (cont'd)

#### B1. Segments information (cont'd)

##### a. Operating segments

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

(\$ million)	Continuing operations				Total
	Energy	Urban	Others / Corporate	Elimination	
<b>2020</b>					
<b>Turnover</b>					
External sales	5,266	9	172	–	5,447
Inter-segment sales	12	–	8	(20)	–
<b>Total</b>	<b>5,278</b>	<b>9</b>	<b>180</b>	<b>(20)</b>	<b>5,447</b>
<b>Results</b>					
Segment results	527	(14)	(71)	–	442
Share of results of associates and joint ventures, net of tax	122	109	2	–	233
<b>Profit from operations</b>	<b>649</b>	<b>95</b>	<b>(69)</b>	<b>–</b>	<b>675</b>
Finance income	33	2	143	(143)	35
Finance costs	(473)	(3)	(128)	105	(499)
	<b>209</b>	<b>94</b>	<b>(54)</b>	<b>(38)</b>	<b>211</b>
Tax expense	(28)	(1)	(3)	–	(32)
Non-controlling interests	(21)	(1)	–	–	(22)
<b>Net profit / (loss) from continuing operations for the year</b>	<b>160</b>	<b>92</b>	<b>(57)</b>	<b>(38)</b>	<b>157</b>
Loss from discontinued operation before elimination of inter-segment finance cost, net of tax and NCI					(222)
Elimination of inter-segment finance cost					38
<b>Loss from discontinued operation, net of tax and NCI</b>					<b>(184)</b>
Loss on the Distribution					(970)
<b>Net loss for the year</b>					<b>(997)</b>
<b>Significant non-cash items</b>					
Depreciation and amortisation	431	3	10	–	444
Allowance for impairment in value of assets and assets written off, net	76	–	*	–	76
Impairment on assets held for sale	4	–	–	–	4
Impairment of goodwill	27	–	–	–	27
Negative goodwill	(17)	–	–	–	(17)
Write-down of inventory to net realisable value	45	–	–	–	45
Write-off of inventory	53	–	–	–	53
Impairment of investment in an associate and a joint venture	81	–	32	–	113
<b>Assets</b>					
Segment assets	11,702	451	4,567	(4,807)	11,913
Associates and joint ventures	852	736	–	–	1,588
Tax assets	48	10	3	–	61
<b>Total assets</b>	<b>12,602</b>	<b>1,197</b>	<b>4,570</b>	<b>(4,807)</b>	<b>13,562</b>
<b>Liabilities</b>					
Segment liabilities	8,756	113	5,573	(4,807)	9,635
Tax liabilities	405	30	16	–	451
<b>Total liabilities</b>	<b>9,161</b>	<b>143</b>	<b>5,589</b>	<b>(4,807)</b>	<b>10,086</b>
<b>Capital expenditure<sup>1</sup></b>	<b>300</b>	<b>2</b>	<b>11</b>	<b>–</b>	<b>313</b>

<sup>1</sup> 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)

(\$ million)	Continuing operations				Total	
	Energy	Urban	Others / Corporate	Elimination		
<b>2019*</b>						
<b>Turnover</b>						
External sales	6,138	280	317	–	6,735	
Inter-segment sales	32	*	13	(45)	–	
<b>Total</b>	<b>6,170</b>	<b>280</b>	<b>330</b>	<b>(45)</b>	<b>6,735</b>	
<b>Results</b>						
Segment results	603	102	1	–	706	
Share of results of associates and joint ventures, net of tax	114	75	(3)	–	186	
<b>Profit from operations</b>	<b>717</b>	<b>177</b>	<b>(2)</b>	<b>–</b>	<b>892</b>	
Finance income	38	5	157	(161)	39	
Finance costs	(489)	(5)	(123)	134	(483)	
	<b>266</b>	<b>177</b>	<b>32</b>	<b>(27)</b>	<b>448</b>	
Tax expense	(45)	(58)	(12)	–	(115)	
Non-controlling interests	(26)	(2)	–	–	(28)	
<b>Net profit from continuing operations for the year</b>	<b>195</b>	<b>117</b>	<b>20</b>	<b>(27)</b>	<b>305</b>	
Loss from discontinued operation before elimination of inter-segment finance cost, net of tax and NCI					(85)	
Elimination of inter-segment finance cost					27	
<b>Loss from discontinued operation, net of tax and NCI</b>					<b>(58)</b>	
<b>Net profit for the year</b>					<b>247</b>	
<b>Significant non-cash items</b>						
Depreciation and amortisation	423	1	13	–	437	
Allowance for impairment in value of assets and assets written off, net	154	–	*	–	154	
Impairment of goodwill	65	–	–	–	65	
Negative goodwill	(1)	–	–	–	(1)	
Allowance for expected credit loss	6	1	*	–	7	
Impairment on assets reclassified to held for sale	64	–	–	–	64	
Provision for fines and other related provision	7	–	–	–	7	
<b>Assets</b>						
Segment assets	12,872	498	4,869	8,407	(5,185)	21,461
Associates and joint ventures	920	705	56	15	–	1,696
Tax assets	46	7	2	40	–	95
<b>Total assets</b>	<b>13,838</b>	<b>1,210</b>	<b>4,927</b>	<b>8,462</b>	<b>(5,185)</b>	<b>23,252</b>
<b>Liabilities</b>						
Segment liabilities	9,655	191	3,946	6,214	(5,185)	14,821
Tax liabilities	451	51	15	35	–	552
<b>Total liabilities</b>	<b>10,106</b>	<b>242</b>	<b>3,961</b>	<b>6,249</b>	<b>(5,185)</b>	<b>15,373</b>
<b>Capital expenditure<sup>1</sup></b>	<b>701</b>	<b>1</b>	<b>8</b>	<b>375</b>	<b>–</b>	<b>1,085</b>

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

# Notes to the Financial Statements

Year ended December 31, 2020

## B. Our Performance *(cont'd)*

### B1. Segments information *(cont'd)*

#### b. Geographical segments

The Group's geographical segments of the continuing operations are presented in seven principal geographical areas: Singapore, China, India, Rest of Asia, Middle East, UK and Rest of Europe. 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.

<i>(\$ million)</i>	Note	Singapore	China	India	Rest of Asia	Middle East	UK	Norway (N5)	Rest of Europe	Brazil (N5)	Other Countries	Total
<b>2020</b>												
Revenue from external customers	N1	2,914	191	1,573	211	63	460	–	1	–	34	5,447
Total assets	N2	2,924	1,885	6,099	1,519	264	860	–	–	–	11	13,562
Non-current assets		2,062	1,393	4,988	1,236	234	637	–	–	–	8	10,558
Capital expenditure	N3	110	33	53	38	*	74	–	–	–	5	313
<b>2019*</b>												
Revenue from external customers	N1	3,785	496	1,614	220	68	496	–	–	–	56	6,735
Total assets	N2, N4	9,429	2,015	6,650	1,644	355	969	136	195	1,716	143	23,252
Non-current assets	N4	5,838	1,527	5,493	1,366	315	719	122	186	1,541	50	17,157
Capital expenditure		457	25	462	5	*	69	*	*	62	5	1,085

#### Segment Analysis:

N1: Majority of the Group's revenue is from Singapore and India which contributed to 53% and 29%, respectively (2019: 56% and 24%, respectively).

N2: 22% (2019: 41%) and 45% (2019: 29%) of the Group's total assets are located in Singapore and India, respectively.

N3: Capital expenditure in 2020 relates mainly to additional renewable energy capacity in Singapore, India and UK.

N4: Total assets and non-current assets in 2019 include the assets from the discontinued operation.

N5: Post the Distribution of the discontinued operation in September 2020, the Group has no presence in Norway and Brazil.

## B. Our Performance *(cont'd)*

### B2. Turnover

This note explains how our Group's revenue from contracts with customers are measured and recognised. Turnover of the discontinued operation is shown in Note G3.

#### 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 customer 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 customer, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

##### b. 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 performs 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.

## B. Our Performance *(cont'd)*

### B2. Turnover *(cont'd)*

#### Accounting policies *(cont'd)*

##### b. Construction of infrastructure and related engineering services *(cont'd)*

##### 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, customers are 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 expense 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.

##### 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 customer 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.

#### Rental income

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.

# Notes to the Financial Statements

Year ended December 31, 2020

## B. Our Performance (cont'd)

### B2. Turnover (cont'd)

#### Accounting policies (cont'd)

##### 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.

#### 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 customer 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:

(\$ million)	Note	Continuing operations	
		2020	2019
Revenue from contracts with customers	(a)	5,444	6,732
Rental income		3	3
		5,447	6,735

There was no revenue from performance obligations satisfied or partially satisfied in previous periods due to change in estimate of the transaction price in 2020 and 2019.

Construction and engineering related activities for the Energy segment include service concession revenue. Included in service concession revenue is interest revenue of S\$68 million (2019: S\$73 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.

(\$ million)	Reportable segments			Total
	Energy	Urban	Others / Corporate	
<b>2020</b>				
<b>Primary geographical markets</b>				
Singapore	2,753	–	161	2,914
China	185	2	*	187
India	1,574	–	–	1,574
Rest of Asia	198	4	9	211
Middle East	63	–	–	63
UK	460	–	*	460
Rest of Europe	–	–	1	1
Other Countries	33	–	1	34
<b>Total</b>	<b>5,266</b>	<b>6</b>	<b>172</b>	<b>5,444</b>
<b>Major product / service lines</b>				
Energy products and related services (including electricity, gas and steam)	4,512	–	*	4,512
Water products and related services	182	–	–	182
Construction and engineering related activities	238	–	151	389
Others	334	6	21	361
<b>Total</b>	<b>5,266</b>	<b>6</b>	<b>172</b>	<b>5,444</b>
<b>Timing of revenue recognition</b>				
Over time	5,258	1	149	5,408
At a point in time	8	5	23	36
<b>Total</b>	<b>5,266</b>	<b>6</b>	<b>172</b>	<b>5,444</b>

# Notes to the Financial Statements

Year ended December 31, 2020

## 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)

(\$ million)	Reportable segments			Total
	Energy	Urban <sup>1</sup>	Others / Corporate	
<b>2019</b>				
<b>Primary geographical markets</b>				
Singapore	3,493	–	291	3,784
China	219	277	1	497
India	1,614	–	*	1,614
Rest of Asia	194	1	23	218
Middle East	68	–	–	68
UK	496	–	*	496
Rest of Europe	–	–	*	*
Other Countries	54	–	1	55
Total	6,138	278	316	6,732
<b>Major product / service lines</b>				
Energy products and related services (including electricity, gas and steam)	5,436	–	–	5,436
Water products and related services	207	–	–	207
Construction and engineering related activities	190	–	272	462
Others	305	278	44	627
Total	6,138	278	316	6,732
<b>Timing of revenue recognition</b>				
Over time	6,130	–	271	6,401
At a point in time	8	278	45	331
Total	6,138	278	316	6,732

<sup>1</sup> Revenue for the Urban business was mostly from the sale of Nanjing Riverside Grandeur residential property in China.

##### 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.

(\$ million)	Timing of recognition			Total
	Within the next 12 months	Between 1 to 5 years	More than 5 years	
<b>2020</b>				
<b>Segment</b>				
Energy	1,122	2,542	1,173	4,837
Urban	–	–	–	–
Others	319	773	–	1,092
Total	1,441	3,315	1,173	5,929
<b>2019</b>				
<b>Segment</b>				
Energy	1,375	4,621	2,121	8,117
Urban	–	–	–	–
Others	338	712	40	1,090
Total	1,713	5,333	2,161	9,207

## B. Our Performance (cont'd)

### B2. Turnover (cont'd)

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

##### b. Transaction price allocated to remaining performance obligations (cont'd)

#### 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.

##### c. Assets and liabilities related to contracts with customers

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

(\$ million)	Group		Company	
	2020	2019	2020	2019
<b>Contract assets</b>	<b>15</b>	<b>1,501</b>	<b>–</b>	<b>–</b>
Current contract liabilities	141	172	3	3
Non-current contract liabilities	71	69	28	30
<b>Total contract liabilities</b>	<b>212</b>	<b>241</b>	<b>31</b>	<b>33</b>

#### Significant changes in contract assets

The contract assets mainly relate 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. In 2020, these contracts relate to our infrastructure construction. In 2019, these contracts relate to 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 year are as follows:

(\$ million)	Group		Company	
	2020	2019	2020	2019
Transfer of contract assets recognised at the beginning of the year to trade receivables	(301)	(736)	–	10
Recognition of revenue, net of transfer to trade receivables during the year	461	1,207	–	(10)
Distribution of a subsidiary	(1,649)	–	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	(1)	2	–	–
– Contract modifications	3	3	–	–

#### 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 remaining period stipulated in the contract.



# Notes to the Financial Statements

Year ended December 31, 2020

## 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:

(\$ million)	Group		Company	
	2020	2019	2020	2019
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(137)	(478)	(3)	(3)
Increases due to cash received, excluding amounts recognised as revenue during the year	257	268	–	6
Disposal of subsidiary	–	(23)	–	–
Distribution of a subsidiary	(147)	–	–	–
Write-off of contract liabilities to other income	–	(2)	–	(2)
Currency translation changes	2	(4)	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	2	(2)	–	–
– Contract modifications	(2)	(1)	–	–

#### Contract Costs

(\$ million)	December 31, 2020	December 31, 2019
<b>Group</b>		
<b>Current assets</b>		
Costs to secure contracts	1	1
Fulfilment cost	*	89
	1	90
<b>Non-current assets</b>		
Costs to secure contracts	1	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 less than S\$1 million (2019: S\$3 million) as at December 31, 2020.

##### 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 2020, S\$167 million (2019: S\$560 million) was amortised to cost of sales and there was no impairment losses (2019: S\$nil). During 2019, engineering designs under development of S\$50 million was reclassified from contract costs to intangible assets (Note D3(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.

# Notes to the Financial Statements

Year ended December 31, 2020

## B. Our Performance (cont'd)

### B3. Taxation (cont'd)

#### a. Tax expenses

##### i. Current tax expense

<i>(S\$ million)</i>	Group	
	2020	2019*
<b>Current tax expense</b>		
Current year	55	133
Over provided in prior years	(17)	(9)
Foreign withholding tax	18	17
	56	141
<b>Deferred tax expense</b>		
Movements in temporary differences	(29)	(48)
Under / (over) provided in prior years	4	(9)
Effect of changes in tax rates	*	(1)
	(25)	(58)
<b>Land appreciation tax</b>		
Current year	1	32
	32	115
<b>Tax expense on continuing operations</b>	32	115
<b>Reconciliation of effective tax rate</b>		
Profit for the year from continuing operations	179	333
Total tax expense	32	115
Share of results of associates and joint ventures, net of tax	(233)	(186)
(Loss) / Profit before share of results of associates and joint ventures, and tax expense from continuing operations	(22)	262
Tax using Singapore tax rate of 17%	(4)	45
Effect of changes in tax rates	*	(1)
Effect of different tax rates in foreign jurisdictions	22	20
Tax incentives and income not subject to tax	(22)	(29)
Expenses not deductible for tax purposes	42	47
Utilisation of deferred tax benefits not previously recognised	(27)	(8)
Over provided in prior years	(13)	(18)
Deferred tax benefits not recognised	5	16
Foreign withholding tax	18	17
Deferred tax on unremitted dividend income	5	-
Land appreciation tax	1	32
Effect of tax reduction on land appreciation tax	*	(8)
Others	5	2
<b>Tax expense on continuing operations</b>	32	115

## 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.

##### Discontinued operation

In 2019, the realisability of SCM's deferred tax assets was also 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.

# Notes to the Financial Statements

Year ended December 31, 2020

## 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:

<i>(\$ million)</i>	At January 1	Recognised in profit or loss continuing operations (Note B3(a))	Recognised in profit or loss discontinued operation (Note G3)	Recognised in equity (Note B3(c))	Acquisition of subsidiary (Note G2)	Disposal of subsidiary (Note G2)	Distribution of a subsidiary (Note G3)	Translation adjustments	At December 31
<b>Group</b>									
<b>2020</b>									
<b>Deferred tax liabilities</b>									
Property, plant and equipment	445	53	(5)	*	2	(1)	(85)	(9)	400
Other financial assets	28	*	–	(4)	–	–	–	*	24
Trade and other receivables	25	5	–	–	–	–	–	–	30
Intangible assets	62	(3)	(1)	–	2	–	(28)	(2)	30
Other items	5	3	*	(2)	–	*	(1)	*	5
<b>Total</b>	<b>565</b>	<b>58</b>	<b>(6)</b>	<b>(6)</b>	<b>4</b>	<b>(1)</b>	<b>(114)</b>	<b>(11)</b>	<b>489</b>
<b>Deferred tax assets</b>									
Property, plant and equipment	(160)	(7)	2	–	–	*	79	*	(86)
Inventories	(2)	*	*	–	–	–	*	–	(2)
Trade receivables	(3)	*	*	–	–	*	*	*	(3)
Trade and other payables	(28)	(1)	(4)	*	*	–	21	*	(12)
Tax losses	(6)	(52)	(57)	–	–	*	65	5	(45)
Provisions	(45)	*	*	–	–	–	15	*	(30)
Other financial liabilities	(29)	(1)	–	3	–	–	1	*	(26)
Retirement benefit obligations	6	*	*	–	–	–	*	*	6
Other items	(12)	(22)	–	–	–	*	*	*	(34)
<b>Total</b>	<b>(279)</b>	<b>(83)</b>	<b>(59)</b>	<b>3</b>	<b>*</b>	<b>*</b>	<b>181</b>	<b>5</b>	<b>(232)</b>

<i>(\$ million)</i>	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
<b>Group</b>								
<b>2019</b>								
<b>Deferred tax liabilities</b>								
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)	–	–	–	–	*	62
Other items	15	(12)	1	*	–	(1)	2	5
<b>Total</b>	<b>635</b>	<b>(70)</b>	<b>1</b>	<b>*</b>	<b>(1)</b>	<b>(2)</b>	<b>2</b>	<b>565</b>
<b>Deferred tax assets</b>								
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)
<b>Total</b>	<b>(277)</b>	<b>(21)</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>3</b>	<b>(279)</b>

## Notes to the Financial Statements

Year ended December 31, 2020

### B. Our Performance (cont'd)

#### B3. Taxation (cont'd)

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

<i>(\$ million)</i>	At January 1, 2019	Recognised in profit or loss	At December 31, 2019	Recognised in profit or loss	At December 31, 2020
<b>Company</b>					
<b>Deferred tax liabilities</b>					
Property, plant and equipment	57	(21)	36	(1)	35
<b>Deferred tax assets</b>					
Provisions	(7)	–	(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 sheet are as follows:

<i>(\$ million)</i>	Group		Company	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Deferred tax liabilities	294	348	28	29
Deferred tax assets	(37)	(62)	–	–
	257	286	28	29

As at December 31, 2020, a deferred tax liability of S\$2 million (2019: S\$14 million) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures was 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:

<i>(\$ million)</i>	Group	
	December 31, 2020	December 31, 2019
Deductible temporary differences	44	133
Tax losses	771	1,656
Capital allowances	49	49
	864	1,838

Tax losses of the Group amounting to S\$44 million (2019: S\$44 million) will expire between 2023 and 2026 (2019: 2020 and 2027). 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:

<i>(\$ million)</i>	Group					
	2020			2019		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Foreign currency translation differences for foreign operations	(17)	–	(17)	(94)	–	(94)
Exchange differences on monetary items forming part of net investment in a foreign operation	(2)	–	(2)	(3)	–	(3)
Share of other comprehensive income of associates and joint ventures	(16)	–	(16)	(12)	–	(12)
Cash flow hedges: net movement in hedging reserves (Note (i))	(38)	1	(37)	21	(6)	15
Cost of hedging reserve:						
– Changes in fair value	(43)	–	(43)	–	–	–
– Reclassified to profit or loss	42	–	42	–	–	–
Financial assets at FVOCI: net movement in fair value reserve (Note (ii))	(14)	–	(14)	40	–	40
Realisation of reserves upon the Distribution	(125)	–	(125)	–	–	–
Realisation of reserve upon disposal of joint venture	–	–	–	(1)	–	(1)
Realisation of reserve upon disposal of subsidiaries	36	–	36	(3)	–	(3)
Defined benefit plan actuarial gains and losses	(11)	2	(9)	7	(1)	6
Other comprehensive income	(188)	3	(185)	(45)	(7)	(52)

##### i. Cash flow hedges:

<i>(\$ million)</i>	Group	
	2020	2019
Net change in fair value of hedging instruments	(143)	36
Amount reclassified to profit or loss	105	(15)
Tax expense	1	(6)
Net movement in the hedging reserve during the year recognised in other comprehensive income	(37)	15

##### ii. Financial assets at FVOCI:

<i>(\$ million)</i>	Group	
	2020	2019
Changes in fair value	(14)	40
Tax expense	–	–
Net changes in fair value during the year recognised in other comprehensive income	(14)	40

# Notes to the Financial Statements

Year ended December 31, 2020

## 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 from continuing operations for the year:

(\$ million)	Note	Group 2020	2019'
<b>a. Expenses</b>			
Allowance for / (write-back of) impairment losses (net):			
– property, plant and equipment	D1	64	80
– intangible assets	D3	6	64
– receivables and contract assets		11	7
Inventories written off		53	–
Write-down inventory to net realisable value		45	–
Amortisation of intangible assets	D3	27	27
Audit fees paid / payable:			
– auditors of the Company		2	1
– other member firms of KPMG International		1	1
– other auditors		*	1
Non-audit fees paid / payable:			
– auditors of the Company		1	1
– other member firms of KPMG International		*	*
– other auditors		*	*
Depreciation:			
– property, plant and equipment	D1	413	409
– investment properties	D2	4	1
Property, plant and equipment written off		6	10
Intangible assets written off	D3	*	*
Bad debts written off		*	*
Provision for fines and other related provision		–	7
Net change in fair value of cash flow hedges		71	(10)
<b>Staff costs</b>			
Staff costs		407	414
Included in staff costs are:			
Equity-settled share-based payments		8	7
Cash-settled share-based payments		*	*
Contributions to:			
– defined benefit plan		1	1
– defined contribution plan		27	29

## B. Our Performance (cont'd)

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

(\$ million)	Note	Group 2020	2019'
<b>b. Other operating income and (expenses)</b>			
Grants received (income related)		38	3
Gain on disposal of property, plant and equipment		5	18
Gain on disposal of assets held for sale		–	70
Net exchange gain / (loss)		15	(8)
Net change in fair value of cash flow hedges		*	–
Net change in fair value of financial assets at FVTPL (designated on initial recognition)		2	(2)
Net change in fair value of financial assets at FVTPL (mandatorily measured)		(27)	(9)
Gain from derecognition of financial assets		3	4

Grant income of S\$38 million in 2020 included S\$34 million (2019: S\$nil) COVID-19 related relief mainly in the form of Jobs Support Scheme (the JSS). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

(\$ million)	Note	Group 2020	2019'
<b>c. Non-operating income and (expenses)</b>			
Gross dividend income from financial assets at FVOCI		2	*
Gain / (Loss) on disposal of:			
– subsidiaries		23	16
– assets held for sale		(30)	–
Allowance for impairment losses:			
– goodwill	D3	(27)	(65)
– associate / joint venture		(113)	(1)
– assets reclassified to held for sale	B6	(4)	(64)
Negative goodwill	G2	17	1

# Notes to the Financial Statements

Year ended December 31, 2020

## B. Our Performance (cont'd)

### B5. Earnings per share

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

(\$ million)	Group	
	2020	2019
<b>Continuing operations</b>		
i. Profit / (Loss) attributable to owners of the Company:		
Profit / (Loss) attributable to equity holders of the Company	157	305
Less: Profit attributable to perpetual security holders of the Company	(17)	(36)
<b>Profit attributable to owners of the Company</b>	<b>140</b>	<b>269</b>
<b>Discontinued operation</b>		
Loss from discontinued operation, net of tax attributable to owners of the Company	(1,154)	(58)
<b>Profit / (Loss) for the year attributable to owner of the Company</b>	<b>(1,014)</b>	<b>211</b>
ii. Weighted average number of ordinary shares (in millions)		
Issued ordinary shares at January 1	1,786	1,784
Effect of performance shares and restricted shares released	3	3
Effect of own shares held	(4)	(1)
<b>Weighted average number of ordinary shares</b>	<b>1,785</b>	<b>1,786</b>
Adjustment for dilutive potential ordinary shares		
– performance shares	8	7
– restricted shares	7	4
<b>Weighted average number of ordinary shares adjusted for all dilutive potential ordinary shares</b>	<b>1,800</b>	<b>1,797</b>
<b>Earnings per ordinary share (cents)</b>		
– basic <sup>1</sup>	(56.81)	11.81
– diluted <sup>2,3</sup>	(56.81)	11.74
<b>Earnings per ordinary share (cents) – Continuing operations</b>		
– basic <sup>1</sup>	7.84	15.06
– diluted <sup>2</sup>	7.78	14.96

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> In computing the FY2020 fully diluted earnings per ordinary shares, the weighted average number of shares was not adjusted for the effects of all dilutive potential ordinary shares as at December 31, 2020 as these potential ordinary shares were antidilutive.

## 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).

(\$ million)	Note	Carrying amount	
		December 31, 2020	December 31, 2019
<b>Group</b>			
<b>Assets held for sale</b>			
Joint venture	(a)	30	–
Property, plant and equipment	D1, (b), (c)	–	36
Intangible assets	D3, (b)	–	5
Deferred tax assets	(b)	–	10
Trade and other receivables	(b)	–	19
Inventories	(b)	–	1
Cash and cash equivalents	(b)	–	4
		30	75
<b>Liabilities held for sale</b>			
Borrowings	(b)	–	6
Lease liabilities	(b)	–	1
Trade and other payables	(b)	–	21
Deferred tax liabilities	(b)	–	2
Current tax payable	(b)	–	1
		–	31

a. On September 1, 2020 the Group announced that CSE Holding Pte Ltd, a wholly-owned subsidiary, signed a conditional agreement to divest its entire 32% stake in joint venture company Shenzhen Chiwan Sembawang Engineering Co (CSE) to Chixiao Enterprise Co, for a total gross consideration of RMB150 million (approximately S\$30 million). As at December 31, 2020, the condition precedent were substantially met and accordingly, the carrying value less impairment of this joint venture was classified as assets held for sale.

b. On February 6, 2020, the Group announced that certain wholly-owned subsidiaries of Sembcorp Utilities Pte Ltd had 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 divestment, an impairment of S\$4 million (2019: S\$64 million) was charged under non-operating expenses (see Note B4).

The sale was completed on July 30, 2020. The Group's share of the cumulative translation reserve of S\$32 million has been realised in profit or loss upon the completion of the sales.

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

# Notes to the Financial Statements

Year ended December 31, 2020

## C. Our Funding

### C1. Capital structure

#### Capital management

The Group maintains a disciplined approach to capital management. The Group seeks to optimise the overall portfolio, maintain investor, creditor and market confidence, fund future developments and growth, while at the same time maintain an appropriate dividend policy.

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:

(\$ million)	Group	
	2020	2019
Debt	7,728	10,800
Total equity	3,476	7,879
Total debt and equity	11,204	18,679
Debt-to-capitalisation ratio	0.69	0.58

There were no changes in the Group's approach to capital management during the year. During the year, the decrease in equity and debt was mainly due to the financial effect of the Distribution (Note G3) and the redemption of the Group's perpetual securities on their first call dates, using lower cost debt facilities. The debt amount does not include the lease liabilities of \$226 million (2019: \$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 their respective loan arrangements 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.

(\$ million)	Number of shares	
	Issued Share Capital	Treasury Shares
At January 1, 2020	1,787,547,732	1,966,276
Treasury shares purchased	–	8,152,100
Treasury shares transferred pursuant to restricted share plan	–	(3,879,603)
At December 31, 2020	1,787,547,732	6,238,773

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, 2020, the Company's issued and paid up capital excluding treasury shares comprised 1,781,308,959 (December 31, 2019: 1,785,581,456) ordinary shares.

#### Treasury shares

During the year, the Company acquired 8,152,100 (2019: 2,030,100) ordinary shares in the Company by way of on-market purchases. 3,879,603 (2019: 3,163,962) treasury shares were re-issued pursuant to the Restricted Share Plan (RSP).

As at December 31, 2020, 6,238,773 (December 31, 2019: 1,966,276) 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

(\$ million)	Note	Group		Company	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Distributable</b>					
Reserve for own shares	(a)	(11)	(4)	(11)	(4)
<b>Non-distributable</b>					
Currency translation reserve	(b)	(475)	(482)	–	–
Capital reserve	(c)	160	156	–	–
Merger reserve	(d)	29	29	–	–
Share-based payments reserve	(e)	(10)	(9)	*	*
Fair value reserve	(f)	60	74	–	–
Hedging reserve	(g)	(132)	(87)	–	–
Cost of hedging reserve	(h)	(1)	–	–	–
		(380)	(323)	(11)	(4)

#### 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, 2020, the Company held 6,238,773 (2019: 1,966,276) of its own uncanceled shares as treasury shares.

# Notes to the Financial Statements

Year ended December 31, 2020

## C. Our Funding (cont'd)

### C3. Other reserves (cont'd)

Type of other reserve	Nature
<b>b. Foreign currency translation reserve</b>	Comprises: <ol style="list-style-type: none"> <li>foreign exchange differences arising from translation of the financial statements of foreign entities,</li> <li>effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign entities and</li> <li>translation of foreign currency loan used to hedge or form part of the Group's net investments in foreign entities.</li> </ol>
<b>c. Capital reserve</b>	Comprises: <ol style="list-style-type: none"> <li>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,</li> <li>asset revaluation reserve, capital redemption reserve, convertible loan stock reserve,</li> <li>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</li> <li>recognition of call options issued to non-controlling interests of subsidiaries.</li> </ol>
<b>d. Merger reserve</b>	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.
<b>e. Share-based payment reserve</b>	Represents the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares.
<b>f. Fair value reserve</b>	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.
<b>g. Hedging reserve</b>	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.
<b>h. Cost of hedging reserve</b>	Represents the change in fair value of the forward element for the forward exchange contracts (forward points) for funding purposes, which is accounted for as cost of hedging reserve.

### 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 May 15, 2020 and June 22, 2020, the Company redeemed and cancelled perpetual securities with value of S\$600 million and S\$200 million respectively.

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.

## C. Our Funding (cont'd)

### C4. Perpetual securities (cont'd)

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.

Subject to the relevant terms and conditions in the offering memorandum, the Company could elect to defer making distributions on these perpetual securities, without limit to the number of times a distribution could be deferred.

As a result, the perpetual securities did 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\$17 million (2019: S\$36 million) were accrued to perpetual security holders.

As at December 31, 2019, an amount of S\$7 million 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 shares classified as equity are accounted for as movements in revenue reserve.

A liability to distribute non-cash assets as dividend to its owners shall be measured at the fair value of the assets to be distributed. The differences between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

	Group and Company	
	2020	2019
(S\$ million)		
<b>Dividend paid</b>		
Interim one-tier tax exempt dividend of nil cents per share in respect of year 2020 (2019: 2 cents per share in respect of year 2019)	–	36
Final one-tier tax exempt dividend of 3 cents per share in respect of year 2019 (2019: 2 cents per share in respect of year 2018)	54	35
	54	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 4 cents per share (2019: one-tier tax exempt dividend of 3 cents per share). This amounts to an estimated net dividend of S\$71 million (2019: S\$54 million) in respect of the year ended December 31, 2020, based on the number of issued shares as at December 31, 2020.

The proposed dividend of 4 (2019: 3) cents per share has not been included as a liability in the financial statements.

#### **Special distribution**

On September 11, 2020, the Company demerged its Marine segment by effecting a distribution *in specie* of all the ordinary shares in the issued share capital of SCM (as disclosed in Note G3). The Group's carrying value and Company's cost of investment of these SCM shares at date of the Distribution, were S\$2,561 million and S\$2,248 million, respectively.

The Distribution was measured at fair value using the closing price of the SCM Shares of S\$0.182 prior to the Distribution, amounting to S\$1,597 million, equivalent to approximately S\$0.89 per SCI Share, based on 1,786,431,697 SCI Shares in issue (excluding 1,116,035 treasury shares) as at September 11, 2020.

Distribution at fair value less transaction costs of S\$6 million resulted in loss on Distribution of S\$970 million recognised.



# Notes to the Financial Statements

Year ended December 31, 2020

## C. Our Funding (cont'd) C6. Interest-bearing borrowings

(\$ million)	Note	Group	
		December 31, 2020	December 31, 2019
<b>Current liabilities</b>			
Non-convertible debentures		11	4
Secured term loans	(i)	477	670
Unsecured term loans	(ii)	105	1,969
		593	2,643
<b>Non-current liabilities</b>			
Non-convertible debentures		167	195
Secured term loans	(i)	3,018	3,020
Unsecured term loans	(ii)	3,950	3,442
Secured bonds	(iii)	–	1,500
		7,135	8,157
Total interest-bearing borrowings (measured at amortised cost)		7,728	10,800

Included in interest-bearing borrowings are S\$450 million (2019: S\$795 million) of loans taken with a related corporation.

### Effective interest rates and maturity of liabilities

(\$ million)		Effective interest rate %	
		2020	2019
<b>Group</b>			
Floating rate loans		0.88 – 11.35	1.70 – 12.80
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	9.65 – 12.00

#### i. Secured term loans

The secured term loans are collateralised by the following assets:

(\$ million)	Note	Group Net Book Value	
		December 31, 2020	December 31, 2019
Property, plant and equipment	D1(i)	4,724	5,159
Investment properties	D2	18	16
Unit trusts and funds	H2	85	78
Trade and other receivables	E1	1,337	1,228
Intangible assets	D3	*	*
Inventories	E2	112	95
Cash and cash equivalents	E4	262	338
Equity shares of a subsidiary		244	185

## C. Our Funding (cont'd) C6. Interest-bearing borrowings (cont'd)

#### 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 on April 3, 2020, established an additional S\$3.0 billion Multicurrency Debt Issuance Programme (the Programme). This is in addition to the existing S\$2.5 billion 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, 2020 and December 31, 2019, SFS has the following outstanding medium term notes issued under the existing Programme:

(\$ million)	Nominal interest rate	Year of issue	Year of maturity	Principal amount	
				December 31, 2020	December 31, 2019
S\$ medium term notes	3.7325%	2010	2020	–	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
				550	850

Apart from the medium term notes issued by SFS, as at December 2019, the Company had 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 were accounted as equity of the Group and were fully redeemed during the year.

As at December 31, 2020, an amount of S\$165 million (2019: S\$165 million) medium term notes were held by a related corporation.

Following the Distribution in September 2020, SCM is no longer a subsidiary of the Company and SCM's financials are no longer consolidated. Details of December 31, 2019 balances relating to SCM were:

In 2019, SCM had a S\$2.0 billion Multicurrency Multi-Issuer Debt Issuance Programme (the Programme). Under the Programme, SCM or any of the issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore dollar 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, Jurong Shipyard Pte Ltd, a subsidiary of SCM, had the following outstanding medium term notes under the Programme:

(\$ 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 medium term notes was held by a related corporation.

# Notes to the Financial Statements

Year ended December 31, 2020

## C. Our Funding (cont'd)

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

#### iii. 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 S\$1.5 billion of SCM's borrowings and for working capital and general corporate purposes. SFI acted as a guarantor for the bonds issuance. As at December 31, 2019, an amount of S\$200 million fixed rate guaranteed bonds was subscribed by a related corporation.

In September 2020, the Company subscribed S\$1.5 billion of SCM's 5-for-1 Rights Issue at a Rights Issue Price of S\$0.20 per share Rights Shares by setting off the S\$1.5 billion outstanding subordinated loan extended to SCM prior to the Distribution on September 11, 2020. The secured bonds were fully redeemed in November 2020 and an amount of S\$6.5 million was paid to a related corporation for the early redemption (Note G6).

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

	2020				2019			
	Accrued interest payable (Note E3)	Interest-bearing borrowings (Note C6)	Lease liabilities (Note D1.1)	Total	Accrued interest payable (Note E3)	Interest-bearing borrowings (Note C6)	Lease liabilities (Note D1.1)	Total
<i>(S\$ million)</i>								
Balance at January 1	57	10,800	504	11,361	42	10,728	3	10,773
Recognised on adoption of SFRS(I) 16	-	-	-	-	-	-	509	509
Revised balance at January 1	57	10,800	504	11,361	42	10,728	512	11,282
<b>Cash flows</b>								
Cash payments	-	(4,351)	(28)	(4,379)	-	(3,886)	(35)	(3,921)
Cash proceeds	-	5,241	-	5,241	-	4,007	-	4,007
Interest paid	(503)	-	(12)	(515)	(531)	-	(13)	(544)
<b>Non-cash items</b>								
Acquisition of subsidiary	-	-	6	6	-	-	-	-
Disposal of subsidiaries / disposal group held for sale	-	*	*	*	*	(17)	(2)	(19)
Distribution of a subsidiary	(14)	(3,794)	(297)	(4,105)	-	-	-	-
Interest expenses, including amortisation of capitalised transaction costs	471	11	21	503	546	5	18	569
New leases	-	-	41	41	-	-	31	31
Write-off of lease liabilities	-	-	(10)	(10)	-	-	(7)	(7)
Adjustment to upfront fees / Remeasurement of lease liabilities	-	(15)	1	(14)	-	-	-	-
Foreign exchange movement	*	(164)	*	(164)	*	(37)	*	(37)
	457	(3,962)	(238)	(3,743)	546	(49)	40	537
<b>Balance at December 31</b>	<b>11</b>	<b>7,728</b>	<b>226</b>	<b>7,965</b>	<b>57</b>	<b>10,800</b>	<b>504</b>	<b>11,361</b>

## 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 asset 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.

	Note	Group	
		2020	2019
<i>(S\$ million)</i>			
<b>Finance income</b>			
Finance income from financial assets measured at amortised costs			
- associates and joint ventures		6	5
- bank and others		29	34
		35	39
<b>Finance costs</b>			
Interest paid and payable to, measured at amortised cost			
- banks and others		454	447
Amortisation of capitalised transaction costs		11	7
Unwind of discount on restoration costs	H3	1	1
Significant financing component from contracts with customers		3	4
Interest rate swaps:			
- changes in fair value through profit or loss		17	14
- ineffective portion of changes in fair value		4	1
Interest expense on amortisation of lease liability	D1.1	9	9
		499	483

### 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.

# Notes to the Financial Statements

Year ended December 31, 2020

## C. Our Funding (cont'd)

### C8. Contingent liabilities (cont'd)

#### 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.

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	
	December 31, 2020	December 31, 2019
<i>(\$ million)</i>		
Guarantees given to banks to secure banking facilities provided to:		
– Joint ventures	41	123
– Others	39	65
Performance guarantees to external parties	362	377

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

	Group	
	December 31, 2020	December 31, 2019
<i>(\$ million)</i>		
Less than 1 year	71	94
Between 1 to 5 years	9	93
More than 5 years	*	1
	80	188

The Group's subsidiaries are involved in certain tax disputes, where the amount of potential exposure has been estimated to be approximately S\$38 million (2019: S\$63 million). Due to the nature of these tax disputes, the potential outcome and obligation is uncertain. No provisions have been recorded in this regard.

#### Company

a. The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, SFS. As the 5-year secured bond was fully repaid during the year (see Note C6(iii)), the Company has no outstanding guarantee for this secured bond issued by SFS in 2019. 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\$7,950 million (2019: S\$6,394 million), which include S\$3,525 million (2019: S\$3,409 million) drawn down as at balance sheet date. The periods in which the financial guarantees expire are as follows:

	Company	
	December 31, 2020	December 31, 2019
<i>(\$ million)</i>		
Less than 1 year	100	480
Between 1 to 5 years	3,175	2,579
More than 5 years	250	350
	3,525	3,409

## C. Our Funding (cont'd)

### C8. Contingent liabilities (cont'd)

b. The Company has provided corporate guarantees of S\$93 million (2019: S\$130 million) to a subsidiary, Sembcorp Cogen Pte Ltd (SembCogen) for the following:

- 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.
- 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

	Note	Group	
		2020	2019
<i>(\$ million)</i>			
– Commitments in respect of contracts placed		215	278
– Commitments in respect of a civil settlement in China	(i)	45	45
– Uncalled capital and commitments to subscribe for additional shares in joint ventures and other investments		52	66
		312	389

i. As part of the settlement relating to the discharge of off-specification wastewater by its 95% owned joint venture wastewater treatment company, Sembcorp Nanjing Suiwu Company Limited, 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. As at December 31, 2020, the Group has commenced on these investments which include upgrading of its wastewater treatment plants in China.

#### b. Non-cancellable operating leases

##### 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:

	Group	
	2020	2019
<i>(\$ million)</i>		
Lease receivable:		
Within 1 year	6	12
One to two years	6	3
Two to three years	5	3
Three to four years	5	2
Four to five years	3	2
More than 5 years	14	5
	39	27

**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 include 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 restoring 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.

**D. Our Assets (cont'd)****D1. Property, plant and equipment (cont'd)****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 of factors such as changes in the expected level of usage and technological developments.

**Discontinued operation****Impairment assessment of the Group's shipyards in 2019**

In 2019, 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 order book 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 order book, 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% and 11.82% for the Singapore CGU and Brazil CGU respectively; and the Group assessed that no impairment loss is required for these individual CGUs.

The forecasted order book 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 order book of the Singapore cash generating unit is, however, reduced by a certain level of order books already secured by the Group. Nevertheless, there are remaining estimation uncertainties surrounding the remaining unsecured order book, 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 order book 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 order book, 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.

# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

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

In 2020, the Group presents right-of-use assets as part of property, plant and equipment as both are capital assets. The Group continues to invest in renewable power equipment and shipyard facilities (via SCM prior to the Distribution) in 2020. Steam, electricity generating equipment and water treatments equipment and related infrastructure assets form the majority of our tangible assets as at December 31, 2020; while December 31, 2019, also includes shipyards facilities including berthage. All assets are depreciated over their useful economic lives.

(\$ 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	Right-of-use assets (Note D1.1)	Total
<b>Group</b>													
<b>Cost / Valuation</b>													
Balance at January 1, 2020		1,921	100	1,572	94	10,856	327	74	205	83	1,315	625	17,172
Translation adjustments		4	2	6	(6)	(280)	3	*	(1)	*	1	(1)	(272)
Additions		2	4	–	2	73	–	*	9	6	206	42	344
Reclassification		*	3	6	7	494	(21)	1	1	2	(505)	12	–
Acquisition of subsidiaries	G2	1	*	–	–	2	–	–	*	4	4	15	26
Transfer to investment properties	D2	–	*	–	–	–	–	–	*	–	(1)	–	(1)
Transfer from other category of assets	(v)	–	–	–	–	16	–	–	–	*	*	–	16
Remeasurement adjustments for right-of-use assets		–	–	–	–	–	–	–	–	–	–	1	1
Reversal of accrued capital expenditure	(viii)	–	–	–	–	–	–	–	–	–	(69)	–	(69)
Disposals / Write-offs		(1)	*	–	–	(23)	(1)	*	(2)	(2)	(7)	(30)	(66)
Disposal of subsidiaries	G2	*	–	–	–	*	–	–	*	*	–	–	*
Distribution of a subsidiary	G3	(1,539)	(34)	(1,572)	(41)	(1,718)	(308)	(75)	(149)	(28)	(786)	(352)	(6,602)
Balance at December 31, 2020		388	75	12	56	9,420	–	–	63	65	158	312	10,549
<b>Accumulated depreciation and impairment losses</b>													
Balance at January 1, 2020		590	54	385	30	3,374	86	65	167	51	6	161	4,969
Translation adjustments		2	(1)	*	(1)	(38)	*	(2)	*	(1)	*	(1)	(42)
Depreciation for the year													
– Continuing operations	B4(a)	9	2	*	4	370	–	–	6	7	–	15	413
– Discontinued operation		23	*	19	3	39	7	3	6	1	–	15	116
Reclassification		–	–	–	–	*	*	–	–	–	–	–	–
Transfer to investment properties	D2	–	*	–	–	–	–	–	*	–	–	–	*
Disposals / Write-offs		*	*	–	–	(16)	(1)	*	(2)	(1)	*	(20)	(40)
Disposal of subsidiaries	G2	*	–	–	–	*	–	–	*	*	–	–	*
Impairment losses	(vi), (vii), B4(a)	1	*	–	–	63	–	–	*	–	–	–	64
Distribution of a subsidiary	G3	(525)	(34)	(395)	(12)	(770)	(92)	(66)	(131)	(22)	–	(88)	(2,135)
Balance at December 31, 2020		100	21	9	24	3,022	–	–	46	35	6	82	3,345
<b>Carrying amounts</b>													
At January 1, 2020		1,331	46	1,187	64	7,482	241	9	38	32	1,309	464	12,203
At December 31, 2020		288	54	3	32	6,398	–	–	17	30	152	230	7,204

# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

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

(\$ 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	Right-of-use assets (Note D1.1)	Total
<b>Group</b>													
<b>Cost / Valuation</b>													
Balance at January 1, 2019		1,826	66	1,525	146	10,248	283	67	204	91	1,506	–	15,962
Recognition of right-of-use asset on initial application of SFRS(I) 16		–	–	–	–	–	–	–	–	–	–	605	605
Translation adjustments		(10)	(1)	(5)	(10)	(50)	(3)	*	(2)	*	(11)	1	(91)
Additions	(xiii)	3	2	1	6	110	48	6	11	4	877	34	1,102
Reclassification		150	47	51	16	680	–	1	*	*	(1,056)	–	(111)
Transfer to intangible assets		–	–	–	–	*	–	–	*	*	(1)	–	(1)
Transfer to other financial assets		(6)	(8)	–	–	(5)	–	–	*	*	*	2	(17)
Disposals / Write-offs		(5)	(2)	–	–	(50)	(1)	*	(3)	(6)	*	(10)	(77)
Transfer to assets held for sale		(15)	–	–	(64)	(51)	–	–	(2)	*	–	(2)	(134)
Disposal of subsidiaries	G2	(22)	(4)	–	–	(26)	–	–	(3)	(6)	*	(5)	(66)
Balance at December 31, 2019		1,921	100	1,572	94	10,856	327	74	205	83	1,315	625	17,172
<b>Accumulated depreciation and impairment losses</b>													
Balance at January 1, 2019		564	52	340	47	2,937	77	61	159	53	–	–	4,290
Recognition of right-of-use asset on initial application of SFRS(I) 16		–	–	–	–	–	–	–	–	–	–	122	122
Translation adjustments		(3)	*	*	(3)	5	(1)	*	(1)	*	*	*	(3)
Depreciation for the year	B4(a)	56	3	66	10	411	10	4	16	8	–	43	627
Reclassification		(16)	2	(21)	–	(1)	–	–	*	*	–	–	(36)
Transfer to intangible assets		–	–	–	–	–	–	–	*	*	–	–	*
Transfer (from) / to other financial assets		*	(1)	–	–	(1)	–	–	*	*	–	3	1
Disposals / Write-offs		(1)	(2)	–	–	(26)	*	*	(3)	(6)	–	(2)	(40)
Transfer to assets held for sale		(6)	–	–	(24)	(10)	–	–	(1)	*	–	*	(41)
Disposal of subsidiaries	G2	(5)	*	–	–	(15)	–	–	(3)	(4)	–	(5)	(32)
Impairment losses	(ix), (x), B4(a)	1	*	–	–	74	–	–	*	–	6	*	81
Balance at December 31, 2019		590	54	385	30	3,374	86	65	167	51	6	161	4,969
<b>Carrying amounts</b>													
At January 1, 2019		1,262	14	1,185	99	7,311	206	6	45	38	1,506	483	12,155
At December 31, 2019		1,331	46	1,187	64	7,482	241	9	38	32	1,309	464	12,203

# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

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

<i>(\$ million)</i>	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	Right-of-use assets (Note D1.1)	Total
<b>Company</b>									
<b>Cost</b>									
Balance at January 1, 2020	20	7	8	723	19	3	1	144	925
Additions	*	*	–	10	1	*	6	*	17
Reclassification	–	–	–	*	–	–	*	–	–
Transfer from / (to) other category of assets	–	–	–	–	–	–	*	–	*
Disposals / Write-offs	–	*	–	(3)	*	–	–	(2)	(5)
Balance at December 31, 2020	20	7	8	730	20	3	7	142	937
<b>Accumulated depreciation and impairment losses</b>									
Balance at January 1, 2020	12	7	4	432	16	1	–	44	516
Depreciation for the year	1	*	*	32	1	*	–	4	38
Disposals / Write-offs	–	*	–	(3)	*	–	–	(2)	(5)
Impairment losses	–	–	–	5	–	–	–	–	5
Balance at December 31, 2020	13	7	4	466	17	1	–	46	554
<b>Carrying amounts</b>									
At January 1, 2020	8	–	4	291	3	2	1	100	409
At December 31, 2020	7	–	4	264	3	2	7	96	383
<b>Company</b>									
<b>Cost</b>									
Balance at January 1, 2019	20	8	8	678	17	2	39	–	772
Recognition of right-of-use assets on initial application of SFRS(I) 16	–	–	–	–	–	–	–	152	152
Additions	*	*	–	11	2	1	2	*	16
Reclassification	–	–	–	39	*	–	(39)	–	–
Transfer from / (to) other category of assets	–	–	–	–	–	–	(1)	–	(1)
Disposals	*	(1)	–	(5)	*	*	–	(8)	(14)
Balance at December 31, 2019	20	7	8	723	19	3	1	144	925
<b>Accumulated depreciation and impairment losses</b>									
Balance at January 1, 2019	11	8	4	405	15	1	–	–	444
Recognition of right-of-use assets on initial application of SFRS(I) 16	–	–	–	–	–	–	–	42	42
Depreciation for the year	1	*	*	30	1	*	–	4	36
Disposals	*	(1)	–	(3)	*	*	–	(2)	(6)
Balance at December 31, 2019	12	7	4	432	16	1	–	44	516
<b>Carrying amounts</b>									
At January 1, 2019	9	–	4	273	2	1	39	–	328
At December 31, 2019	8	–	4	291	3	2	1	100	409

# Notes to the Financial Statements

Year ended December 31, 2020

## 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:

<i>(\$ million)</i>	Note	Group	
		December 31, 2020	December 31, 2019
Freehold land and buildings		160	168
Leasehold land and buildings including right-of-use assets		43	52
Plant and machinery		4,465	4,680
Capital work-in-progress		19	216
Other assets		37	43
	C6(i)	4,724	5,159

- ii. During the year, interest and direct staff costs amounting to S\$23 million (2019: S\$51 million) and S\$3 million (2019: 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 4.28% to 6.50% (2019: 3.27% to 7.00%).
- iii. Property, plant and equipment arising from the acquisition of subsidiaries was at fair value at the acquisition date.
- iv. In 2020, property, plant and equipment included additional provision for restoration costs amounting to S\$5 million (2019: S\$3 million) (Note H3).
- v. In 2020, additions to plant and machinery included a S\$16 million settlement with a vendor in the form of strategic spares (Note E1(f)).
- vi. In 2020, following the decision of a major customer to exit its Singapore operations, an impairment of S\$21 million was recognised to reduce the carrying value of a wastewater treatment plant and a woodchip boiler facility to its net realisable value. An impairment of S\$8 million was also made to a wastewater treatment plant in China due to the contract termination with a customer who has stopped production. These impairment charges were recognised in cost of sales.
- vii. In 2020, triggered by the continued challenging market conditions and weak performance, an impairment of S\$34 million (2019: S\$52 million) was recognised in cost of sales for the UK Power Reserve (UKPR) assets based on the estimated VIU from a revised strategy for the business to focus primarily in the grid services market. The key assumptions used in determining the VIU are included in the table for impairment testing for goodwill in Note D3.
- viii. The amount represents a reduction in capital work-in-progress due to reversal of accrued expenditure on completion of projects.

## D. Our Assets (cont'd)

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

#### Group (cont'd)

- ix. 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 programme.
- x. 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 VIU of the related development costs was estimated to be S\$nil as at December 31, 2019. Accordingly, an impairment loss of S\$6 million was recognised in cost of sales.
- xi. A subsidiary in India has entered into an agreement to convert an existing leasehold land upon which its property, plant and equipment reside, to freehold land. The subsidiary has fully paid for the conversion of the leasehold land based on the freehold rate. As at December 31, 2020, 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, 2020, as the alienation of this leasehold land is in progress and the subsidiary management has assessed that delay in the above transfer was of administrative in nature and the transfer will happen in due course of time. During 2020, this leasehold land is reported together with other rented land under right-of-use assets.
- xii. Prior to the Distribution, the Group leased 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.
- xiii. The acquisition of marine vessel in 2019 was settled via an offset of payables and dividend receivables from a joint venture.

#### Change in estimates

In 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:

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

SCM's financials are no longer consolidated in the Group post the Distribution on September 11, 2020.



# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

### D1.1 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.

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

Adoption of the amendment to SFRS(I) 16 *COVID-19-Related Rent Concession*:

Rent concessions linked to COVID-19 pandemic are not assessed and accounted for as lease modifications but are taken to profit or loss.

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)

### D1.1 Right-of-use assets and leases (cont'd)

#### i. Amounts recognised in the balance sheets Group

<i>(S\$ million)</i>	December 31, 2020	December 31, 2019
<b>Right-of-use assets</b>		
Leasehold land and buildings	226	396
Plant and machinery	*	9
Marine vessels	–	52
Motor vehicles	3	1
Furniture, fittings and office equipment	1	6
	230	464

Lease liabilities recognised in the balance sheets:

<i>(S\$ million)</i>	December 31, 2020	December 31, 2019
Current	11	34
Non-current	215	470
	226	504
<b>Maturity analysis</b>		
Within 1 year	11	34
After 1 year but within 5 years	36	112
After 5 years	179	358
Total	226	504

In 2020, cost of S\$15 million (2019: S\$75 million) was transferred from property, plant and equipment and remaining additions to the right-of-use assets were S\$42 million (2019: S\$32 million).

#### Company

<i>(S\$ million)</i>	December 31, 2020	December 31, 2019
<b>Right-of-use assets</b>		
Leasehold land and buildings	66	68
Plant and machinery	30	32
Motor vehicles	–	*
	96	100

## Notes to the Financial Statements

Year ended December 31, 2020

### D. Our Assets (cont'd)

#### D1.1 Right-of-use assets and leases (cont'd)

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

Lease liabilities recognised in the balance sheet:

Company	December 31, 2020	December 31, 2019
<i>(\$ million)</i>		
Current	4	4
Non-current	112	116
	116	120
Maturity analysis		
Within 1 year	4	4
After 1 year but within 5 years	17	16
After 5 years	95	100
Total	116	120

During the year, additions to the right-of-use assets were S\$1 million (2019: S\$1 million).

##### ii. Amounts recognised in profit or loss

<i>(\$ million)</i>	Group	
	2020	2019*
Depreciation charge of right-of-use assets		
Leasehold land and buildings	12	12
Plant and machinery	1	2
Motor vehicles	1	1
Furniture, fittings and office equipment	1	*
	15	15
Interest expense (included in finance cost)	9	9
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	3	3
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses)	4	3
Expense relating to variable lease payments not included in lease liabilities (included in cost of goods sold and administrative expenses)	*	*

The total cash outflow for leases in 2020 of S\$40 million (2019: S\$48 million) has been reduced by total S\$1 million of rent concessions linked to COVID-19 received from lessors and taken to profit or loss primarily from continuing operations.

### D. Our Assets (cont'd)

#### D2. 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.

# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

### D2. Investment properties (cont'd)

(\$ million)	Note	Group		Total
		Investment properties	Investment properties work-in-progress	
<b>Cost</b>				
Balance at January 1, 2020		146	3	149
Translation adjustments		4	*	4
Additions		1	6	7
Reclassification		6	(6)	–
Transfer from property, plant and equipment	D1	1	–	1
Transfer to inventories		*	–	*
Disposals / Write-offs		*	–	*
Balance at December 31, 2020		158	3	161
<b>Accumulated depreciation and impairment losses</b>				
Balance at January 1, 2020		21	–	21
Translation adjustments		1	–	1
Depreciation for the year	B4(a)	4	–	4
Transfer from property, plant and equipment	D1	*	–	*
Disposals / Write-offs		*	–	*
Balance at December 31, 2020		26	–	26
<b>Carrying amounts</b>				
At January 1, 2020		125	3	128
At December 31, 2020		132	3	135
<b>Cost</b>				
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
<b>Accumulated depreciation and impairment losses</b>				
Balance at January 1, 2019		20	–	20
Translation adjustments		*	–	*
Depreciation for the year	B4(a)	1	–	1
Balance at December 31, 2019		21	–	21
<b>Carrying amounts</b>				
At January 1, 2019		30	80	110
At December 31, 2019		125	3	128

## D. Our Assets (cont'd)

### D2. Investment properties (cont'd)

#### Amounts recognised in profit or loss for investment properties

(\$ million)	Group	
	2020	2019
Rental income	7	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\$191 million (2019: S\$175 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\$18 million (2019: S\$16 million) 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).

### D3. Intangible assets

The balance sheet contains 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.

# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

### D3. Intangible assets (cont'd)

#### Accounting policies (cont'd)

#### 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. 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 determination of the recoverable amounts of goodwill and other intangible assets involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the discount rates, gross margin forecasts and plant load factors. The gross margin forecasts and plant load factors take into account expected customer demand and forecasted tariff rates. These are inherently subject to estimation uncertainties as well as political and regulatory developments.

#### Discontinued operation

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)

### D3. Intangible assets (cont'd)

(\$ million)	Note	Goodwill	Service concession arrangements	Long-term contracts	Intellectual property rights	Design under development	Others	Total
<b>Group</b>								
<b>Cost</b>								
Balance at January 1, 2020		299	63	232	299	50	42	985
Translation adjustments		(4)	3	(6)	–	–	*	(7)
Additions		–	1	–	–	–	58	59
Acquisition of subsidiaries	G2	–	–	10	–	–	*	10
Disposal of subsidiary	G2	–	(12)	–	–	–	–	(12)
Disposal		–	*	–	–	–	(23)	(23)
Transfer from other category of asset		–	*	–	–	–	*	*
Write-off	B4(a)	–	(1)	–	–	–	*	(1)
Distribution of a subsidiary	G3	(18)	–	–	(299)	(50)	(3)	(370)
Balance at December 31, 2020		277	54	236	–	–	74	641
<b>Accumulated amortisation and impairment losses</b>								
Balance at January 1, 2020		90	23	100	114	–	28	355
Translation adjustments		1	1	(1)	*	–	*	1
<b>Amortisation charge for the year</b>								
– Continuing operations	B4(a)	–	4	17	–	–	6	27
– Discontinued operation		–	–	–	19	–	–	19
Disposal of subsidiary	G2	–	(6)	–	–	–	–	(6)
Disposal		–	*	–	–	–	–	*
Impairment losses	B4(a), (c)	27	–	6	–	–	–	33
Distribution of a subsidiary	G3	–	–	–	(133)	–	(2)	(135)
Write-off	B4(a)	–	(1)	–	–	–	*	(1)
Balance at December 31, 2020		118	21	122	–	–	32	293
<b>Carrying amounts</b>								
At January 1, 2020		209	40	132	185	50	14	630
At December 31, 2020		159	33	114	–	–	42	348

# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

### D3. Intangible assets (cont'd)

<i>(\$ million)</i>	Note	Goodwill	Service concession arrangements	Long-term contracts	Intellectual property rights	Water rights	Design under development	Others	Total
<b>Group</b>									
<b>Cost</b>									
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	(b)	–	–	–	–	–	50	1	51
Write-off	B4(a)	–	*	–	–	–	–	*	*
Other		2	–	(1)	–	–	–	–	1
Balance at December 31, 2019		299	63	232	299	*	50	42	985
<b>Accumulated amortisation and impairment losses</b>									
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(a), (c)	65	–	64	–	–	–	–	129
Write-off	B4(a)	–	*	–	–	–	–	*	*
Balance at December 31, 2019		90	23	100	114	*	–	28	355
<b>Carrying amounts</b>									
At January 1, 2019		272	53	211	206	10	–	27	779
At December 31, 2019		209	40	132	185	*	50	14	630

## D. Our Assets (cont'd)

### D3. Intangible assets (cont'd)

- In 2020, the Group recognised impairment loss on goodwill of S\$27 million (2019: S\$65 million) in non-operating expenses and long-term contracts of S\$6 million (2019: S\$64 million) in cost of sales.
- In 2019, engineering design under development of S\$50 million 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. SCM's financials are no longer consolidated in the Group post Distribution.
- In 2019, with the completion of the share swap agreement with RGT, 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. SCM's financials are no longer consolidated in the Group post Distribution.

Intangible assets of less than S\$1 million (2019: less than S\$1 million) have been pledged to secure loan facilities.

<i>(\$ million)</i>	Goodwill	Others	Total
<b>Company</b>			
<b>Cost</b>			
Balance at January 1, 2020	19	23	42
Additions	–	3	3
Disposals	–	*	*
Transfer from / (to) other category of assets	–	*	*
Balance at December 31, 2020	19	26	45
<b>Accumulated amortisation and impairment losses</b>			
Balance at January 1, 2020	–	16	16
Amortisation charge for the year	–	3	3
Disposals	–	*	*
Balance at December 31, 2020	–	19	19
<b>Carrying amounts</b>			
At January 1, 2020	19	7	26
At December 31, 2020	19	7	26
<b>Cost</b>			
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
<b>Accumulated amortisation and impairment losses</b>			
Balance at January 1, 2019	–	13	13
Amortisation charge for the year	–	3	3
Balance at December 31, 2019	–	16	16
<b>Carrying amounts</b>			
At January 1, 2019	19	5	24
At December 31, 2019	19	7	26

# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

### D3. Intangible assets (cont'd)

#### Amortisation

The amortisation of intangible assets is analysed as follows:

(S\$ million)	Group	
	2020	2019
Cost of sales	21	48
Administrative expenses	6	6
Total	27	54

#### Service concession arrangements

The subsidiaries in Chile, Panama and China have service concession agreements with the local municipalities in Chile; Panama; and Fuzhou, Xinmin and Yanjiao in People's Republic of China to supply drinking water to the local communities. In 2020, the subsidiaries in Chile and Panama (2019: the subsidiaries in Xinmin China) which have service concession agreements have been divested.

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 2020, the Group has recognised an impairment of S\$6 million (2019: S\$64 million). See Note D3(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. SCM's financials are no longer consolidated in the Group post the Distribution on September 11, 2020.

#### 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. The subsidiaries in Chile with water rights which reclassified to asset held for sale in 2019 have been divested in 2020.

#### Other intangible assets

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

## D. Our Assets (cont'd)

### D3. 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, 2020	December 31, 2019
<b>Cash-generating Unit (CGU)</b>		
SUT Division	19	19
Sembcorp Gas Pte Ltd	42	42
SEIL (Project I) (formerly known as Sembcorp Energy India Ltd)	23	24
SEIL (Project II) (formerly known as Sembcorp Gayatri Power Limited)	39	41
Sembcorp Green Infra Limited and its subsidiaries	36	38
UK Power Reserve Limited ("UKPR")	–	27
Multiple units with insignificant goodwill	*	18
	159	209

The recoverable amounts for SUT Division, Sembcorp Gas Pte Ltd / Sembcorp Fuels Pte Ltd, SEIL (Project I), SEIL (Project II), Sembcorp Green Infra Limited and its subsidiaries and UKPR were determined using VIU calculations. Cash flow projections used in the VIU calculations were prepared based on management's past experience in operating the business and forward market outlook over the long-term nature of the utilities and power business. Pre-tax discount rates between 4.5% and 10.3% (2019: 5.0% to 11.0%) had been used.

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.

# Notes to the Financial Statements

Year ended December 31, 2020

## D. Our Assets (cont'd)

### D3. Intangible assets (cont'd)

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.

#### a. Key assumptions on recoverable amounts on respective CGUs

	SUT Division	Sembcorp Gas Pte Ltd / Sembcorp Fuels Pte Ltd	SEIL (Project I)	SEIL (Project II)	Sembcorp Green Infra Limited and its subsidiaries	UKPR
<b>Cash flow projections period</b>	Remaining useful life of plants assumed 20 years (2019: 21 years)	Remaining contractual period of existing contracts	Remaining useful life of plants assumed 20 years (2019: 21 years)	Remaining useful life of plants assumed 21 years (2019: 22 years)	Remaining useful life of plants assumed 30 years (2019: 30 years)	Estimated remaining useful life of the plants ranging from 2021 to 2039
<b>Terminal value</b>	None	None	None	None	None	None
<b>Expected capital expenditure</b>	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
<b>Revenue and margins</b>	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  Probabilities of securing the contracts based on the latest estimates have been assigned to each contract and using these probabilities to discount the corresponding cash flow projections from the contracts	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
<b>Inflation rate assumptions used to project overheads and other general expenses</b>	0.9% (2019: 1.3% to 1.4%)	0.9% (2019: 1.3% to 1.4%)	3.5% (2019: 4.0%)	3.5% (2019: 4.0%)	3.5% (2019: 4.0%)	2.5% (2019: 2.5%)
<b>Others</b>	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(xi))	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

#### Sembcorp Gas Pte Ltd

As Sembcorp Gas Pte Ltd became wholly-owned in November 2019, there is a change in CGU for Sembcorp Gas Pte Ltd to include Sembcorp Fuels (Singapore) Pte Ltd, whose principal activity is also arranging for purchase and sale of natural gas. These two entities are considered a single CGU, for the following reasons: both have same customer bases for natural gas, pricing is set by the same management team and cash inflows are not generated largely independently.

#### UKPR

In 2020, with the change in market conditions from what was assumed at the time of purchase, the remaining goodwill ascribed for UKPR's acquisition of S\$27 million was impaired and recorded in non-operating expenses in B4(c). The business adopted a revised strategy to focus primarily in the grid services market. Together with the impairment losses on property, plant and equipment of S\$34 million and long-term customer contracts of S\$6 million, as well as an impairment of S\$27 million goodwill, the total impairment charge recognised in the year amounted to S\$67 million.

#### UKPR (cont'd)

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 this 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 8.0% (2019: 7.0% to 8.2%) would result in an overall additional impairments of S\$17 million (2019: S\$51 million).

#### Company

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

# Notes to the Financial Statements

Year ended December 31, 2020

## 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 arrangement 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.

(\$ million)	Note	December 31, 2020			December 31, 2019		
		Non-current	Current	Total	Non-current	Current	Total
<b>Group</b>							
Trade receivables		*	871	871	1,055	1,188	2,243
Service concession receivables	(a)	934	40	974	1,017	38	1,055
Amounts due from related parties	G6	1	59	60	30	56	86
Staff loans		–	*	*	–	*	*
Deposits		5	28	33	6	21	27
Sundry receivables	(b)	–	81	81	–	101	101
Unbilled receivables	(c)	–	395	395	–	415	415
Loan receivables		–	9	9	–	14	14
Recoverables		*	8	8	–	38	38
Interest receivables		–	6	6	–	10	10
Grant receivables		–	8	8	–	–	–
		940	1,505	2,445	2,108	1,881	3,989
Loss allowance	F4	(12)	(45)	(57)	(10)	(191)	(201)
Financial assets at amortised costs	F4,(d)	928	1,460	2,388	2,098	1,690	3,788
Prepayments	(e)	46	45	91	45	99	144
Other receivables	(f)	–	–	–	–	16	16
Employee defined benefit asset		*	2	2	10	–	10
Advances to suppliers		–	61	61	–	227	227
Tax recoverable		21	3	24	17	16	33
		995	1,571	2,566	2,170	2,048	4,218

## E. Working Capital (cont'd)

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

(\$ million)	Note	December 31, 2020			December 31, 2019		
		Non-current	Current	Total	Non-current	Current	Total
<b>Company</b>							
Trade receivables		–	15	15	–	15	15
Amounts due from related parties	G6	–	15	15	345	13	358
Deposits		–	2	2	–	2	2
Unbilled receivables	(c)	–	48	48	–	49	49
Grant receivables		–	4	4	–	–	–
		–	84	84	345	79	424
Loss allowance	(g)	–	*	*	–	*	*
Financial assets at amortised costs	F4	–	84	84	345	79	424
Prepayments	(f)	3	6	9	4	4	8
Advance to suppliers		–	1	1	*	*	*
		3	91	94	349	83	432

#### a. Service concession receivables

Through its subsidiaries, the Group have service concession agreements with the local government and governing agency. The agreements in 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. In 2019, the Group recorded construction revenue and profits of S\$58 million and S\$29 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% (2019: 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\$28 million (2019: S\$22 million) due from related companies.

#### d. Trade and other receivables

Trade and other receivables of S\$1,337 million (2019: S\$1,228 million) have been pledged to secure loan facilities. Included in the pledged amount is S\$404 million (2019: S\$428 million) that relates to the underlying assets of the service concession arrangements.

As at December 31, 2020, an amount of S\$110 million was recognised as a result of a favourable outcome for a change in law claim of SEIL (Project I).



# Notes to the Financial Statements

Year ended December 31, 2020

## E. Working Capital (cont'd)

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

#### e. Prepayments

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

##### Group

- 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\$22 million (2019: S\$24 million);
- Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank; and
- Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

##### Company

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

#### f. Other receivables

Other receivables in 2019 represent amount settled with a vendor in the form of strategic spares received in 2020 (Note D1).

### 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.

##### Discontinued operation

#### 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.

## E. Working Capital (cont'd)

### E2. Inventories (cont'd)

	Group		Company	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<i>(S\$ million)</i>				
Raw materials and consumables	192	225	*	*
Finished goods	70	183	7	7
	262	408	7	7
Allowance for inventory obsolescence	(66)	(22)	(3)	(3)
	196	386	4	4
Properties under development	*	*	–	–
	196	386	4	4

#### Amounts recognised in profit or loss

	Note	Group	
		2020	2019
<i>(S\$ million)</i>			
– Inventories recognised as an expense in cost of sales		826	1,927
– Inventories written down / (written back)	(i)	45	*
– Inventories written off	(ii)	53	–

Inventories of S\$112 million (2019: S\$95 million) have been pledged to secure loan facilities.

- During the year, due to the significant decline in fuel prices, the value of the Group's inventory of gasoil for fulfilling certain regulatory, was written down by S\$45 million to its net realisation value.
- In 2020, a subsidiary in Singapore has commenced legal proceedings to assert its ownership of the gasoil stored and managed by third party, the net carrying value of S\$53 million was fully written off after taking into account the financial positions of the third party reported by the interim judicial manager.

# Notes to the Financial Statements

Year ended December 31, 2020

## 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.

Note	Group		Company	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<i>(\$ million)</i>				
<b>Current liabilities</b>				
Trade payables	325	1,012	4	7
Advance payments from customers	31	17	*	*
Amounts due to related parties	G6	10	22	4
Accrued capital and operating expenditure	(a)	583	1,487	84
Deposits		35	33	*
Accrued interest payable		11	57	–
Other creditors		160	216	5
Deferred grants		4	–	2
		1,159	2,844	99
<b>Non-current liabilities</b>				
Deferred grants	(b)	4	2	*
Amounts due to related parties	G6	–	–	1,595
Other long-term payables	(c)	52	73	18
Deferred income		46	51	–
Retirement benefit obligation		6	5	–
		108	131	1,613

- Included in the Company's accrued operating expenses are amounts of S\$37 million (2019: S\$53 million) due to related companies.
- Deferred grants relate to government grants for capital assets and JSS government grant.
- 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 sheet.

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.

	Group		Company	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<i>(\$ million)</i>				
Fixed deposits with banks	301	380	–	–
Cash and bank balances	731	1,387	358	1,123
Cash and cash equivalents in the balance sheets	1,032	1,767	358	1,123
Restricted bank balances	(23)	(27)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	1,009	1,740	358	1,123
Cash and cash equivalents inclusive of placement with:				
– A subsidiary	–	–	357	1,122
– A related corporation	117	283	1	1

Fixed deposits with banks of the Group earn interest at rates ranging from 0.03% to 9.00% (2019: 0.65% to 9.00%) per annum.

Included in the Group's cash and cash equivalents in the balance sheet is an amount of S\$262 million (2019: S\$338 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 a 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)*

#### a. **Market risk**

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, 2020 (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 rate of 1% would have at Group level, decreased profit before tax (PBT) by S\$44 million and increased equity by S\$8 million (2019: decreased PBT by S\$23 million and increased equity by S\$17 million, based on the floating rate position at December 31, 2019). At Company level, PBT would have decreased by S\$11 million (2019: increased PBT by S\$11 million) and no impact to equity. A 1% decrease in interest rate 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.

# Notes to the Financial Statements

Year ended December 31, 2020

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

### F1. Market risk (cont'd)

#### Financial risk management objectives and policies (cont'd)

##### a. Market risk (cont'd)

##### ii. Foreign currency risk (cont'd)

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

(\$ million)	SGD	USD	EURO	GBP	INR	BRL	Others
<b>Group</b>							
<b>2020</b>							
<b>Financial assets</b>							
Cash and cash equivalents	24	184	9	11	-	-	14
Loan to an associate	-	-	-	71	-	-	-
Trade and other receivables	15	382	*	146	856	-	135
Other financial assets	-	71	-	-	-	-	-
	39	637	9	228	856	-	149
<b>Financial liabilities</b>							
Trade and other payables	28	320	8	226	-	-	24
Interest-bearing borrowings	-	359	-	-	-	-	105
Lease liabilities	4	-	-	-	-	-	*
	32	679	8	226	-	-	129
Net financial assets / (liabilities)	7	(42)	1	2	856	-	20
Add: Firm commitments and highly probable forecast transactions in foreign currencies	-	(195)	(4)	-	-	-	-
Less: Cross currency swap / Foreign exchange forward contracts	17	501	4	-	(869)	-	42
Net currency exposure	24	264	1	2	(13)	-	62
<b>2019</b>							
<b>Financial assets</b>							
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
<b>Financial liabilities</b>							
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

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

### F1. Market risk (cont'd)

#### Financial risk management objectives and policies (cont'd)

##### a. Market risk (cont'd)

##### ii. Foreign currency risk (cont'd)

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

(\$ million)	USD
<b>2020</b>	
<b>Company</b>	
<b>Financial assets</b>	
Cash and cash equivalents	21
Trade and other receivables	13
	34
<b>Financial liabilities</b>	
Trade and other payables	17
Net financial assets	17
Net currency exposure	17
<b>2019</b>	
<b>Financial assets</b>	
Cash and cash equivalents	28
Trade and other receivables	18
	46
<b>Financial liabilities</b>	
Trade and other payables	39
Net financial assets	7
Net currency exposure	7

#### 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 was taken.

(\$ million)	Group				Company	
	Equity		Profit before tax		Profit before tax	
	2020	2019	2020	2019	2020	2019
SGD	1	1	1	(7)	-	-
USD	20	(60)	22	202	2	1
EURO	*	(8)	*	6	-	-
GBP	6	5	(4)	(4)	-	-
INR	-	-	(1)	2	-	-
BRL	-	-	-	(4)	-	-
Others	-	-	6	5	-	-

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.

# Notes to the Financial Statements

Year ended December 31, 2020

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

### F1. Market risk *(cont'd)*

#### Financial risk management objectives and policies *(cont'd)*

#### a. Market risk *(cont'd)*

#### iii. Price risk

##### Unit trust and funds, and equity securities price risk

The Group is exposed to unit trust and funds, and equity securities price risk because of the investments held by the Group which are classified on the consolidated balance sheet either as 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\$7 million and S\$12 million, respectively (2019: increase in equity and PBT are S\$9 million and S\$9 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 as 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 of 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:

<i>(S\$ million)</i>	Group	
	2020	2019
Equity	15	25

A 10% decrease in the prices of commodities would have had the equal but opposite effect to the amounts shown above. The analysis is performed on the same basis for 2019 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 designates only the change in fair value of the spot element of forward exchange contracts for funding purposes as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element for the forward exchange contracts ("forward points") is separately accounted for as a cost of hedging and recognised in hedging reserve within equity.

The Group uses derivative instruments (derivatives) (as disclosed in Note H2) 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.

A fundamental reform of major interest rate benchmarks is being undertaken globally to replace some of the interbank offered rates ("IBORS") with alternative risk free rates. The Group has loans and derivatives (as hedges to the loans) in IBORS and has been actively monitoring its development. While the timing and the methods of transition of the IBORS are still uncertain, the Group has started to engage the existing lenders to plan the transition of the affected loans and derivatives. The impact to the Group will be assessed once there is clarity to the timing and methods of transition for the IBORS.

The Group's exposure to the interest rate benchmark reform as at December 31, 2020 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 2021 to 2036 (2019: 2020 to 2036). 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\$1,377 million (2019: S\$3,219 million) at December 31, 2020.

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 depend on the nature of the item being hedged.

# Notes to the Financial Statements

Year ended December 31, 2020

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

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

#### Derivatives designated as hedging instruments

The Group designates certain derivatives as either:

- Hedges of fair value of recognised assets, liabilities or firm commitments (fair value hedge)
- Hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction (cash flow hedge)
- 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.

#### Cash flow hedges

##### Key estimates and judgements

For cash flow hedging relationships directly impacted by interest rate benchmark reform (i.e. hedges of SOR), the Group assumes that the cash flows of the hedged item and hedging instrument will not be altered. 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, 2020.

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.

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

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

#### Cash flow hedges *(cont'd)*

At December 31, 2020, the Group held the following instruments to hedge exposures to changes in foreign currency, interest rates and commodity prices:

<i>(\$ million)</i>	Rate (\$)	Interest rate (%)	Maturity		
			Within 1 year	Between 1 to 5 years	More than 5 years
<b>2020</b>					
<b>Foreign currency risk</b>					
Forward foreign exchange contracts (Buy / Sell)					
– SGD / USD	0.70 – 0.75	–	21	–	–
– USD / SGD	1.29 – 1.47	–	204	44	–
– SGD / INR	54.98 – 56.76	–	963	–	–
– EUR / SGD	1.63	–	4	–	–
– INR / USD	73.97 – 77.40	–	68	–	–
<b>Interest rate risk</b>					
Interest rate swap (IRS)					
– Float-to-fixed	–	1.05 – 2.51	122	597	100
– Fixed-to-float	–	2.92	181	–	–
<b>Foreign currency and interest rate risk</b>					
Cross currency swaps					
– USD / INR	66.75	8.36	12	244	–
<b>Commodity risk</b>					
Fuel oil swaps					
– Fuel oil swap (\$ per MT)	186.00 – 421.00	–	290	54	–
– Fuel oil swap (\$ per BBL)	33.03 – 67.65	–	82	7	–
– Fuel oil swap (\$ per MMBTU)	4.90 – 5.59	–	7	9	–
– Electricity futures market contracts	66.35 – 107.16	–	12	–	–
– Coal commodity contracts	67.50 – 69.00	–	20	–	–

## Notes to the Financial Statements

Year ended December 31, 2020

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

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

##### Cash flow hedges (cont'd)

(\$ million)	Rate (\$)	Interest rate (%)	Maturity		
			Within 1 year	Between 1 to 5 years	More than 5 years
<b>2019</b>					
<b>Foreign currency risk</b>					
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	-	-
<b>Interest rate risk</b>					
Interest rate swap (IRS)					
- Float-to-fixed	-	0.87 – 5.53	1,007	766	100
<b>Foreign currency and interest rate risk</b>					
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	-
<b>Commodity risk</b>					
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 – 107.16	-	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)

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

(\$ million)	Cash flow hedge reserve for continuing hedges	
	2020	2019
<b>Foreign currency risk</b>		
Receivables	-	3
Highly probable purchases	8	(3)
Highly probable sales	-	12
<b>Interest rate risk</b>		
Variable rate borrowings	(68)	(36)
Other financial liabilities	(9)	-
<b>Foreign currency and interest rate risk</b>		
Receivables	(1)	7
Variable rate borrowings	(3)	(9)
<b>Commodity risk</b>		
Highly probable purchases	21	(17)
Fuel oil price	1	-

# Notes to the Financial Statements

Year ended December 31, 2020

## 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			Total
	Forward foreign exchange contracts	Interest rate swaps	Interest rate swaps	Cross currency swaps	Fuel oil swaps	Electricity futures market contracts	Coal commodity contracts			
<b>2020</b>										
Nominal amount (\$ million)	1,304	1,195	256	450	12	20	3,237			
				533,953			533,953			
				MT,			MT,			
				1,034,975			1,034,975			
				BBL and			BBL and			
				2,352,000			2,352,000			
Quantity				MMBTU			MMBTU			
<b>Carrying amount (\$ million)</b>										
Other financial assets	3	–	17	47	*	4	71			
Other financial liabilities	13	86	–	25	2	–	126			
<b>Fair value increase / (decrease) (\$ million)</b>										
Hedging instruments	(40)	(45)	(88)	(24)	6	5	(186)			
Hedged items	51	45	88	26	(6)	(5)	199			
Hedge ineffectiveness	11	–	–	2	–	–	13			
<b>Reconciliation of hedging reserve (\$ million)</b>										
Changes in fair value	(40)	(45)	(88)	(24)	6	5	(186)			
Amounts reclassified to profit or loss:										
– Cost of goods sold	(80)	–	–	68	(5)	–	(17)			
– Finance cost	–	2	162	–	–	–	164			
	(120)	(43)	74	44	1	5	(39)			
Tax on above items							1			
<b>Change in hedging reserve</b>							(38)			
Share of other comprehensive income of associates and joint ventures							(16)			
<b>Movement during the year</b>							(54)			

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

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

#### Cash flow hedges (cont'd)

	Foreign currency risk		Interest rate risk		Foreign currency risk and interest rate risk		Commodity risk			Total
	Forward foreign exchange contracts	Interest rate swaps	Interest rate swaps	Cross currency swaps	Fuel oil swaps	Electricity futures market contracts	Coal commodity contracts			
<b>2019</b>										
Nominal amount (\$ million)	2,587	2,078	1,008	403	33	16	6,125			
				802,192			802,192			
				MT and			MT and			
				378,299			378,299			
				BBL			BBL			
Quantity	–	–	–	–	–	–	–			
<b>Carrying amount (\$ million)</b>										
Other financial assets	24	–	97	14	*	–	135			
Other financial liabilities	7	43	–	35	2	2	89			
<b>Fair value increase / (decrease) (\$ million)</b>										
Hedging instruments	18	(32)	1	51	(1)	(1)	36			
Hedged items	(13)	32	(1)	(51)	1	1	(31)			
Hedge ineffectiveness	5	–	–	–	–	–	5			
<b>Reconciliation of hedging reserve (\$ million)</b>										
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)			
<b>Change in hedging reserve</b>							15			
Share of other comprehensive income of associates and joint ventures							(12)			
<b>Movement during the year</b>							3			



# Notes to the Financial Statements

Year ended December 31, 2020

## 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	
	2020	2019
<b>Balance at January 1</b>	(87)	(87)
<b>Movement during the year</b>		
Changes in fair value:		
– Foreign currency risk	(40)	18
– Interest rate risk	(45)	(32)
– Foreign currency and interest rate risk	(88)	1
– Commodity risk	(13)	49
Amount reclassified to profit or loss:		
– Foreign currency risk	(80)	(22)
– Interest rate risk	2	1
– Foreign currency and interest rate risk	162	15
– Commodity risk	63	(9)
Tax on movements on reserves during the year	1	(6)
Share of other comprehensive income of associates and joint ventures	(16)	(12)
	(54)	3
Share of non-controlling interests	8	(3)
<b>Balance at December 31</b>	<b>(133)</b>	<b>(87)</b>

#### Net investment hedges

The Group's investments in its UK subsidiaries are hedged by SGD / GBP 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\$4 million (2019: S\$22 million) and S\$8 million (2019: S\$nil) is included in other financial assets and other financial liabilities respectively.

The notional amount of the contracts are S\$127 million (2019: S\$365 million). During the financial year, hedging loss of S\$2 million (2019: S\$4 million) was recognised in other comprehensive income. As at December 31, 2020, the balance of foreign currency translation reserve for continuing hedges is S\$33 million (2019: S\$35 million).

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

### F3. Liquidity risk

The Group manages its liquidity risk with the view of 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.

#### 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 and 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 flow hedges are expected to impact profit or loss within 1 year, between 1 and 5 years and upon disposal of its investment in subsidiaries.

Approximately S\$600 million (2019: S\$2.6 billion) of interest-bearing borrowings are due within 12 months. In 2019, the amount included S\$1.4 billion from SCM Group. The Group has at least S\$800 million (2019: S\$1.0 billion) in committed 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 derivative financial liabilities) based on contractual undiscounted cash inflows / (outflows), including estimated interest payments and excluding the impact of netting agreements:

(S\$ million)	Carrying amount	Contractual cash flow	Cash Flows		
			Less than 1 year	Between 1 and 5 years	Over 5 years
<b>Group</b>					
<b>2020</b>					
<b>Derivatives</b>					
Derivative financial liabilities	138				
– inflow		232	190	42	–
– outflow		(370)	(278)	(82)	(10)
Derivative financial assets	(98)				
– inflow		224	102	115	7
– outflow		(138)	(34)	(104)	–
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	1,125	(1,128)	(1,108)	(13)	(7)
Lease liabilities	226	(353)	(20)	(65)	(268)
Interest-bearing borrowings	7,728	(9,790)	(925)	(5,974)	(2,891)
	9,119	(11,323)	(2,073)	(6,081)	(3,169)
<b>2019</b>					
<b>Derivatives</b>					
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)	–
<b>Non-derivative financial liabilities</b>					
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

# Notes to the Financial Statements

Year ended December 31, 2020

## 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)*

<i>(\$ million)</i>	Carrying amount	Contractual cash flow	Cash Flows		
			Less than 1 year	Between 1 and 5 years	Over 5 years
<b>Company</b>					
<b>2020</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	1,708	(1,750)	(120)	(1,630)	–
Lease liabilities	116	(187)	(8)	(32)	(147)
	1,824	(1,937)	(128)	(1,662)	(147)
<b>2019</b>					
<b>Non-derivative financial liabilities</b>					
Trade and other payables*	397	(424)	(235)	(189)	–
Lease liabilities	120	(194)	(8)	(32)	(154)
	517	(618)	(243)	(221)	(154)

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

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:

<i>(\$ million)</i>	Carrying amount	Contractual cash flow	Cash Flows		
			Less than 1 year	Between 1 and 5 years	Over 5 years
<b>Group</b>					
<b>2020</b>					
Derivative financial liabilities	126				
– inflow		232	190	42	–
– outflow		(358)	(275)	(74)	(9)
Derivative financial assets	(71)				
– inflow		102	97	5	–
– outflow		(32)	(32)	–	–
	55	(56)	(20)	(27)	(9)
<b>2019</b>					
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)

## 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 if 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 determines whether the credit risk has increased significantly, the Group considers 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 income statement.

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.

As at December 31, 2020, 84% of service concessions receivables relate to two major customers of the Group.

The carrying amount of receivables from the Group's most significant customer of the Energy business was S\$458 million as at December 31, 2020. This receivable relates mainly to the sale of power in India and the customer is sovereign backed. Based on the Group's policy, the expected credit loss allowance was S\$9 million as at December 31, 2020.

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. This receivable was secured over a right to repossess and to re-sell the assets delivered in the event of default by the customer, and no allowance was recognised.

#### *Expected credit loss (ECL) assessment for customers with credit ratings (or equivalent)*

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. In 2020, the Group has used the updated probabilities of default rates from Standards and Poor's, taking in current market conditions, including COVID-19 impact for each credit rating. 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.

# Notes to the Financial Statements

Year ended December 31, 2020

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

### F4. Credit risk (cont'd)

(\$ million)	Equivalent to external credit rating	Credit impaired	Gross carrying amount	Loss allowance	Net carrying amount
<b>Group</b>					
<b>2020</b>					
<i>Receivables measured at lifetime ECL</i>					
Trade and other receivables and contract assets					
- Industrial	AAA – B+	No	230	(4)	226
- Government	AAA	No	20	–	20
- Retail	AAA – CCC	No	16	(1)	15
- Others	BBB – CCC	No	112	(2)	110
			378	(7)	371
<i>Receivables measured at 12-month ECL</i>					
Service concession receivables	AAA – B		974	(11)	963
<b>Total</b>			1,352	(18)	1,334
<b>2019</b>					
<i>Receivables measured at lifetime ECL</i>					
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
<i>Receivables measured at 12-month ECL</i>					
Service concession receivables	AAA – B		1,055	(8)	1,047
<b>Total</b>			4,297	(167)	4,130
<b>Company</b>					
<b>2020</b>					
<i>Receivables measured at lifetime ECL</i>					
Trade and other receivables and contract assets					
- Industrial	BBB – CCC	No	35	*	35
- Government	AAA	No	4	–	4
			39	*	39
<b>2019</b>					
<i>Receivables measured at lifetime ECL</i>					
Trade and other receivables and contract assets					
- Industrial	AA+ – B+	No	42	*	42

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:

(\$ million)	Credit impaired	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
<b>Group</b>					
<b>2020</b>					
Not past due	No	0.4%	241	(1)	240
Past due 0 to 3 months	No	0.2%	200	*	200
Past due 3 to 6 months	No	0.8%	234	(2)	232
Past due 6 to 12 months	No	2.0%	153	(3)	150
More than 1 year	No	56.3%	48	(27)	21
<b>Total</b>			876	(33)	843
<b>Company</b>					
<b>2020</b>					
Not past due	No		72	–	72
Past due 0 to 3 months	No		10	–	10
Past due 3 to 6 months	No		1	–	1
Past due 6 to 12 months	No		1	–	1
<b>Total</b>			84	–	84
<b>2019</b>					
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
<b>Total</b>			992	(29)	963
<b>Company</b>					
<b>2019</b>					
Not past due	No		72	–	72
Past due 0 to 3 months	No		7	–	7
<b>Total</b>			79	–	79

For remaining financial assets at amortised cost amounting to S\$232 million (2019: S\$201 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\$6 million (2019: S\$5 million).

In 2019, the Company held non-trade receivables from its subsidiaries of S\$345 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.

# Notes to the Financial Statements

Year ended December 31, 2020

## 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:

(\$ million)	Note	Group			Company		
		12-month ECL 2020	Lifetime ECL 2020	Total 2020	12-month ECL 2020	Lifetime ECL 2020	Total 2020
Balance at January 1		8	193	201	–	*	*
Currency translation difference		1	(9)	(8)	–	–	–
Impairment loss recognised		2	14	16	–	*	*
Loss allowance utilised		–	(3)	(3)	–	–	–
Loss allowance written back		–	(4)	(4)	–	–	–
Distribution of a subsidiary		–	(145)	(145)	–	–	–
Balance at December 31	E1	11	46	57	–	*	*

(\$ million)	Note	Group			Company		
		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	–	*	*

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

### F5. Financial instruments

#### 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 are for hedging purposes. These derivatives are mainly forward 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.

1. The fair value of forward foreign exchange contracts and foreign exchange swaps are accounted for based on the difference between the contractual price and the current forward market price.
2. 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.
3. 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.
4. 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 futures market. Upon settlement, the gains and losses of 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.

#### 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.

# Notes to the Financial Statements

Year ended December 31, 2020

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

### F5. Financial instruments (cont'd)

#### Fair value hierarchy

##### Financial assets and liabilities carried at fair value

(\$ million)	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	
<b>Group</b>				
<b>As at December 31, 2020</b>				
Financial assets at FVOCI	–	–	71	71
Financial assets at FVTPL	90	–	26	116
Derivative financial assets	–	98	–	98
	90	98	97	285
Derivative financial liabilities	–	(138)	–	(138)
	90	(40)	97	147
<b>As at December 31, 2019</b>				
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

There have been no transfers between the different levels of the fair value hierarchy at December 31, 2020 and December 31, 2019.

#### 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:

(\$ million)	Financial assets at FVOCI	
	2020	2019
<b>Group</b>		
<b>As at January 1</b>	87	37
Translation adjustments	1	–
Net change in fair value recognised in OCI	(14)	50
Distribution of a subsidiary	(3)	–
<b>As at December 31</b>	71	87

(\$ million)	Financial assets at FVTPL	
	2020	2019
<b>Group</b>		
<b>As at January 1</b>	25	15
Addition	4	1
(Repayment of shareholder's loan) / Reclassification <sup>#</sup>	(5)	13
Net change in fair value recognised in profit or loss	2	(4)
<b>As at December 31</b>	26	25

<sup>#</sup> 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 allowed the local authorities to temporarily take over the operation of SJW for the period from June 28, 2019 to May 28, 2020 and subsequently extended to May 28, 2021. As a result, during this period, the Group is deemed to have lost control of SJW, and SJW's net assets of \$8 million (2019: \$13 million) is deconsolidated and recognised as 'other financial assets' accordingly. The net assets as at December 31, 2020 was reduced with the repayment of shareholder's loan.

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

### F5. Financial instruments (cont'd)

#### Fair value hierarchy (cont'd)

##### Level 3 fair values (cont'd)

Financial asset at FVOCI in Level 3 of the fair value hierarchy include unquoted equity shares. The fair value of the unquoted equity shares is 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\*

(\$ million)	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	
<b>Group</b>				
<b>At December 31, 2020</b>				
Investment properties	–	169	22	191
Associate	131	–	–	131
Service concession receivables	–	1,334	–	1,334
Long-term interest-bearing borrowings	–	(7,175)	–	(7,175)
<b>At December 31, 2019</b>				
Investment properties	–	152	23	175
Associate	181	–	–	181
Service concession receivables	–	1,253	–	1,253
Long-term interest-bearing borrowings	–	(8,226)	–	(8,226)

(\$ million)	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	
<b>Company</b>				
<b>At December 31, 2020</b>				
Amounts due to related parties	–	(1,603)	–	(1,603)
<b>At December 31, 2019</b>				
Investment in a subsidiary	1,682	–	–	1,682
Amounts due from related parties	–	346	–	346
Amounts due to related parties	–	(149)	–	(149)

\* 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 and where the effect of discounting is immaterial.

# Notes to the Financial Statements

Year ended December 31, 2020

## 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.

<i>(S\$ million)</i>	Financial assets at amortised costs	Other financial liabilities	Total carrying amount	Fair value
<b>Group</b>				
<b>As at December 31, 2020</b>				
Service concession receivables	974	–	974	1,334
Interest-bearing borrowings:				
Non-current borrowings	–	7,135	7,135	7,175
<b>As at December 31, 2019</b>				
Service concession receivables	1,055	–	1,055	1,253
Interest-bearing borrowings:				
Non-current borrowings	–	8,157	8,157	8,226
<b>Company</b>				
<b>As at December 31, 2020</b>				
Amounts due to related parties	–	1,595	1,595	1,603
<b>As at December 31, 2019</b>				
Amounts due from related parties	345	–	345	346
Amounts due to related parties	–	145	145	149

## 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

<i>(S\$ million)</i>	Company	
	December 31, 2020	December 31, 2019
<b>At cost and carrying value:</b>		
Quoted equity shares	–	739
Unquoted equity shares	2,016	1,616
Preference shares	288	288
Share-based payments reserve	4	3
	2,308	2,646

In 2019, the fair value of the equity interest of the listed subsidiary, with a carrying amount S\$739 million amounted to S\$1,682 million based on the last transacted market price on the last transaction day of the year.

# Notes to the Financial Statements

Year ended December 31, 2020

## 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	
		2020 %	2019 %
<b>Energy</b>			
Sembcorp Utilities Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Cogen Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Gas Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Utilities (UK) Limited <sup>2</sup>	United Kingdom	100	100
Sembcorp Energy UK Limited <sup>2</sup>	United Kingdom	100	100
Sembcorp Environment Pte. Ltd. <sup>1</sup>	Singapore	100	100
SembWaste Pte Ltd <sup>1</sup>	Singapore	100	100
Sembcorp Energy India Ltd, SEIL <sup>2</sup>	India	100	100
Sembcorp Green Infra Limited (SGI) <sup>2</sup>	India	100	100
Sembcorp Myingyan Power Company Limited <sup>2</sup>	Myanmar	100	100
Sembcorp North-West Power Company Ltd. <sup>2</sup>	Bangladesh	71	71
<b>Marine</b>			
Sembcorp Marine Ltd <sup>1,3</sup>	Singapore	–	61.01
Jurong Shipyard Pte Ltd <sup>1,3</sup>	Singapore	–	61.01
PPL Shipyard Pte Ltd <sup>1,3</sup>	Singapore	–	61.01
Sembcorp Marine Repairs & Upgrades Pte. Ltd. <sup>1,3</sup>	Singapore	–	61.01
Sembcorp Marine Offshore Platforms Pte Ltd <sup>1,3</sup>	Singapore	–	61.01
<b>Urban</b>			
Sembcorp Development Ltd <sup>1</sup>	Singapore	100	100
Vietnam Singapore Industrial Park Pte Ltd <sup>1</sup>	Singapore	96.59	96.59
Singapore Technologies Industrial Corp Ltd <sup>1</sup>	Singapore	100	100
Nanjing Riverside Quay Co., Ltd <sup>2</sup>	People's Republic of China	100	100
<b>Others</b>			
Singapore Precision Industries Pte Ltd <sup>1</sup>	Singapore	100	100

<sup>1</sup> Audited by KPMG LLP, Singapore

<sup>2</sup> Audited by member firms of KPMG International<sup>3</sup>

<sup>3</sup> On September 11, 2020, the Company distributed its holdings of ordinary shares in the capital of a subsidiary, Sembcorp Marine Ltd (SCM) to its shareholders, (the Distribution). Following the SCM Distribution, SCM ceased to be part of the Group.

## G. Group Structure (cont'd)

### G2. Acquisition and disposal of subsidiaries

#### Acquisition of significant subsidiaries

On June 30, 2020, the Group acquired 100% equity stake in Sembcorp Enviro Services Pte. Ltd. (formerly known as Veolia ES Singapore Pte. Ltd.) and the public cleaning business of Veolia ES Singapore Industrial (VESSI). The acquisition is in line with the Group's strategy of deepening its presence as an integrated energy and urban solutions player providing green and more efficient solutions to enable sustainable developments in its key markets.

#### Revenue and profit contribution

The acquired business contributed revenue of S\$44 million and loss of S\$1.4 million to the Group's result for the period from July 1, 2020 to December 31, 2020.

Had the acquired businesses been consolidated from January 1, 2020, the contribution to the Group's consolidated revenue and consolidated profit for the year ended December 31, 2020, would have been S\$89 million and S\$7 million respectively.

In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition and related amortisation charges for the year would have been the same if the acquisition had occurred on January 1, 2020.

#### Consideration transferred

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

(S\$ million)		2020
<b>a. Effect on cash flows of the Group</b>		
Cash paid		18
Less: Cash and cash equivalents in subsidiaries acquired		(9)
Cash outflow on acquisition		9
<b>(S\$ million)</b>		
	<b>Note</b>	<b>At fair value</b>
<b>b. Identifiable assets acquired and liabilities assumed</b>		
Property, plant and equipment	D1	26
Intangible assets	D3	10
Deferred tax assets	B3(b)	*
Trade and other receivables		6
Cash and cash equivalents		9
Total assets		51
Trade and other payables		5
Other financial liabilities		7
Deferred tax liabilities	B3(b)	4
Total liabilities		16
Total net identifiable assets		35
Less: Negative goodwill	B4(c)	(17)
Consideration transferred for the businesses		18

# Notes to the Financial Statements

Year ended December 31, 2020

## G. Group Structure (cont'd)

### G2. Acquisition and disposal of subsidiaries (cont'd)

#### Acquisition of significant subsidiaries (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
Property, plant and equipment	<i>Market comparison technique</i> The valuation model considers quoted market prices for similar items when they are available
Intangible assets	<i>Multi-period excess earnings method</i> The multi-period excess earnings model considers the present value of net cash flows related to contribution assets

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.

##### Negative goodwill

The negative goodwill of S\$17 million recognised on acquisition is primarily attributable to Veolia Singapore wanting to exit the public cleaning and waste management business in Singapore to focus in its core operations.

##### Acquisition-related costs

The Group incurred acquisition-related costs of S\$2 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\$5 million. The gross contractual amount for trade receivables due is S\$5 million and, at the acquisition date, the entire contractual amount was expected to be collectible.

The above are inclusive of fair value adjustments.

## G. Group Structure (cont'd)

### G2. Acquisition and disposal of subsidiaries (cont'd)

#### Disposal of significant subsidiaries

For the year 2020, the Group divested 100% of its interests in the water business in Panama.

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).

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

(S\$ million)	Note	2020	2019
Property, plant and equipment	D1	*	34
Intangible assets	D3	6	1
Deferred tax assets	B3(b)	*	–
Other receivables		33	53
Inventory		*	–
Cash and cash equivalents		4	73
Total assets		43	161
Trade and other payables		3	66
Other liabilities		2	28
Borrowing		–	9
Lease liability		–	1
Current tax payable		*	7
Deferred tax liabilities	B3(b)	1	1
Total liabilities		6	112
Net assets derecognised		37	49
Less: Non-controlling interest		–	(2)
Realisation of currency translation & other reserve		1	*
		38	47
Gain on disposal		20	16
Consideration (net of withholding tax) received		58	63
Less: cash and cash equivalents disposed of		(4)	(73)
Net cash inflow / (outflow)		54	(10)

### G3. Discontinued operation

#### Accounting policies

A discontinued operation is a component of the Group's business that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations.

#### Revenue from contracts with customers

##### a. Ships and rigs repair, building, conversion and overhaul

The Marine segment has adopted the same accounting policies as that applied for construction of infrastructure and related engineering services as described in Note B2(b).

##### b. Charter hire

The Marine segment has adopted the same accounting policies as that applied for rental income as described in Note B2.



# Notes to the Financial Statements

Year ended December 31, 2020

## G. Group Structure (cont'd)

### G3. Discontinued operation (cont'd)

In September 2020, SCM issued a 5-for-1 Rights Issue at a Rights Issue Price of S\$0.20 per share. The Company subscribed S\$1.5 billion of the Rights Shares by setting off the S\$1.5 billion outstanding under its Subordinated Loan extended to SCM.

On September 11, 2020, the Company demerged SCM via a distribution *in specie* of the Company's shares in SCM to its ordinary shareholders as dividend (the Distribution) and SCM ceased to be a subsidiary. The results of SCM are reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

SCM was previously reported under the Marine segment which focused principally on providing integrated solutions for the offshore and marine industry with key capabilities in rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding.

#### Financial performance and cash flow information

The financial performance and cash flow information presented are for the period from January 1 to September 11, 2020 and with comparative for full year ended December 31, 2019.

(\$ million)	Group	
	2020	2019
Turnover	1,026	2,883
Expenses	(1,381)	(3,022)
Share of results of associates and joint ventures, net of tax	*	(2)
<b>Loss from operation</b>	<b>(355)</b>	<b>(141)</b>
Finance income	38	93
Finance cost	(70)	(104)
<b>Loss from operating activities</b>	<b>(387)</b>	<b>(152)</b>
Tax credit	57	36
Non-controlling interests (NCI)	146	58
<b>Loss from operating activities, net of tax and NCI</b>	<b>(184)</b>	<b>(58)</b>
Loss on the Distribution	(970)	-
<b>Net loss from discontinued operation, net of tax</b>	<b>(1,154)</b>	<b>(58)</b>
Basic earnings (loss) per share – cents	(64.65)	(3.25)
Diluted earnings (loss) per share – cents <sup>1</sup>	(64.65)	(3.25)

<sup>1</sup> In computing the FY2020 fully diluted earnings per ordinary shares, the weighted average number of shares was not adjusted for the effects of all dilutive potential ordinary shares as at December 31, 2020 as these potential ordinary shares were antidilutive.

Earnings (loss) per share is computed using a weighted average number of shares and an adjusted weighted number of shares in Note B5(ii).

The cash flows attributable to the discontinued operation for the year ended December 31, are as follows:

(\$ million)	Group	
	2020	2019
Operating cash flow	(357)	(257)
Investing cash flow	(63)	(243)
Financing cash flow	1,341	56
Net cash inflows / (outflows)	921	(444)

## G. Group Structure (cont'd)

### G3. Discontinued operation (cont'd)

#### Carrying value of the distribution *in specie*

The financial effects arising from the distribution *in specie* of discontinued operation are as follows:

(\$ million)	2020
Property, plant and equipment	4,467
Intangible assets	235
Deferred tax assets	95
Other receivables	3,239
Inventory	106
Cash and cash equivalents	1,309
<b>Total assets</b>	<b>9,451</b>
Trade and other payables	1,164
Other liabilities	266
Borrowing	3,794
Lease liabilities	297
Current tax payable	8
Deferred tax liabilities	28
<b>Total liabilities</b>	<b>5,557</b>
Net assets distributed	3,894
Less: Non-controlling interests	(1,208)
Realisation of capital reserves upon distribution	(125)
	2,561
Distribution <i>in specie</i> (less transaction costs of S\$6 million)	(1,591)
Loss on the Distribution	(970)
Consideration received	-
Less: cash of subsidiary companies distributed	(1,309)
<b>Net cash outflow on distribution <i>in specie</i></b>	<b>(1,309)</b>

#### Non-Financial information as disclosed in FY2019

##### Share-based incentive plans

Details of SCM's share plans up to September 11, 2020, date of the Distribution is disclosed in the Director's Statements and SCM's publicly available financial statements.

### G4. Non-controlling interests

Non-controlling interests are 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.

#### Distribution *in specie*

##### 2020

Following the distribution *in specie*, Sembcorp Marine Group ceased to be a subsidiary company of the Group (Note G3). Accordingly, there are no material subsidiaries with material NCI in financial year ended December 31, 2020.

#### 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.

# Notes to the Financial Statements

Year ended December 31, 2020

## G. Group Structure (cont'd)

### G4. Non-controlling interests (cont'd)

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

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

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

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)	Sembcorp Marine Group 2019
NCI percentage	39%
Country of incorporation	Singapore
Operating segment	Marine
Revenue	2,882
Loss for the year	(140)
Other comprehensive income	(6)
<b>Total comprehensive income</b>	<b>(146)</b>
Attributable to non-controlling interests:	
Loss for the year	(57)
Other comprehensive income	(2)
<b>Total comprehensive income</b>	<b>(59)</b>
Non-current assets	5,894
Current assets	2,565
Non-current liabilities	(3,377)
Current liabilities	(2,875)
<b>Net assets</b>	<b>2,207</b>
<b>Net assets attributable to non-controlling interests</b>	<b>875</b>
Cash flows used in operating activities	(296)
Cash flows used in investing activities	(312)
Cash flows from financing activities	164
<b>Net decrease in cash and cash equivalents</b>	<b>(444)</b>
Dividends paid to non-controlling interests	-

## G. Group Structure (cont'd)

### G5. 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 VIU. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also choose suitable discount rates in order to calculate the present value of those cash flows.

(\$ million)	Note	Group	
		December 31, 2020	December 31, 2019
Associates and joint ventures		1,614	1,647
Loan to an associate	(a)	71	66
Allowance for impairment	(b), (c)	(97)	(17)
		1,588	1,696

In 2020, the Group received dividends of S\$213 million (2019: S\$201 million) from its investments in associates and joint ventures.

The carrying value includes goodwill on acquisition as follows:

(\$ million)	Group	
	2020	2019
Balance at January 1	3	3
Distribution of a subsidiary	(3)	-
Balance at December 31	*	3

- 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.

## Notes to the Financial Statements

Year ended December 31, 2020

### G. Group Structure (cont'd)

#### G5. Associates and joint ventures (cont'd)

##### Associates

There are no individual associates that are considered to be material to the Group as at December 31, 2020 and December 31, 2019. Summarised financial information of the associates presented in aggregate, representing the Group's share, is as follows:

	Group	
	December 31, 2020	December 31, 2019
<i>(\$ million)</i>		
Carrying amount	358	413
Profit for the year	48	34
Other comprehensive income	(2)	(15)
<b>Total comprehensive income</b>	<b>46</b>	<b>19</b>

The fair value of the equity interest of a listed associate amounts to S\$131 million (2019: S\$181 million) based on the last transacted market price on the last transaction day of the year.

- b. During the year, the Group recognised an impairment loss of S\$81 million (2019: S\$nil) on the carrying amount of one of the Group's associates, Sembcorp Salalah Power and Water Company SAOG as the fair value of the equity interest had fallen below its carrying amount for a prolong period. The impairment losses on associates were recorded in non-operating expenses. The Group used 26 years cash flow projections, representing the remaining contracted Power and Water Purchase Agreement terms and assuming a potential extension thereafter, with no terminal value considered and pre-tax discount rates ranging from 7.4% to 10% to determine the recoverable amount of the plants. Inflation rate of 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 with plant maintenance programme.

##### Joint ventures

The Group has two (2019: two) 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:

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
<i>(\$ million)</i>		
<b>December 31, 2020</b>		
Revenue	120	391
Profit for the year <sup>a</sup>	48	81
Other comprehensive income	–	3
<b>Total comprehensive income</b>	<b>48</b>	<b>84</b>
Attributable to non-controlling interests	–	13
Attributable to investee's shareholders	48	71

<sup>a</sup> Includes depreciation and amortisation of S\$53 million, finance income of S\$4 million, finance cost of S\$22 million and income tax expense of S\$20 million

### G. Group Structure (cont'd)

#### G5. Associates and joint ventures (cont'd)

##### Joint ventures (cont'd)

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
<i>(\$ million)</i>		
<b>December 31, 2020</b>		
Non-current assets	694	173
Current assets <sup>b</sup>	216	880
Non-current liabilities <sup>c</sup>	(335)	(161)
Current liabilities <sup>d</sup>	(158)	(309)
Non-controlling interests	–	(90)
<b>Net assets</b>	<b>417</b>	<b>493</b>

<sup>b</sup> Includes cash and cash equivalents of S\$161 million

<sup>c</sup> Includes non-current financial liabilities (excluding trade and other payables and provisions) of S\$419 million

<sup>d</sup> Includes current financial liabilities (excluding trade and other payables and provisions) of S\$133 million

- c. During the year, the Group recognised an impairment loss of S\$32 million (2019: S\$nil) on the carrying amount of one of the Group's joint venture, Shenzhen Chiwan Engineering Co. Ltd, as the fair value less cost to sell based on the negotiation with the buyer was much lower than its carrying amount. The impairment losses on the joint venture were recorded in non-operating expenses. On September 1, 2020, the Group announced that it has signed a conditional agreement to divest this investment and as at December 31, 2020, the carrying value net of allowance for impairment was transferred to assets held for sale.

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co	Individually immaterial joint ventures	Total
<i>(\$ million)</i>				
<b>December 31, 2020</b>				
<b>Group's interest in net assets of investees at beginning of the year</b>	196	221	800	1,217
Group's share of:				
Profit from continuing operations	24	35	126	185
Other comprehensive income	–	1	(9)	(8)
<b>Total comprehensive income</b>	<b>24</b>	<b>36</b>	<b>117</b>	<b>177</b>
Dividends received during the year	(29)	–	(162)	(191)
Translation during the year	10	(6)	27	31
Impairment during the year	–	–	(32)	(32)
Addition during the year, net of disposal	–	–	2	2
Transfer to assets held for sale	–	–	(30)	(30)
Distribution of a subsidiary	–	–	(15)	(15)
<b>Carrying amount of interest in investees at end of the year</b>	<b>201</b>	<b>251</b>	<b>707</b>	<b>1,159</b>

# Notes to the Financial Statements

Year ended December 31, 2020

## G. Group Structure (cont'd)

### G5. Associates and joint ventures (cont'd)

#### Joint ventures (cont'd)

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

<sup>a</sup> 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

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co
<i>(S\$ million)</i>		
<b>December 31, 2019</b>		
Non-current assets	739	166
Current assets <sup>b</sup>	134	745
Non-current liabilities <sup>c</sup>	(292)	(168)
Current liabilities <sup>d</sup>	(173)	(234)
Non-controlling interests	–	(78)
<b>Net assets</b>	408	431

<sup>b</sup> Includes cash and cash equivalents of S\$203 million

<sup>c</sup> Includes non-current financial liabilities (excluding trade and other payables and provisions) of S\$443 million

<sup>d</sup> Includes current financial liabilities (excluding trade and other payables and provisions) of S\$127 million

	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park JV Co	Individually immaterial joint ventures	Total
<i>(S\$ million)</i>				
<b>December 31, 2019</b>				
<b>Group's interest in net assets of investees at beginning of the year</b>	186	193	889	1,268
Group's share of:				
Profit from continuing operations	29	56	64	149
Other comprehensive income	–	–	(22)	(22)
<b>Total comprehensive income</b>	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
<b>Carrying amount of interest in investees at end of the year</b>	196	221	800	1,217

The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S\$118 million (2019: S\$364 million).

The Group's interest in joint ventures with total carrying amount of S\$73 million (2019: S\$80 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)

### G5. Associates and joint ventures (cont'd)

#### Associates and joint ventures

Details of key associates and joint ventures are as follows:

Name of key associates	Country of incorporation	Effective equity held by the Group	
		2020 %	2019 %
<b>Energy</b>			
<sup>^^^</sup> Sembcorp Salalah Power and Water Company SAOG	Oman	40.00	40.00
<b>Urban</b>			
<sup>^^</sup> Wuxi-Singapore Industrial Park Development Co., Ltd	People's Republic of China	45.36	45.36
<sup>**</sup> Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd	People's Republic of China	21.50	21.50
<b>Name of key joint ventures</b>			
<b>Energy</b>			
<sup>^</sup> Phu My 3 BOT Power Company Ltd.	Vietnam	66.67	66.67
<sup>#</sup> Shanghai Cao Jing Co-generation Co. Ltd	People's Republic of China	30.00	30.00
<sup>*</sup> Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	40.00	40.00
<sup>#</sup> Chongqing Songzao Sembcorp Electric Power Co., Ltd	People's Republic of China	49.00	49.00
<sup>##</sup> Guohua AES (Huanghua) Wind Power Co., Ltd	People's Republic of China	49.00	49.00
<b>Urban</b>			
<sup>^^</sup> Vietnam Singapore Industrial Park J.V. Co., Ltd.	Vietnam	49.26	49.26
<sup>^^</sup> Sino-Singapore (Chengdu) Innovation Park Development Co., Ltd (SSCIP) <sup>1</sup>	People's Republic of China	–	25.00
<sup>***</sup> PT Kawasan Industri Kendal	Indonesia	49.00	49.00

<sup>1</sup> During the year, the Group's joint venture, Singapore-Sichuan Investment Holdings Pte Ltd disposed 30% of equity interest in SSCIP for a consideration of S\$137 million. A gain on disposal of S\$23 million was recognised under "Share of results of associates and joint ventures, net of tax" in the consolidated income statement. Post disposal, the Group has an effective equity interest of 10% in SSCIP. Consequently, SSCIP ceased to be a joint venture of the Group.

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

<sup>^</sup> Audited by Ernst & Young Vietnam Limited

<sup>^^</sup> Audited by member firms of KPMG International

<sup>#</sup> Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company

<sup>\*\*</sup> Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China

<sup>\*\*\*</sup> Audited by BDO Indonesia

<sup>^^^</sup> Audited by PricewaterhouseCoopers LLC

<sup>##</sup> Audited by Baker Tilly Certified Public Accountants Co., Ltd, China

<sup>\*</sup> Audited by Ernst & Young, Abu Dhabi

## Notes to the Financial Statements

Year ended December 31, 2020

### G. Group Structure (cont'd)

#### G6. Related party information

##### a. Amounts due from related parties

(S\$ million)	Note	Associates		Joint ventures		Related companies		Total	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Group</b>									
Amounts due from:									
Trade		9	6	5	15	12	20	26	41
Non-trade		1	1	31	14	1	–	33	15
Loans		*	*	1	30	–	–	1	30
	E1	10	7	37	59	13	20	60	86
Loss allowance		(1)	(1)	(2)	(7)	*	*	(3)	(8)
		9	6	35	52	13	20	57	78
Amounts due within 1 year		(9)	(6)	(35)	(24)	(13)	(20)	(57)	(50)
		–	–	–	28	–	–	–	28

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

In 2019, the loans to joint ventures of S\$28 million were unsecured, not expected to be repaid in the next 12 months and bear interest rates ranging from 1.66% to 1.91% per annum. In 2020, the loan to a joint venture is repayable in the next 12 months.

(S\$ million)	Note	Subsidiaries		Total	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Company</b>					
Amounts due from related parties	E1	15	13	15	13
Loans	E1	–	345	–	345
Amounts due within 1 year	E1	(15)	(13)	(15)	(13)
	E1	–	345	–	345

In 2019, the loans to related parties of S\$345 million were unsecured, not expected to be paid in the next 12 months and bear interest rates ranging from 3.24% to 4.75% per annum.

##### b. Amounts due to related parties

(S\$ million)	Note	Associates		Joint ventures		Related companies		Total	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Amounts due to:</b>									
Trade		*	*	1	2	2	15	3	17
Non-trade		1	1	*	–	4	1	5	2
Advance payment – trade		–	–	2	3	–	–	2	3
	E3	1	1	3	5	6	16	10	22

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

## Notes to the Financial Statements

Year ended December 31, 2020

### G. Group Structure (cont'd)

#### G6. Related party information (cont'd)

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

(\$ million)	Note	Subsidiaries		Total	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Company</b>					
Amounts due to:					
Trade		2	1	2	1
Non-trade	(i)	2	1	2	1
Loans from a related party	(ii)	1,595	245	1,595	245
		1,599	247	1,599	247
Amounts due after 1 year		(1,595)	(145)	(1,595)	(145)
	E3	4	102	4	102

- i. The non-trade amounts due to related parties are unsecured, interest-free and repayable on demand.
- ii. The loans from a related party of S\$1,595 million (2019: S\$245 million) bear interest rates ranging from 1.37% to 3.72% (2019: 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:

(\$ million)	Outstanding balances		Transactions	
	2020	2019	2020	2019
<b>Related corporations</b>				
Sales	14	20	119	197
Purchases including rental	2	15	316	316
Finance income	–	–	3	1
Finance expense	4	1	16	36
<b>Associates and joint ventures</b>				
Sales	14	21	67	72
Purchases including rental	4	5	1	9
Payment on behalf	–	–	1	5
Loans due from	1	30	–	–

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, 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. In November 2020, the bonds were fully redeemed and as a result of the early redemption, an amount of S\$6.5 million in break funding cost was paid to bond investors who are also related parties.

During the year, an amount of S\$6.9 million management and agent fees was paid to a related corporation for the rights issue and the Distribution.

### G. Group Structure (cont'd)

#### G6. 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) and other personnel who have the authority and responsibility for planning, directing and controlling the activities of the Group to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*.

The compensation of 5 (2019: 4) other key management personnel for continuing operations is included in the table below.

(\$ million)	Group	
	2020	2019
Directors fees paid / payable to Directors of the Company	3	3
Director's remuneration of the Company	3	3
Other key management personnel remuneration	6	4
	12	10
Fair value of share-based compensation	2	2

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 the 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), collectively known as Share Plans. During the year, shareholders have approved the SCI 2020 Share Plans to replace the SCI 2010 Share Plans which expired in April 2020. The SCI 2020 Share Plans have added the malus and clawback rights to reduce and allow cancellation of unvested incentives. The SCI 2020 Share Plans are now applicable to a broader base of executives.

**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 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 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 performance achieved for the year and the probability of achieving the performance conditions in the future.

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

**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.

<i>(\$ million)</i>	Note	2020	2019
Equity-settled share-based	(a)	8	7
Cash-settled share-based	(b)	*	*

**a. Equity-settled share-based incentive**

The 2020 Share Plans were incentive scheme approved and adopted by the shareholders at an Annual General Meeting of the Company held on May 21, 2020 and replaced the 2010 Share Plan which expired. The SCI RSP is for directors and employees of the Group whereas the SCI PSP is primarily for key executives of the Group.

A participant's award under the 2020 & 2010 Share Plans are 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**

Shares will be granted to eligible employees under the SCI RSP based on financial performance and corporate objectives achieved in the preceding year. The performance criteria for FY2020 and 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 the respective preceding financing year.

For managerial participants, depending on achievement on criteria outlined above, a quarter of the SCI RSP 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:

	2020		2019	
	PSP	RSP	PSP	RSP
At January 1	5,319,353	4,010,900	3,601,553	5,082,597
Shares awarded	–	5,918,949	2,487,800	3,509,203
Shares released	–	(4,149,575)	–	(3,252,945)
Shares lapsed	(612,333)	(280,798)	–	(140,955)
Performance shares lapsed arising from targets not met	(849,553)	–	(770,000)	(1,187,000)
Conditional performance shares adjusted pursuant to the Distribution	3,825,317	5,013,272	–	–
At December 31	7,682,784	10,512,748	5,319,353	4,010,900

As announced in November 2020, as a result of the adjustments due to the Distribution, (a) an additional 3,825,317 SCI Shares are proposed to be released under the outstanding SCI Share Awards granted under the SCI PSP, assuming the full achievement of the requisite pre-determined performance conditions and targets over the performance period in respect of such outstanding SCI Share Awards; and (b) an additional 5,013,272 SCI Shares will be conditionally released under the outstanding SCI Share Awards granted under the SCI RSP over the requisite time period in respect of such outstanding SCI Share Awards.

# Notes to the Financial Statements

Year ended December 31, 2020

## 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 2017 to 2019 (2019: performance period 2016 to 2018), no performance shares were released via the issuance of treasury shares (2019: nil).

For 2020, the ERCC decided not to grant any performance shares attributed in part to the significant changes to the strategy of the business following the de-merger with Sembcorp Marine coupled with the uncertainty in the current pandemic environment. Under these circumstances, it was deemed that there was insufficient clarity during the year to set meaningful and appropriate targets for the management team.

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, 2020, was 7,682,784 (2019: 5,319,353). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 11,524,176 (2019: 7,979,029) performance shares.

#### Sembcorp Industries Restricted Share Plan

Of the restricted shares released, 269,972 (2019: 88,983) 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 2020, was 10,512,748 (2019: 4,010,900). 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 10,512,748 (2019: 4,010,900) restricted shares.

Awards for the performance and corporate objectives achieved in 2020 (2019: 2019) will be granted in FY2021 (2019: FY2020).

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

(\$ million)	PSP		RSP	
	Year of Grant		Year of Grant	
	2020	2019	2020	2019
Fair value at measurement date	NA	S\$1.24	S\$1.81	S\$2.44
<b>Assumptions under the Monte Carlo model</b>				
Share price	NA	S\$2.53	S\$1.90	S\$2.54
Expected volatility	NA	22.5%	23.4%	19.8%
Risk-free interest rate	NA	1.9%	0.77%–0.96%	1.9%
Expected dividend	NA	3.2%	3.5%	2.7%

With the ERCC's approval on the achievement factor for performance targets for the performance period 2019 (2019: performance period 2017 to 2018), a total of S\$0.9 million, equivalent to 440,335 (2019: S\$1.2 million, equivalent to 462,048) notional restricted shares, were awarded and paid.

## H. Other Disclosures (cont'd)

### H2. Other financial assets and liabilities

#### Accounting policies

##### Classification and subsequent measurement

###### Financial assets

On initial recognition, a financial asset is classified and 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 and 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.



# Notes to the Financial Statements

Year ended December 31, 2020

## H. Other Disclosures (cont'd)

### H2. Other financial assets and liabilities (cont'd)

(S\$ million)	Note	Assets		Liabilities	
		Current	Non-current	Current	Non-current
<b>2020</b>					
At fair value through other comprehensive income:					
- Equity shares		-	71	-	-
At fair value through profit or loss:					
- Cross currency swaps		-	10	-	-
- Interest rate swaps		-	-	*	*
- Foreign exchange option contracts		*	-	-	-
- Forward foreign exchange contracts		-	-	1	-
- Foreign exchange swap contracts		1	-	-	-
- Fuel oil swaps		-	-	*	*
- Equity shares	(a)	8	-	-	-
- Unit trusts and funds	(b)	90	18	-	-
- Other derivatives		3	2	2	1
		102	30	3	1
Hedge of net investment in foreign operations:					
- Forward foreign exchange contracts		*	4	-	8
		*	4	-	8
Cash flow hedges:					
- Forward foreign exchange contracts		3	-	11	2
- Fuel oil swaps		42	5	24	1
- Interest rate swaps		-	-	-	86
- Cross currency swaps		1	16	-	-
- Commodity contracts		4	-	-	-
- Electricity futures market contracts		*	-	2	-
		50	21	37	89
Fair value hedges:					
- Forward foreign exchange contracts		7	-	*	-
		7	-	*	-
At amortised cost:					
- Long-term fixed deposits		-	124	-	-
<b>Total</b>		<b>159</b>	<b>250</b>	<b>40</b>	<b>98</b>

## H. Other Disclosures (cont'd)

### H2. Other financial assets and liabilities (cont'd)

(S\$ million)	Note	Assets		Liabilities	
		Current	Non-current	Current	Non-current
<b>2019</b>					
At fair value through other comprehensive income:					
- Equity shares		-	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	(a)	13	-	-	-
- Unit trusts and funds	(b)	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	-	-
<b>Total</b>		<b>228</b>	<b>266</b>	<b>50</b>	<b>44</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 and subsequently extended to May 28, 2021. As a result, during this period, the Group is deemed to have lost control of SJW, and SJW's net assets of S\$8 million (2019: S\$13 million) is deconsolidated and recognised as 'other financial assets' accordingly. The net assets as at December 31, 2020 was reduced with the repayment of shareholder's loan.
- Included in unit trusts and funds are amounts of S\$85 million (2019: S\$78 million) pledged to secure loan facilities.
- In 2019, as part of the Group's strategy on portfolio rebalancing, the 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.

# Notes to the Financial Statements

Year ended December 31, 2020

## H. Other Disclosures (cont'd)

### H3. 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.

#### Discontinued operation

##### 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.

Movements in provisions are as follows:

(\$ million)	Note	Claims (i)	Restoration costs (ii)	Warranty (iii)	Fines (iv)	Others (v)	Total
<b>Group</b>							
<b>2020</b>							
Balance at January 1		12	105	42	–	17	176
Translation adjustments		*	(1)	*	–	*	(1)
Provisions made during the year		4	5	1	–	9	19
Provisions reversed during the year		(3)	*	(4)	–	–	(7)
Provisions utilised during the year		(1)	(2)	*	–	(1)	(4)
Disposal of subsidiaries		–	–	–	–	(2)	(2)
Distribution of a subsidiary		–	(79)	(39)	–	–	(118)
Unwind of discount on restoration costs	C7	–	1	–	–	–	1
Balance at December 31		12	29	–	–	23	64
Provisions due:							
– within 1 year		12	4	–	–	10	26
– after 1 year but within 5 years		–	–	–	–	13	13
– after 5 years		–	25	–	–	–	25
		12	29	–	–	23	64

## H. Other Disclosures (cont'd)

### H3. Provisions (cont'd)

(\$ million)	Note	Claims	Restoration costs	Warranty	Fines	Others	Total
<b>2019</b>							
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		–	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

- 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, 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 in 2019.

(\$ million)	Claims (i)	Restoration costs (ii)	Total
<b>Company</b>			
<b>2020</b>			
Balance at January 1	11	10	21
Provisions made during the year	1	3	4
Provisions reversed during the year	(2)	–	(2)
Provisions utilised during the year	(1)	–	(1)
Balance at December 31	9	13	22
Provisions due:			
– within 1 year	9	2	11
– after 5 years	–	11	11
	9	13	22
<b>2019</b>			
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

# Notes to the Financial Statements

Year ended December 31, 2020

## H. Other Disclosures (cont'd)

### H3. 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 relates 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 Suifu Company Limited in China. With the proceedings concluded on February 7, 2020, the provision amount was reclassified to other payables in 2019.

#### v. Others

Others include provision for maintenance obligation based on contractual obligations to maintain the infrastructure and equipment to specified levels of serviceability under the service concession agreements; environmental obligations which are expected to be utilised within one year. 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.

### H4. Subsequent events

- On February 5, 2021, the Group announced the completion of the divestment of its entire 32% stake in joint venture company Shenzhen Chiwan Sembawang Engineering Co.
- On February 16, 2021, the Group announced that through its subsidiary, Sembcorp Myingyan Power Company Limited, operates a 225-megawatt gas-fired power plant in Mandalay, Myanmar. As of December 31, 2020, the net assets value of this investment was USD57 million and USD230 million of the project's loan remains outstanding and is backed by a corporate guarantee issued by a wholly-owned subsidiary of Sembcorp.

### H5. 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, 2020:

#### Applicable to 2021 financial statements

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 *Interest Rate Benchmark Reform – Phrase 2*

#### Applicable to 2022 financial statements

- Amendments to SFRS(I) 3 *Reference to the Conceptual Framework*
- Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before intended used*
- Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to SFRS(I) Annual Improvements to SFRS(I)s 2018 - 2022

#### Applicable to 2023 financial statements

- SFRS(I) 17 *Insurance Contracts*
- Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current*
- Amendments to SFRS(I) 17 *Insurance Contracts*

#### Mandatory effective date deferred

- Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale 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.

## I. Supplementary Information

### 11. 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, 2020

Name of Director	Salary <sup>1</sup> S\$'000	Bonus earned S\$'000	Fair value of share-based compensation granted for the year <sup>2</sup> S\$'000	Directors' fees	
				Cash-based <sup>1</sup> S\$'000	Share-based <sup>3</sup> S\$'000
<b>Payable by Company</b>					
Ang Kong Hua	–	–	–	473	202
Neil McGregor <sup>4</sup>	703	–	–	–	–
Margaret Lui <sup>5</sup>	–	–	–	59	–
Tan Sri Mohd Hassan Marican	–	–	–	105	45
Tham Kui Seng	–	–	–	99	43
Dr Teh Kok Peng	–	–	–	118	51
Ajaib Haridass	–	–	–	114	49
Nicky Tan	–	–	–	108	46
Yap Chee Keong	–	–	–	117	50
Jonathan Asherson OBE	–	–	–	117	50
Dr Josephine Kwa Lay Keng	–	–	–	73	31
Nagi Hamiyeh	–	–	–	69	29
Wong Kim Yin <sup>6</sup>	684	1,496	544	–	–
<b>Payable by Subsidiaries</b>					
Neil McGregor <sup>4</sup>	–	–	–	40	–
Tan Sri Mohd Hassan Marican	–	–	–	420	180
Tham Kui Seng	–	–	–	30	–

# Notes to the Financial Statements

Year ended December 31, 2020

## I. Supplementary Information (cont'd)

### 11. 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)

After considering the recommendations set out in 8.1 and 8.3 of the Corporate Governance Code carefully, having taken into account the highly competitive conditions for talent in the industry, the Board is of the view that the Group's key management personnel's remuneration shall be disclosed as bands, as laid out in the following table.

In 2020, the key management personnel (who are not Directors or the CEO) are Graham Cockroft, Koh Chiap Khiong, Tan Cheng Guan, Kelvin Teo and Vipul Tuli. Information relating to the remuneration of the Group's top 5 key management personnel (who are not Directors or the CEO) are as follows:

Remuneration Band	No of Employees	Salary (%)	Bonus Earned (%)	Fair value of share-based compensation granted for the year (%)	Total Compensation (%)
1,250,001 – 1,500,000	1	54%	17%	29%	100%
1,000,001 – 1,250,000	1	56%	22%	22%	100%
750,001 – 1,000,000	1	57%	22%	21%	100%
500,001 – 750,000	2	88%	10%	2%	100%
<b>Total Aggregate Compensation</b>					<b>S\$4,640,281</b>

Notes:

<sup>1</sup> The amounts shown are inclusive of basic salary, fixed allowances, AWS and other emoluments.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Neil McGregor retired as Group President & CEO of SCI and Director of SCI on June 30, 2020 and May 21, 2020 respectively.

<sup>5</sup> Margaret Lui retired as Director of SCI on May 21, 2020.

<sup>6</sup> Wong Kim Yin was appointed as Group President & CEO on July 1, 2020.

## I. Supplementary Information (cont'd)

### 12. 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 FY2020, the 5% Group's consolidated NTA as at December 31, 2019 was S\$311 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 May 2020, the Company obtained approval for such shareholders' mandate.

#### Transactions under shareholders' mandate

(S\$ million)	Nature of relationship	FY2020	Aggregate value of all interested person transactions under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S\$100,000)
<b>Sale of goods and services</b>			
Temasek Holdings (Private) Limited and its Associates		0.4	
– Mapletree Investments Pte Ltd and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	1.6	
– PSA International Pte Ltd and its Associates		9.1	
– Singapore Power Limited and its Associates		2.3	
– Singapore Technologies Telemedia Pte Ltd and its Associates		77.5	
– SingEx Holdings Pte Ltd and its Associates		2.2	
– Surbana Jurong Private Limited and its Associates		0.4	
		93.5	
CapitaLand Ltd and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	5.9	
Olam International Ltd and its Associates		6.8	
SATS Ltd and its Associates		18.0	
Singapore Airlines Limited and its Associates		18.3	
Singapore Technologies Engineering Ltd and its Associates		13.7	
Sembcorp Marine Ltd and its Associates <sup>1</sup>		7.0	
		163.2	
<b>Purchase of goods and services</b>			
Temasek Holdings (Private) Limited and its Associates			
– Lan Ting Holdings Pte Ltd and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	76.6	
– Singapore Power Limited and its Associates		5.1	
– Surbana-Jurong Private Limited and its Associates		5.8	
		87.5	
Singapore Technologies Engineering Ltd and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	45.6	
Singapore Telecommunications Ltd and its Associates		0.5	
Starhub Ltd and its Associates		1.3	
		134.9	
		298.1	

Note:

<sup>1</sup> Post the Distribution on September 11, 2020, SCM and its associates become interested person of the Group.

# Notes to the Financial Statements

Year ended December 31, 2020

## I. Supplementary Information (cont'd)

### 12. Interested person transactions (cont'd)

(Under SGX-ST Listing Manual requirements) (cont'd)

#### Transactions not under shareholders' mandate

(S\$ million)	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	FY2020
<b>Payment for early release of key personnel</b>			
Temasek Holdings (Private) Limited and its Associates			
-	Singapore Power Limited and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	3.2
			3.2

### 13. List of properties

#### Urban

Description	Type	Land Tenure	Gross floor area (sq m)	Group's effective interest	Status
<b>China</b>					
<i>Industrial &amp; Business Properties</i>					
1. International Water Hub, Nanjing	Office & Exhibition Centre	Leasehold 50 years from 2015	33,803 <sup>1</sup>	100.0%	Completed Development
2. Jiangdao Intelligent Cube, Nanjing	Incubator	Leasehold 50 years from 2012	78,972	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	190,938	45.4%	Completed Development
<i>Commercial &amp; Residential Properties</i>					
1. Jiangdao Xin Tiandi, Nanjing	Retail	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
<b>Indonesia</b>					
<i>Industrial &amp; Business Properties</i>					
1. Kendal Industrial Park, Central Java	Ready Built Factories	Leasehold 30 years from 2015	1,836	49.0%	Completed Development

<sup>1</sup> Gross floor area excludes carpark and basement area

## I. Supplementary Information (cont'd)

### 13. List of properties (cont'd)

#### Urban

Description	Type	Land Tenure	Gross floor area (sq m)	Group's effective interest	Status
<b>Vietnam</b>					
<i>Industrial &amp; Business Properties</i>					
1. VSIP Bac Ninh Phase I-V	Ready-built Factories	Leasehold 50 years from 2007	37,035	46.5%	Completed Development
2. VSIP Hai Phong	Ready-built Factories	Leasehold 50 years from 2008	30,051	49.3%	Completed Development
3. VSIP Nghe An	Ready-built Factories	Leasehold 50 years from 2015	8,810	49.3%	Completed Development
4. VSIP Binh Duong I	Ready-built Factories	Leasehold 50 years from 1996	57,813	49.3%	Completed Development
5. VSIP Binh Duong II	Ready-built Factories	Leasehold 50 years from 2005	25,016	49.3%	Completed Development
6. VSIP Binh Duong II-A	Ready-built Factories	Leasehold 50 years from 2008	67,734	49.3%	Completed Development
7. SIS Hai Phong Phase I	Warehouses	Leasehold 44 years from 2014	15,000	52.5%	Completed Development
8. SIS Hai Phong Phase II	Warehouses	Leasehold 43 years from 2016	14,279	52.5%	Completed Development
9. SIS Hai Phong Phase III	Warehouses	Leasehold 40 years from 2018	13,200	52.5%	Completed Development
10. SIS Hai Duong Phase V	Warehouses	Leasehold 38 years from 2020	15,490	52.5%	Under Development
<i>Commercial &amp; Residential Properties</i>					
1. VSIP Hai Phong	Retail	Leasehold 50 years from 2008	421	46.5%	Completed Development
2. VSIP Plaza, Quang Ngai	Retail	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	4,878	49.3%	Completed Development
5. Suncasa Central I, Binh Duong	Residential & Shophouses	Leasehold 50 years from 2009	64,895	49.3%	Under Development
6. BelHomes II, Hai Phong	Residential & Shophouses	Leasehold 50 years from 2008	92,667	46.5%	Under Development
7. The Habitat Binh Duong II	Residential & Retail	Leasehold 45 years from 2018	5,415	51.6%	Under Development
8. VSIP Binh Duong II-A	Retail	Leasehold 50 years from 2008	1,118	49.3%	Completed Development
<b>Corporate and Others</b>					
<b>Singapore</b>					
30 Hill Street	Office	Freehold land and building	11,410	100%	