

Notes to the Financial Statements

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 49.52% 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 and joint ventures.

On May 27, 2021, the Group announced its strategic plan to transform its portfolio from brown to green, by focusing on growing its renewable energy and integrated urban solutions businesses, supporting sustainable development, in addition to the conventional energy business.

The financial statements were authorised for issue by the Board of Directors on February 23, 2022.

A1. Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Companies Act 1967, Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). SFRS(I) comprise standards and interpretations that are equivalent to IFRS. All references to SFRS(I) and IFRS are subsequently referred to as SFRS(I) in these financial statements unless otherwise specified.

The financial statements have been prepared on the historical cost basis except as otherwise described in the accounting policies.

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

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

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 financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest million unless otherwise stated. '*' denotes financial value that is less than S\$1 million.

Information is only being included in the financial report to the extent it is considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if:

- dollar amount is significant in value
- dollar amount is significant by nature
- financial results cannot be understood without specific disclosure
- critical to allow user to understand significant changes in group businesses

Impact of COVID-19

In 2021, border closures, production stoppages and workplace closures have resulted in slowdowns in the overall economies and activities, Integrated Urban Solutions' completion and handover of land and residential and commercial property sales and construction progress, to adhere to the respective governments' movement control measures. The COVID-19 related reliefs received from the Government in 2021 are disclosed in Note B4.

The Group has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets. Uncertainties continue to persist with regard to the COVID-19 pandemic with the potential resurgence of infections globally, which could change these assumptions in the future.

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.

i. Foreign currencies

Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities using exchange rates at the dates of the transactions. At each balance sheet 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 rates at the date of the transaction while those measured at fair value are translated to the functional currency using exchange rates at the date the fair value was determined.

Foreign currency differences are recognised in profit or loss, except when arising from the translation of the following items, in which case the differences are recognised in other comprehensive income:

- Equity instruments designated as fair value through other comprehensive income (FVOCI). (However, upon impairment, the 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 balance sheet 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 statement of profit or loss upon disposal of the investment as part of the gain or loss on disposal.

Notes to the Financial Statements

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 entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset.

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 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 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. Any interest retained in the former subsidiary 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.

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

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

Non-controlling interest

NCI comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that 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 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 the associate or joint venture, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment) is reduced to zero, and the recognition of further losses is discontinued unless it has legal or constructive obligations to make, or has made, payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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 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.

iii. Adoption of new accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on January 1, 2021:

- *Amendments to SFRS(I) 16 COVID-19 Related Rent Concessions*
- *Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16 Interest Rate Benchmark Reform – Phase 2 (IBOR Phase 2)*

In accordance with the transition provisions, the IBOR Phase 2 amendments are applied retrospectively to hedging relationships and financial instruments. The Group's comparative amounts have not been restated. Since the Group has no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at December 31, 2020, there is no impact on opening equity balances as a result of retrospective application.

The adoption of these amendments to standards and interpretations does not have a material effect on the financial statements.

Notes to the Financial Statements

B. Our Performance

B1. Segments Information

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

The Group is organised into business units based on nature of products and services and geographical location of the business or venture. In 2021, as part of the strategic plan to transform its portfolio from brown to green, the Group has re-organised its businesses into four (2020: three) reportable segments namely Renewables, Integrated Urban Solutions, Conventional Energy and Other businesses and Corporate. Consequently, prior year's reported segment information has been re-presented accordingly.

The operating segments outlined below have been identified based on reports reviewed by the Group's President & CEO that are used to make strategic decision, allocate resources, monitor, and assess performance. The performance of operating segments is evaluated based on net profit and is measured in accordance with the Group's accounting policies.

The principal activities of key subsidiaries are as follows:

i. Renewables

The Renewables segment's principal activities are the provision of electricity from solar and wind resources (both self-generated and imported), energy storage, trading of Energy Attribute Certificates as well as provision of system services that support integration of renewables into grid. This segment also includes the development and provision of installation, operation and maintenance of solar, wind and energy storage assets;

ii. Integrated Urban Solutions

The Integrated Urban Solutions segment supports sustainable development through its suite of urban, water as well as waste and waste-to-resource solutions. The segment's businesses comprise the development of large-scale integrated urban developments and integrated townships such as industrial parks, business, commercial and residential spaces, production and reclamation of water and industrial wastewater treatment as well as solid waste management and waste-to-resource solutions. This segment also includes carbon capture, utilisation and storage (CCUS) projects;

iii. Conventional Energy

The Conventional Energy segment's principal activities include the sale of energy molecules (including natural gas, steam and electricity from a diversity of fossil fuels such as natural gas and coal). This segment also includes sale of water products from its integrated assets; and

iv. Other Businesses and Corporate

The Other Businesses and Corporate segment comprises businesses mainly relating to specialised construction, minting, the Group's captive insurance and financial services, as well as corporate costs.

a. Operating Segments

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

<i>(\$ million)</i>	Renewables	Integrated Urban Solutions	Conventional Energy	Other Businesses and Corporate	Elimination	Total
2021						
Turnover						
External sales	354	465	6,679	297	–	7,795
Inter-segment sales	*	8	33	10	(51)	–
Total	354	473	6,712	307	(51)	7,795
Results						
Earnings before interest, taxes, depreciation and amortisation ¹ (EBITDA)	251	143	964	(70)	–	1,288
Share of results of associates and joint ventures, net of tax	27	97	81	1	–	206
Adjusted EBITDA	278	240	1,045	(69)	–	1,494
Depreciation and amortisation	(82)	(54)	(313)	(8)	–	(457)
Other non-cash (expenses) / income:						
– Impairment of investment in a joint venture	–	–	(212)	–	–	(212)
– Allowance for impairment in value of assets and assets written off	*	(4)	(6)	(1)	–	(11)
– Others	*	–	1	5	–	6
Finance income	5	15	30	104	(128)	26
Finance costs	(117)	(13)	(300)	(121)	128	(423)
Profit / (Loss) before tax	84	184	245	(90)	–	423
Tax expense	(25)	(17)	(59)	(22)	–	(123)
Non-controlling interests	(3)	(6)	(12)	–	–	(21)
Profit / (Loss) for the year	56	161	174	(112)	–	279
Assets						
Segment assets	2,778	1,432	8,774	1,498	(1,744)	12,738
Associates and joint ventures	265	877	458	–	–	1,600
Tax assets	7	20	13	17	–	57
Total assets	3,050	2,329	9,245	1,515	(1,744)	14,395
Liabilities						
Segment liabilities	1,747	586	5,217	4,098	(1,744)	9,904
Tax liabilities	98	52	310	113	–	573
Total liabilities	1,845	638	5,527	4,211	(1,744)	10,477
Capital expenditure²	189	50	71	7	–	317

¹ Indicates EBITDA excluding major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-off.

² 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

B. Our Performance (cont'd)

B1. Segments Information (cont'd)

a. Operating Segments (cont'd)

(\$ million)	Renewables	Integrated Urban Solutions	Conventional Energy	Other Businesses and Corporate	Elimination	Total
2020						
Turnover						
External sales	281	422	4,571	173	–	5,447
Inter-segment sales	*	7	23	10	(40)	–
Total	281	429	4,594	183	(40)	5,447
Results						
Earnings before interest, taxes, depreciation and amortisation ¹ (EBITDA)	225	107	892	(40)	–	1,184
Share of results of associates and joint ventures, net of tax	27	103	102	1	–	233
Adjusted EBITDA	252	210	994	(39)	–	1,417
Depreciation and amortisation	(77)	(50)	(309)	(8)	–	(444)
Other non-cash income / (expenses):						
– Impairment of investment in an associate and a joint venture	–	–	(81)	(32)	–	(113)
– Allowance for impairment in value of assets and assets written off, net	(1)	(9)	(66)	*	–	(76)
– Write-off of inventory	–	–	(53)	–	–	(53)
– Write-down inventory to net realisable value	–	–	(45)	–	–	(45)
– Impairment of goodwill	–	–	(27)	–	–	(27)
– Negative goodwill	–	17	–	–	–	17
– Impairment of asset held for sale	–	(4)	–	–	–	(4)
– Others	*	–	1	2	–	3
Finance income	5	13	44	167	(194)	35
Finance costs	(127)	(16)	(344)	(168)	156	(499)
Profit before tax	52	161	114	(78)	(38)	211
Tax (expense) / credit	(7)	(16)	17	(26)	–	(32)
Non-controlling interests	1	(5)	(18)	–	–	(22)
Profit / (Loss) from continuing operations	46	140	113	(104)	(38)	157
Loss from discontinued operation, net of tax and NCI						(1,154)
Loss for the year						(997)
Assets						
Segment assets	2,731	1,442	8,076	2,340	(2,676)	11,913
Associates and joint ventures	227	743	618	–	–	1,588
Tax assets	7	20	15	19	–	61
Total assets	2,965	2,205	8,709	2,359	(2,676)	13,562
Liabilities						
Segment liabilities	1,665	703	5,912	4,031	(2,676)	9,635
Tax liabilities	71	50	226	104	–	451
Total liabilities	1,736	753	6,138	4,135	(2,676)	10,086
Capital expenditure²	119	53	80	17	–	269

¹ Indicates EBITDA excluding major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-off.

² Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

b. Geographical Segments

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

(\$ million)	Turnover		Capital Expenditure	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Singapore	4,817	2,914	212	110
India	1,496	1,573	27	53
UK	859	460	58	30
Rest of Asia	379	211	7	38
China	210	191	13	33
Middle East	32	63	–	*
Other Countries	2	35	–	5
Total	7,795	5,447	317	269
(\$ million)	Non-current Assets		Total Assets	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
India	4,721	4,988	5,941	6,099
Singapore	1,967	1,878	3,464	2,740
China	1,436	1,577	1,948	2,069
Rest of Asia	1,303	1,236	1,586	1,519
UK	731	637	1,131	860
Middle East	290	234	311	264
Other Countries	14	8	14	11
Total	10,462	10,558	14,395	13,562

Majority of the Group's revenue is from Singapore and India which contributed to 62% (2020: 53%) and 19% (2020: 29%) respectively.

24% (2020: 20%) and 41% (2020: 45%) of the Group's total assets are located in Singapore and India respectively.

Notes to the Financial Statements

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 G6.

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 a cumulative adjustment to revenue at the date of the modification.

Revenue from Contracts with Customers

a. Sale of Electricity, Utilities and Gas and Related Services

The sale of electricity, utilities and gas and 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 such as off specification delivery are reviewed and estimated monthly. A refund liability is recognised in provisions 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.

b. Service Concession Revenue

The Group has entered into service concession contracts with local governments or governing agencies (the grantor) to design, build and operate (including the 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.

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. Revenue relating to construction services under a service concession arrangement is recognised over time 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 gas 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.

c. Construction of Infrastructure and Related Engineering Services

The Group builds specialised assets for customers for which the Group does not have an alternative use. Revenue is recognised when control over the specialised asset has been transferred to customers.

Contracts with Enforceable Right to Payment

For contracts where the Group has contractual enforceable rights to payment, revenue is recognised over time with reference to the Group's progress towards completing the construction of the specialised asset. The stage of completion is typically assessed either by 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 customers. 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.

The Group recognises a financing component using discount rates at contract inception if the delivery of goods and payment by customers exceed one year. If the period between the delivery and payment is one year or less, the Group applies 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 as well as contractual obligations to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

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 in accordance with the contractual terms. Revenue is recognised at a point in time when the control over the residential project has been transferred to customers and customers' acceptance have been obtained, which is also when the rights to payment become enforceable.

e. Sales of Other Goods

Revenue is recognised at a point in time when the goods are transferred to customers and the criteria for acceptance have been satisfied.

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

B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

Key estimates and judgements

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

Performance Obligation

Significant judgement is required in determining whether the performance obligations are distinct. The Group's assessment includes considerations of whether customers 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 customers is separately identifiable 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.

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 to date in proportion to the total estimated contract costs for each contract. In making these estimates, the Group has relied on the expertise of surveying engineers and management's past experiences from completed projects. The estimated total costs are 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 the total contract costs to complete as well as evaluating any potential risks and factors which may affect contract prices, costs 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 any potential risks and factors which may affect customers' ability to take delivery of the rig, ship and construction. The assessment also encompasses the analysis of the industry outlook and customers' financial health.

Information regarding the turnover is included below:

<i>(S\$ million)</i>	Note	2021	2020
Revenue from contracts with customers	(a)	7,790	5,444
Rental income		5	3
		7,795	5,447

There was no revenue from performance obligations satisfied or partially satisfied in previous periods due to change in estimate of the transaction price in 2021 and 2020.

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. Following the change in reportable segments in 2021 (see B1), certain product / service line items are re-presented.

<i>(S\$ million)</i>	Reportable segments				Total
	Renewables	Integrated Urban Solutions	Conventional Energy	Other Businesses and Corporate	
2021					
Primary geographical markets					
Singapore	45	252	4,236	284	4,817
India	285	–	1,211	–	1,496
UK	20	–	838	1	859
Rest of Asia	4	3	362	10	379
China	*	205	*	*	205
Middle East	–	–	32	*	32
Other countries	–	–	–	2	2
Total	354	460	6,679	297	7,790
Major product / service lines					
Provision of energy products and related services (including electricity, gas and steam)	350	–	6,276	*	6,626
Provision of water products, reclamation of water and industrial wastewater treatment	–	187	126	–	313
Solid waste management	–	237	1	–	238
Service concession revenue	–	15	185	–	200
Construction and engineering related activities	–	–	–	271	271
Others	4	21	91	26	142
Total	354	460	6,679	297	7,790
Timing of revenue recognition					
Over time	319	446	6,677	271	7,713
At a point in time	35	14	2	26	77
Total	354	460	6,679	297	7,790

Notes to the Financial Statements

B. Our Performance (cont'd)

B2. Turnover (cont'd)

a. Disaggregation of Revenue from Contracts with Customers (cont'd)

(\$ million)	Reportable segments				Total
	Renewables	Integrated Urban Solutions	Conventional Energy	Other Businesses and Corporate	
2020					
Primary geographical markets					
Singapore	10	197	2,546	161	2,914
India	262	–	1,312	–	1,574
UK	9	–	451	*	460
Rest of Asia	–	3	198	10	211
China	–	186	1	*	187
Middle East	–	–	63	–	63
Other countries	–	33	–	2	35
Total	281	419	4,571	173	5,444
Major product / service lines					
Provision of energy products and related services (including electricity, gas and steam)	281	–	4,114	*	4,395
Provision of water products, reclamation of water and industrial wastewater treatment	–	177	127	–	304
Solid waste management	–	183	–	–	183
Service concession revenue	–	40	198	–	238
Construction and engineering related activities	–	–	–	151	151
Others	*	19	132	22	173
Total	281	419	4,571	173	5,444
Timing of revenue recognition					
Over time	271	407	4,570	149	5,397
At a point in time	10	12	1	24	47
Total	281	419	4,571	173	5,444

Service concession revenue included interest revenue of S\$64 million (2020: S\$68 million).

b. Transaction Price Allocated to Remaining Performance Obligations

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.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at balance sheet date. This is estimated based on the expected progress of the projects or expected energy output. Estimated amounts of considerations which are variable in nature are not included in the table below.

(\$ million)	Note	Within the next 12 months	Between 1 to 5 years	More than 5 years	Total
2021					
Segment					
Renewables	(i)	–	–	–	–
Integrated Urban Solutions		88	206	218	512
Conventional Energy		1,346	1,252	436	3,034
Other Businesses and Corporate		336	654	–	990
Total		1,770	2,112	654	4,536
2020					
Segment					
Renewables	(i)	–	–	–	–
Integrated Urban Solutions		71	164	636	871
Conventional Energy		1,051	2,378	537	3,966
Other Businesses and Corporate		319	773	–	1,092
Total		1,441	3,315	1,173	5,929

- i. The Group does not disclose information about its remaining performance obligations as the Renewables energy output is variable in nature and the Group has a right to invoice the customers amounts that corresponds directly with its actual energy output.

c. Assets and Liabilities Related to Contracts with Customers

Contract Assets and Contract Liabilities

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

(\$ million)	Group		Company	
	2021	2020	2021	2020
Contract assets	28	15	–	–
Contract liabilities				
Current	121	141	2	3
Non-current	74	71	27	28
Total	195	212	29	31

Contract assets

The contract assets primarily relate to the Group's conditional rights to consideration for work completed or utilities delivered but not yet billed at the balance sheet date. If the value of the goods transferred or services rendered for the contract exceeds payments received from customers, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

In 2021, these contracts relate to the right to consideration in respect of renewable obligation certificates and infrastructure construction. In 2020, these contracts relate to the Group's infrastructure construction. The contract assets are transferred to trade receivables when the rights become unconditional.

Notes to the Financial Statements

B. Our Performance (cont'd)

B2. Turnover (cont'd)

c. Assets and Liabilities Related to Contracts with Customers (cont'd)

Contract Assets and Contract Liabilities (cont'd)

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

(\$ million)	Group		Company	
	2021	2020 ¹	2021	2020
Transfer of contract assets recognised at the beginning of the year to trade receivables	(10)	(301)	–	–
Recognition of revenue, net of transfer to trade receivables during the year	25	461	–	–
Distribution of a subsidiary	–	(1,649)	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	*	(1)	–	–
– Contract modifications	(2)	3	–	–

¹ 2020 included amount from the discontinued operation prior to the Distribution.

Contract liabilities

Contract liabilities refer to payments received from customers that exceed the revenue recognised, which include advance received for connection and capacity charges used for delivery of utilities and revenue is recognised either over time or 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 contracts.

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

(\$ million)	Group		Company	
	2021	2020 ¹	2021	2020
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(130)	(137)	(3)	(3)
Increases due to cash received, excluding amounts recognised as revenue during the year	115	257	–	–
Distribution of a subsidiary	–	(147)	–	–
Currency translation changes	3	2	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	(3)	2	–	–
– Contract modifications	(4)	(2)	–	–

¹ 2020 included amount from the discontinued operation prior to the Distribution.

Contract Costs

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

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in 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.

(\$ million)	Group	
	December 31, 2021	December 31, 2020
Current assets		
Costs to secure contracts	1	1
Fulfilment cost	*	*
Total	1	1
Non-current assets		
Costs to secure contracts	1	1

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 (2020: less than S\$1 million) as at December 31, 2021.

Fulfilment cost

Costs incurred relating to 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 2021, S\$nil (2020: S\$167 million mainly from the discontinued operation prior to the Distribution) was amortised to cost of sales and there was no impairment losses (2020: S\$nil).

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.

a. Tax Expenses

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 balance sheet date and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements

B. Our Performance (cont'd)

B3. Taxation (cont'd)

a. Tax Expenses (cont'd)

Accounting policies (cont'd)

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:

- i. the initial recognition of goodwill;
- ii. 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
- iii. 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 balance sheet 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 interpretations of existing tax laws and applies judgement as to whether the tax balances will be utilised and / or reversed in foreseeable future. The eventual taxes paid or received may vary, for which the differences will be charged to profit or loss in the period when determination is made.

(\$ million)	Note	Group	
		2021	2020
Current tax expense			
Current year		66	55
Over provided in prior years		(14)	(17)
Foreign withholding tax		9	18
		61	56
Deferred tax expense			
Movements in temporary differences		33	(29)
Under provided in prior years		15	4
Effect of changes in tax rates	(i)	15	*
		63	(25)
Land appreciation tax expense			
Current year		(1)	1
Tax expense on continuing operations		123	32

Reconciliation of effective tax rate

(\$ million)	Note	Group	
		2021	2020
Profit for the year from continuing operations		300	179
Total tax expense		123	32
Share of results of associates and joint ventures, net of tax		(206)	(233)
Profit / (Loss) before share of results of associates and joint ventures, and tax expense from continuing operations		217	(22)
Tax using Singapore tax rate of 17%		37	(4)
Effect of changes in tax rates	(i)	15	*
Effect of different tax rates in foreign jurisdictions		14	22
Tax incentives and income not subject to tax		(46)	(22)
Expenses not deductible for tax purposes		92	42
Utilisation of deferred tax benefits not previously recognised		(12)	(27)
Under / (Over) provided in prior years		1	(13)
Deferred tax benefits not recognised		6	5
Foreign withholding tax		9	18
Deferred tax on unremitted dividend income		2	5
Land appreciation tax		(1)	1
Effect of tax reduction on land appreciation tax		–	*
Others		6	5
Tax expense on continuing operations		123	32

- i. Related to the enactment of United Kingdom (UK) corporation tax rate from 19% to 25%, which will take effect from 2023.

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 balance sheet 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 Group entities have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for offset against future taxable profits. The utilisation of these tax benefits, for which deferred tax asset was recognised, is premised on these Group entities' ability to generate taxable profits in the foreseeable future.

Notes to the Financial Statements

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>(S\$ million)</i>	Group				At December 31
	At January 1	Recognised in profit or loss continuing operations (Note (a))	Recognised in equity (Note (c))	Translation adjustments	
2021					
Deferred tax liabilities					
Property, plant and equipment	400	61	–	(5)	456
Other financial assets	24	*	19	*	43
Trade and other receivables	30	2	–	–	32
Intangible assets	30	(2)	–	*	28
Other items	5	7	5	*	17
Total	489	68	24	(5)	576
Deferred tax assets					
Property, plant and equipment	(86)	7	–	*	(79)
Inventories	(2)	*	–	–	(2)
Trade receivables	(3)	(1)	–	*	(4)
Trade and other payables	(12)	*	–	(1)	(13)
Tax losses	(45)	(26)	–	2	(69)
Provisions	(30)	2	–	*	(28)
Other financial liabilities	(26)	*	13	1	(12)
Retirement benefit obligations	6	*	–	*	6
Other items	(34)	13	–	*	(21)
Total	(232)	(5)	13	2	(222)

<i>(S\$ million)</i>	Group								At December 31
	At January 1	Recognised in profit or loss continuing operations (Note (a))	Recognised in profit or loss discontinued operation	Recognised in equity (Note (c))	Acquisition of subsidiary	Disposal of subsidiary	Distribution of a subsidiary	Translation adjustments	
2020									
Deferred tax liabilities									
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
Total	565	58	(6)	(6)	4	(1)	(114)	(11)	489
Deferred tax assets									
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)
Total	(279)	(83)	(59)	3	*	*	181	5	(232)

Notes to the Financial Statements

B. Our Performance (cont'd)

B3. Taxation (cont'd)

b. Deferred Tax Assets and Liabilities (cont'd)

(S\$ million)	Company				
	At January 1, 2020	Recognised in profit or loss	At December 31, 2020	Recognised in profit or loss	At December 31, 2021
Deferred tax liabilities					
Property, plant and equipment	36	(1)	35	(4)	31
Deferred tax assets					
Provisions	(7)	*	(7)	1	(6)

The deferred tax liabilities and assets amounts determined after appropriate offsetting included in the balance sheet are as follows:

(S\$ million)	Group		Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Deferred tax liabilities	392	294	25	28
Deferred tax assets	(38)	(37)	–	–
	354	257	25	28

As at December 31, 2021, a deferred tax liability of S\$3 million (2020: S\$2 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 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
- it is uncertain that future taxable profit will be available against which the Group entities can utilise the benefits.

The deferred tax assets that have not been recognised, which are available to be set off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions, are disclosed below:

(S\$ million)	Group	
	December 31, 2021	December 31, 2020
Deductible temporary differences	49	44
Tax losses	95	146
Capital allowances	60	49
	204	239

Tax losses of the Group amounting to S\$53 million (2020: S\$44 million) will expire between 2022 and 2027 (2020: 2021 and 2026). The remaining tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation.

The unrecognised tax losses are reported to the extent that the taxable temporary differences arising from deferred tax liabilities of S\$1,041 million (2020: S\$998 million) have been set off against the unused tax losses.

c. Other Comprehensive Income

There are no income tax relating to each component of other comprehensive income, except as tabled below:

(S\$ million)	Group					
	Before tax	2021 Tax expense	Net of tax	Before tax	2020 Tax expense	Net of tax
Cash flow hedges: net movement in hedging reserves	178	(31)	147	(38)	1	(37)
Defined benefit plan actuarial gains and losses	20	(6)	14	(11)	2	(9)
	198	(37)	161	(49)	3	(46)

B4. Profit for the Year

Accounting policies

Dividend Income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

Grant Income

Government grants relating 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 attached. These grants are then recognised in profit or loss as other operating income on a 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 operating income on a systematic basis in the same periods in which the expenses are recognised.

Notes to the Financial Statements

B. Our Performance (cont'd)

B4. Profit for the Year (cont'd)

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

(\$ million)	Note	Group	
		2021	2020
a. Expenses			
Materials		5,323	3,293
Staff costs:			
– salaries, bonuses and other personnel related costs		454	371
– contributions to defined contribution plan		36	27
– equity-settled share-based payments	B6	14	8
– cash-settled share-based payments	B6	*	*
– contributions to defined benefit plan		1	1
Depreciation:			
– property, plant and equipment	D1	432	413
– investment properties	D2	3	4
Sub-contract cost		282	184
Repair and maintenance		99	114
Provision for remediation of legacy sites	H2	30	4
Amortisation of intangible assets	D3	22	27
Allowance for / (write-back of) impairment losses (net):			
– receivables and contract assets	F4	19	11
– property, plant and equipment	D1, (i)	3	64
– intangible assets, excluding goodwill	D3, (i)	*	6
Property, plant and equipment written off		8	6
Inventories written off and written down	E2	2	98
Audit fees paid / payable to:			
– auditors of the Company		1	2
– other member firms of KPMG International		2	1
– other auditors		*	*
Non-audit fees paid / payable to:			
– auditors of the Company		*	1
– other member firms of KPMG International		*	*
– other auditors		*	*
Intangible assets written off	D3	*	*
Bad debts written off		*	*

(\$ million)	Note	Group	
		2021	2020
b. Other operating income / (expenses)			
Net change in fair value of financial assets at FVTPL (mandatorily measured)		43	(27)
Grants received (income related)	(ii)	20	38
Gain on disposal of property, plant and equipment		13	5
Net exchange gain / (loss)		7	15
Gain from derecognition of financial assets		–	3
Net change in fair value of cash flow hedges		–	*
c. Non-operating income / (expenses)			
Gain / (Loss) on disposal / liquidation of:			
– other financial assets		8	3
– assets held for sale	B7	3	(30)
– subsidiaries		(3)	23
Net change in fair value of financial assets at FVTPL (designated on initial recognition)		7	2
Gross dividend income from financial assets at FVOCI		2	2
Allowance for impairment losses:			
– associate and joint venture		(212)	(113)
– assets held for sale	(iii)	(1)	(4)
– goodwill	(i)	–	(27)
Negative goodwill		–	17

i. In 2020, there were changes 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 based on the estimated value-in-use (VIU) from a revised strategy for the business 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, the total impairment charge recognised in 2020 amounted to S\$67 million.

The recoverable amounts of these assets were based on cash flow projection for the estimated remaining useful life of the plants ranging up to 2039. The cash flow took into consideration the increase in energy capacity and reduction on underlying demand due to energy efficiency and reduced industrial production. These factors negatively impacted the market supply and demand forecast on the estimated electricity and forecasted margins. Inflation rate of 2.5% has been used to project overheads and other general expenses.

ii. Grant income of S\$20 million (2020: S\$38 million) in 2021 included S\$10 million (2020: S\$34 million) COVID-19 related relief mainly in the form of Jobs Support Scheme (JSS) and Job Growth Incentive (JGI). The JSS and JGI are temporary schemes introduced in the Singapore Budget to help enterprises retain and expand the hiring of local employees.

iii. Assets held for sale were measured at fair value less cost to sell as at December 31 of preceding year. Impairment arose as a result of increased book value during the year up to the date of disposal.

Notes to the Financial Statements

B. Our Performance *(cont'd)*

B5. Earnings Per Share

(\$ million)	Group	
	2021	2020
a. Profit / (Loss) attributable to owners of the Company:		
Continuing operations:		
Profit attributable to equity holders of the Company	279	157
Less: Profit attributable to perpetual security holders of the Company	–	(17)
	279	140
Discontinued operation:		
Loss from discontinued operation, net of tax attributable to owners of the Company	–	(1,154)
Profit / (Loss) for the year attributable to owners of the Company	279	(1,014)
b. Weighted average number of ordinary shares (in million)		
Issued ordinary shares at January 1	1,781	1,786
Effect of performance shares and restricted shares released	4	3
Effect of own shares held	(1)	(4)
Weighted average number of ordinary shares	1,784	1,785
Adjustment for dilutive potential ordinary shares		
– performance shares	15	8
– restricted shares	7	7
Weighted average number of ordinary shares adjusted for all dilutive potential shares	1,806	1,800
c. Earnings per ordinary share (cents)		
– basic ¹	15.63	(56.81)
– diluted ^{2, 3}	15.44	(56.81)
Earnings per ordinary share (cents) – Continuing operations		
– basic ¹	15.63	7.84
– diluted ²	15.44	7.78

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

² Diluted earnings per ordinary share is calculated 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.

³ In computing the 2020 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.

B6. Share-based Incentive Plans

This section sets out details of the Group's share-based remuneration arrangements, including details of the Company's PSP and RSP, collectively known as Share Plans. The Company's 2020 Share Plans was approved and adopted by the shareholders at an Annual General Meeting of the Company held on May 21, 2020.

To accelerate the Group's transformation from Brown to Green, the Board has approved a long term 5-year Transformation Incentive plan (PSP-TI). The PSP-TI's performance targets are aligned to the execution of the Environmental, Social, and Governance (ESG) transformation targets laid out in the 2025 Strategy Plan.

Accounting policies

Equity settled share-based incentive plan

The fair value of the compensation cost is charged to the profit or loss with a corresponding increase directly in equity. The fair value 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, market-based performance conditions are taken into account in estimating the fair value. For awards granted with non-market-based performance conditions, the compensation cost is estimated on a basis that the amount 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 Group 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, with 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 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.

Notes to the Financial Statements

B. Our Performance *(cont'd)*

B6. Share-based Incentive Plans *(cont'd)*

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

<i>(\$ million)</i>	Note	2021	2020
Equity-settled share-based	(a)	14	8
Cash-settled share-based	(b)	*	*

a. Equity-settled share-based incentive Performance Share Plan (PSP)

One of the primary objectives of the SCI PSP 2020 is to further motivate key senior management, who has the responsibility and are able to drive the growth of the Company, to strive for superior performance and to deliver long-term shareholder value.

Awards granted under the SCI PSP 2020 are performance-based. Performance targets set under the SCI PSP 2020 are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth.

The ERCC grants an initial number of shares (initial award) which are conditional on targets set for a performance period. A specified number of shares will only be released by the ERCC to the participants at the end of the qualifying performance period, provided the threshold targets are achieved. The final number of shares to be released will depend on the achievement of pre-determined targets over the performance period. No share will be released if the threshold targets are not met at the end of the performance period. On the other hand, if superior targets are met, more shares than the baseline award could be delivered. The ERCC has the discretion to adjust the number of shares released taking into consideration other relevant quantitative and qualitative factors.

For grants made in 2021, the performance conditions and number of shares to be released subject to the achievement of performance targets are as follows:

2- or 3-Year PSP Performance Conditions	Final Number of Shares to be Released
1. Absolute Total Shareholders' Return (ATSR)	0% to 200% of initial grant
2. Relative Total Shareholders' Return (RTSR)	
3. Gross Renewable Energy Capacity	
5-Year PSP-TI Performance Conditions	Final Number of Shares to be Released
1. Gross Installed Renewable Energy Capacity	0% to 140% of initial grant
2. Sustainable Solutions' Profit	
3. Sustainable Land Banking and Land Sales	
4. Greenhouse Gas Emission Intensity Reduction	

Restricted Share Plan (RSP)

The number of the restricted share awards granted was based on the achievement of stretched financial and non-financial targets for the preceding financial year, with emphasis on organisational transformation to meet future challenges and adherence to environment, health and safety standards.

For the grant awarded in 2021, a third of the SCI RSP awards granted will vest immediately with the remaining two-thirds of the awards vesting over the following two years in equal tranches.

To align the interests of the non-executive directors with the interests of shareholders, up to 30% of the aggregate directors' fees approved by shareholders for a particular financial year may be paid out in the form of restricted share awards under the SCI RSP 2020. Non-executive directors were not awarded any shares except as part of their directors' fees (except for Wong Kim Yin, who is the Group President & CEO, and who does not receive any directors' fees). The awards granted comprised 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; any excess may be sold as desired, subject to SGX-ST listing rules. A non-executive director may only 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 by reference to the volume-weighted average price of a share on the Singapore Exchange (SGX) over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the Annual General Meeting (AGM) (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 director's fees for the year (calculated on a pro-rated basis, where applicable) in cash.

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

	2021		2020	
	PSP	RSP	PSP	RSP
At January 1	7,682,784	10,512,748	5,319,353	4,010,900
Shares awarded	11,579,491	2,973,712	–	5,918,949
Shares released	–	(5,924,403)	–	(4,149,575)
Shares lapsed	(1,360,565)	(1,254,333)	(612,333)	(280,798)
Performance shares lapsed arising from targets not met	(3,604,282)	–	(849,553)	–
Conditional performance shares adjusted pursuant to the Distribution ¹	–	–	3,825,317	5,013,272
At December 31	14,297,428	6,307,724	7,682,784	10,512,748

¹ In 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

B. Our Performance *(cont'd)*

B6. Share-based Incentive Plans *(cont'd)*

a. Equity-settled share-based incentive *(cont'd)*

SCI PSP

PSP awards granted have both market-based and non-market-based performance conditions. The Committee review achievement of the performance targets annually. For the period 2018 to 2020, as the result of not achieving the targets, no PSP shares granted were vested.

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at December 31, 2021, was 14,297,428 (2020: 7,682,784). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 22,348,888 (2020: 11,524,176) performance shares.

SCI RSP

Of the restricted shares released, 420,456 (2020: 269,972) 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 December 31, 2021, was 6,307,724 (2020: 10,512,748). 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 6,307,724 (2020: 10,512,748) restricted shares.

Awards for the performance and corporate objectives achieved in 2021 will be granted in 2022 (2020: achieved in 2020 will be granted in 2021).

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

	PSP Date of Grant			2020
	May 31, 2021	May 31, 2021	August 6, 2021	
Fair value at measurement date	S\$2.84 ¹	S\$2.60 ¹	S\$1.67	NA
Assumptions under the Monte Carlo model				
Share price	S\$2.23	S\$2.23	S\$2.00	NA
Expected volatility	36.5%	36.5%	NA	NA
Risk-free interest rate	0.4%	0.6%	0.4% – 1.3%	NA
Expected dividend	3.9%	4.2%	3.7%	NA

¹ Fair value computed based on different performance periods.

	RSP Date of Grant		
	March 30, 2021	May 31, 2021	February 27, 2020
Fair value at measurement date	S\$1.78	S\$2.15	S\$1.81
Assumptions under the Monte Carlo model			
Share price	S\$1.86	S\$2.23	S\$1.90
Expected volatility	35.5%	36.5%	23.4%
Risk-free interest rate	0.58%	0.47%	0.77% – 0.96%
Expected dividend	4.9%	4.2%	3.5%

b. Cash-settled share-based incentive

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.

There were no restricted shares awarded and paid under Sembcorp Challenge Bonus during the year. In 2020, with the ERCC's approval on the achievement factor for performance targets for the performance period 2019, a total of S\$0.9 million, equivalent to 440,335 notional restricted shares, were awarded and paid.

B7. Assets 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).

- As at December 31, 2020, the carrying value of CSE Holding Pte Ltd, a wholly owned subsidiary, of S\$30 million was classified as asset held for sale as the conditions precedent in the conditional agreement to divest its entire 32% stake in joint venture company Shenzhen Chiwan Sembawang Engineering Co (CSE) to Chixiao Enterprise Co were substantially met. The total gross consideration was RMB150 million (approximately S\$30 million). The Group's share of the cumulative translation gain of S\$3 million has been realised in profit or loss upon the completion of the sale on February 5, 2021.
- On February 6, 2020, the Group divested 100% of their interest in the water business in Chile, which was classified as asset held for sale as at December 31, 2019. Upon completion of sale, the Group realised its share of the cumulative translation loss of S\$31 million in profit or loss.

Notes to the Financial Statements

C. Our Funding

In 2021, the Group has tapped into new sources of financing, repositioning to transform its portfolio from brown to green. The Group issued its inaugural Green Bonds and sustainability-linked notes during the year. Please refer to Note C5 for further details.

Equity value as at December 31, 2021 is enhanced by the profit for the year and the favourable fuel price for the fuel oil swaps as well as appreciation of RMB, USD and GBP against SGD.

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 Group entities.

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)	Note	Group	
		2021	2020
Debt	C5	7,391	7,728
Total equity		3,918	3,476
Total debt and equity		11,309	11,204
Debt-to-capitalisation ratio		0.65	0.69

There were no changes in the Group's approach to capital management during the year except as disclosed above.

Some of the Group entities are required to maintain a certain ratio of net borrowings to net assets and level of leverage under their respective loan arrangements with banks. These externally imposed capital requirements have been complied with as at the respective balance sheet dates.

C2. Share Capital and Treasury Shares

Accounting policies

Share capital

Ordinary shares are classified as equity.

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

Repurchase, disposal and re-issue of share capital (treasury shares)

When the ordinary shares are reacquired by the Company, the consideration paid is recognised as deduction from equity, presented as reserve for own shares (Note C3). 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.

	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
Treasury shares purchased	–	6,780,700
Treasury shares transferred pursuant to restricted share plan	–	(5,503,947)
At December 31, 2021	1,787,547,732	7,515,526

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.

Issued and paid up capital

As at December 31, 2021, the Company's issued and paid up capital excluding treasury shares comprised 1,780,032,206 (2020: 1,781,308,959) ordinary shares.

Treasury shares

During the year, the Company acquired 6,780,700 (2020: 8,152,100) ordinary shares in the Company by way of on-market purchases. 5,503,947 (2020: 3,879,603) treasury shares were re-issued pursuant to the Restricted Share Plan (RSP).

As at December 31, 2021, the Company held 7,515,526 (2020: 6,238,773) of its own uncanceled shares as treasury shares 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, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Distributable					
Reserve for own shares		(15)	(11)	(15)	(11)
Non-distributable					
Foreign currency translation reserve	(a)	(401)	(475)	–	–
Capital reserve	(b)	156	160	–	–
Merger reserve	(c)	29	29	–	–
Share-based payments reserve	(d)	(5)	(10)	5	*
Fair value reserve	(e)	40	60	–	–
Hedging reserve	(f)	48	(132)	–	–
Cost of hedging reserve	(g)	–	(1)	–	–
		(148)	(380)	(10)	(11)

Notes to the Financial Statements

C. Our Funding (cont'd)

C3. Other Reserves (cont'd)

Type of other reserve	Nature
a. Foreign currency translation reserve	Comprises: <ol style="list-style-type: none"> foreign exchange differences arising from translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign entities, and translation of foreign currency loan used to hedge or form part of the Group's net investments in foreign entities.
b. Capital reserve	Comprises: <ol style="list-style-type: none"> 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, asset revaluation reserve, capital redemption reserve, convertible loan stock reserve, 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 recognition of call options issued to non-controlling interests of subsidiaries.
c. Merger reserve	The difference between the values of shares issued by the Company in exchange for the value of shares acquired in respect of the acquisition of subsidiaries accounted for under the pooling-of-interest method.
d. Share-based payments reserve	Represents the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance-based restricted shares.
e. Fair value reserve	Includes the cumulative net change in the fair value of equity investments designated at FVOCI until the investments are derecognised. This does not include impairment losses recognised in profit or loss prior to January 1, 2018.
f. Hedging reserve	The effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.
g. Cost of hedging reserve	Represents the change in fair value of the forward element for the forward exchange contracts ('forward points') for funding purposes, which is accounted for in cost of hedging reserve.

C4. Dividends

Accounting policies

Dividends

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 is 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 is recognised in profit or loss.

Perpetual Securities

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 issued. 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 are directly debited from equity. Incremental costs directly attributable to the issuance of perpetual securities are deducted against the proceeds from the issue.

Dividend Paid

(\$ million)	Group and Company	
	2021	2020
Interim one-tier tax-exempt dividend of 2 cents per share in respect of year 2021 (2020: nil per share in respect of year 2020)	36	–
Final one-tier tax-exempt dividend of 4 cents per share in respect of year 2020 (2020: 3 cents per share in respect of year 2019)	71	54
	107	54

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final ordinary one-tier tax exempt dividend of 3 cents per share (2020: one-tier tax exempt dividend of 4 cents per share). This amounts to an estimated net dividend of S\$53 million (2020: S\$71 million) in respect of the year ended December 31, 2021, based on the number of issued shares as at December 31, 2021.

The proposed dividend of 3 (2020: 4) cents per share has not been included as a liability in the financial statements.

Perpetual Securities Distribution

In 2020, the Company redeemed and cancelled all outstanding perpetual securities with value of S\$818 million, including accrued distributions of S\$17 million.

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 G6). 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 the Distribution of S\$970 million recognised.

C5. Interest-bearing Borrowings

(\$ million)	Note	Group	
		December 31, 2021	December 31, 2020
Current liabilities			
Non-convertible debentures		11	11
Secured term loans	(a)	601	477
Unsecured term loans	(b)	142	105
Total		754	593
Non-current liabilities			
Non-convertible debentures		154	167
Secured term loans	(a)	2,574	3,018
Unsecured term loans	(b)	3,909	3,950
Total		6,637	7,135
Total interest-bearing borrowings (measured at amortised cost)		7,391	7,728

Notes to the Financial Statements

C. Our Funding (cont'd)

C5. Interest-bearing Borrowings (cont'd)

Effective Interest Rates and Maturity of Liabilities

	Group Effective interest rate %	
	2021	2020
Floating rate loans	0.96 – 10.81	0.88 – 11.35
Fixed rate loans	0.77 – 11.48	0.77 – 11.48
Bonds and notes	2.45 – 4.25	2.94 – 4.25
Debentures	9.15 – 9.65	9.65

a. Secured Term Loans

The secured term loans are collateralised by the following assets:

(\$ million)	Note	Group Net Book Value	
		December 31, 2021	December 31, 2020
Property, plant and equipment	D1(i)	4,487	4,724
Investment properties	D2	–	18
Mutual funds	H1	83	85
Trade and other receivables	E1	1,325	1,337
Intangible assets	D3	*	*
Inventories	E2	127	112
Cash and cash equivalents	E4	259	262
Equity shares of a subsidiary		241	244

b. Unsecured Term Loans

Included in the unsecured term loans of the Group are medium-term notes which the Company has jointly established with Sembcorp Financial Services Pte Ltd (SFS), a wholly owned subsidiary of the Company via the S\$2.5 billion and S\$3.0 billion Multicurrency Debt Issuance Programmes (the Programme). Under the Programme, the Company, together with SFS and certain other Group entities (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, 2021 and December 31, 2020, the Group has the following outstanding medium-term notes issued under the Programme:

(\$ million)	Nominal interest rate	Year of issue	Year of maturity	Principal amount	
				December 31, 2021	December 31, 2020
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
S\$ medium-term notes	3.59%	2014	2026	150	150
S\$ medium-term notes	2.45%	2021	2031	400	–
S\$ medium-term notes	2.66%	2021	2032	675	–
				1,525	550

On June 9, 2021, and October 6, 2021, the Group issued S\$400 million Green Bonds and S\$675 million sustainability-linked notes, respectively, under the Programme. As at December 31, 2021, S\$233 million Green Bonds and S\$675 million sustainability-linked notes have been utilised.

As at December 31, 2021, an amount of S\$419 million (2020: S\$165 million) medium-term notes were held by a related corporation.

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

(\$ million)	2021				2020			
	Accrued interest payable (Note E3)	Interest-bearing borrowings (Note C5)	Lease liabilities (Note D1.1)	Total	Accrued interest payable (Note E3)	Interest-bearing borrowings (Note C5)	Lease liabilities (Note D1.1)	Total
Balance at January 1	11	7,728	226	7,965	57	10,800	504	11,361
Cash flows								
Cash payments	–	(3,752)	(15)	(3,767)	–	(4,351)	(28)	(4,379)
Cash proceeds	–	3,403	–	3,403	–	5,241	–	5,241
Interest paid	(323)	–	(7)	(330)	(503)	–	(12)	(515)
Non-cash items								
Acquisition of subsidiary	–	–	–	–	–	–	6	6
Disposal of subsidiaries / disposal group held for sale	–	–	–	–	–	*	*	*
Distribution of a subsidiary	–	–	–	–	(14)	(3,794)	(297)	(4,105)
Interest expenses, including amortisation of capitalised transaction costs	327	18	9	354	471	11	21	503
New leases	–	–	43	43	–	–	41	41
Write-off of lease liabilities	–	–	*	*	–	–	(10)	(10)
Remeasurement of lease liabilities / Adjustment to upfront fees	–	–	2	2	–	(15)	1	(14)
Foreign exchange movement	*	(6)	*	(6)	*	(164)	*	(164)
	327	12	54	393	457	(3,962)	(238)	(3,743)
Balance at December 31	15	7,391	258	7,664	11	7,728	226	7,965

Notes to the Financial Statements

C. Our Funding (cont'd)

C6. Net Interest Expense

Accounting policies

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.

Finance costs include interest expense on borrowings and lease liabilities, unwinding of discounts on provision, amortisation of capitalised transaction costs, transaction costs written off and termination of interest rate swaps. Finance costs are expensed in profit or loss 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.

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 impaired financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to gross basis.

(\$ million)	Note	Group	
		2021	2020
Finance income			
Finance income from financial assets measured at amortised cost			
– associates and joint ventures		6	6
– bank and others		20	29
		26	35
Finance costs			
Interest paid and payable to, measured at amortised cost			
– banks and others		374	454
Amortisation of capitalised transaction costs		12	11
Unwind of discount on restoration costs	H2	1	1
Significant financing component from contracts with customers		4	3
Interest rate swaps:			
– changes in fair value through profit or loss		18	17
– ineffective portion of changes in fair value		5	4
Interest expense on amortisation of lease liability	D1.1	9	9
		423	499

C7. 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, an obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Group

The Group has provided guarantees to banks to secure banking facilities provided to joint ventures and commodities traders. 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 obligations 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 the 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:

(\$ million)	Group	
	December 31, 2021	December 31, 2020
Guarantees given to banks to secure banking facilities provided to:		
– Joint ventures	27	41
– Commodities traders	54	–
– Others	*	1
Performance guarantees to external parties	260	362

Notes to the Financial Statements

C. Our Funding (cont'd)

C7. Contingent Liabilities (cont'd)

Group (cont'd)

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

(\$ million)	Group	
	December 31, 2021	December 31, 2020
Less than 1 year	78	33
Between 1 to 5 years	3	9
More than 5 years	–	*
	81	42

The Group's subsidiaries are involved in certain tax disputes, where the amount of potential exposure has been estimated to be approximately S\$39 million (2020: S\$38 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. These financial guarantee contracts are accounted for as insurance contracts.

The intra-group financial guarantees granted by the Company amounted to S\$7,849 million (2020: S\$7,950 million), with S\$3,513 million (2020: S\$3,525 million) drawn down as at the balance sheet date. The periods in which the financial guarantees expire are as follows:

(\$ million)	Company	
	December 31, 2021	December 31, 2020
Less than 1 year	–	100
Between 1 to 5 years	1,847	3,175
More than 5 years	1,666	250
	3,513	3,525

- b. The Company has provided corporate guarantees of S\$110 million (2020: S\$93 million) to a subsidiary, Sembcorp Cogen Pte Ltd (SembCogen) for the following:
- i. 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 Shell Gas Marketing Pte Ltd (Shell) (formerly known as BG Singapore Gas Marketing Pte Ltd). With a start date on May 07, 2013 and September 01, 2015 respectively, 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 Shell.

C8. 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 the Group has not yet received the goods or services from the supplier. The amounts below are the minimum amounts that the Group is committed to pay.

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

(\$ million)	Note	Group	
		2021	2020
– Commitments in respect of acquisition of investments	(a)	1,020	–
– Commitments in respect of contracts placed for property, plant and equipment		152	215
– Uncalled commitments to subscribe for additional shares in joint ventures and other investments		52	52
– Commitments in respect of a civil settlement in China	(b)	45	45
		1,269	312

- a. Commitments in respect of acquisition of investments:
- i. In November 2021, the Group signed an agreement to acquire a 98% interest in a portfolio of operational wind and solar photovoltaic assets for RMB 3.3 billion (approximately S\$700 million).
- ii. In December 2021, the Group signed an equity transfer agreement for a 35% interest in SDIC New Energy Investment Co., Ltd for an equity consideration of approximately RMB 1.5 billion (approximately S\$320 million). The acquisition was completed on January 28, 2022.
- b. As part of the settlement relating to the discharge of off-specification wastewater by its 98.42% (2020: 95%) owned joint venture wastewater treatment company, Sembcorp Nanjing Suiwu Company Limited, the Group is committed to investments of S\$45 million over four years (by December 2023) to develop projects and initiatives to support environmental protection in China. As at December 31, 2021, the Group has commenced on these investments and completed certain projects including upgrading of wastewater treatment plants in China, where the actual investment spend of completed projects is subject to audit and confirmation by the Nanjing Procuratorate and court.

Notes to the Financial Statements

D. Our Assets

In 2021, in line with the Group's strategic plan on energy transition and sustainable development, the Group has continued to invest in renewable power equipment to enhance its energy sustainability portfolio.

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, costs directly attributable to bringing the assets to the location and 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 and estimated costs to be incurred for restoring the asset upon expiry of the lease agreement.

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 expensed to profit or loss 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 (i.e. the estimated net amount to be obtained from disposal). Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each major component of an item of PPE 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

At the end of each reporting period, assessment is performed to identify whether there is any indication that an asset may be impaired. 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 their recoverable amount. The recoverable amount is the higher of the assets' fair value less cost to sell and their value-in-use (VIU) (i.e. present value of the net cash flows they are expected to generate). The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

iv. Reversals of impairment

Impairment losses recognised in prior periods are assessed at each balance sheet date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of impairment loss for an asset is recognised in profit or loss.

v. Disposals

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

Key estimates and judgements

Judgments are used in estimating the recoverable amount of an asset, i.e. in determining an asset's fair value and in assessing its VIU (the future cash flows expected to be generated by the asset and the pre-tax discount rate in bringing them to present value). In making these estimates, the Group considers 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 PPE and changes to the expected usage of the asset.

The Group also applies judgement in determining an asset's depreciation methods, estimated useful lives and residual values. These are reviewed annually, taking into consideration factors such as changes in the expected level of usage and technological developments, and adjusted prospectively where appropriate.

Notes to the Financial Statements

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	Furniture, fittings and office equipment	Motor vehicles	Capital work-in-progress	Right-of-use assets (Note D1.1)	Total
Group											
Cost / Valuation											
Balance at January 1, 2021		388	75	12	56	9,420	63	65	158	312	10,549
Translation adjustments		4	4	–	(1)	(26)	*	*	*	2	(17)
Additions		2	2	*	–	139	7	23	136	49	358
Reclassification		5	6	–	*	113	1	7	(132)	*	–
Acquisition of subsidiaries	(iii)	–	–	–	–	1	–	–	–	–	1
Transfer from investment properties	D2	4	–	–	–	–	*	–	–	–	4
Transfer to intangible assets		–	–	–	–	–	–	–	(1)	–	(1)
Transfer to other financial assets		–	–	–	–	–	*	–	–	–	*
Remeasurement adjustments for right-of-use assets		–	–	–	–	–	–	–	–	3	3
Disposals / Write-offs		(2)	(2)	*	–	(63)	(1)	(7)	(2)	(7)	(84)
Balance at December 31, 2021		401	85	12	55	9,584	70	88	159	359	10,813
Accumulated Depreciation and Impairment Losses											
Balance at January 1, 2021		100	21	9	24	3,022	46	35	6	82	3,345
Translation adjustments		1	1	–	*	4	*	*	*	*	6
Depreciation for the year	B4(a)	9	3	*	4	381	6	10	–	19	432
Reclassification		(1)	*	–	–	1	*	–	–	–	–
Transfer from investment properties	D2	3	–	–	–	–	–	–	–	–	3
Disposals / Write-offs		(1)	(1)	*	–	(55)	(1)	(6)	–	(6)	(70)
Impairment losses	B4(a)	*	*	–	–	1	*	2	–	*	3
Balance at December 31, 2021		111	24	9	28	3,354	51	41	6	95	3,719
Carrying Amounts											
At January 1, 2021		288	54	3	32	6,398	17	30	152	230	7,204
At December 31, 2021		290	61	3	27	6,230	19	47	153	264	7,094

Notes to the Financial Statements

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
Group													
Cost / Valuation													
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		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	(vii)	–	–	–	–	–	–	–	–	–	(69)	–	(69)
Disposals / Write-offs		(1)	*	–	–	(23)	(1)	*	(2)	(2)	(7)	(30)	(66)
Disposal of subsidiaries		*	–	–	–	*	–	–	*	*	–	–	*
Distribution of a subsidiary		(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
Accumulated Depreciation and Impairment Losses													
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		*	–	–	–	*	–	–	*	*	–	–	*
Impairment losses	(vi), B4(a)	1	*	–	–	63	–	–	*	–	–	–	64
Distribution of a subsidiary		(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
Carrying Amounts													
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

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:

(\$ million)	Note	Group	
		December 31, 2021	December 31, 2020
Freehold land and buildings		160	160
Leasehold land and buildings including right-of-use assets		44	43
Plant and machinery		4,241	4,465
Capital work-in-progress		8	19
Other assets		34	37
	C5(a)	4,487	4,724

- ii. During the year, interest and direct staff costs amounting to S\$2 million (2020: S\$23 million) and S\$2 million (2020: S\$3 million), respectively were capitalised as capital work-in-progress. Included in these amounts are capitalised interest costs calculated using a capitalisation rate from 4.04% to 4.99% (2020: 4.28% to 6.50%).
- iii. Property, plant and equipment arising from the acquisition of subsidiaries was at fair value at the acquisition date.
- iv. In 2021, property, plant and equipment included additional provision for restoration costs amounting to S\$16 million (2020: S\$5 million) (Note H2).
- v. In 2020, additions to plant and machinery include a S\$16 million settlement with a vendor in the form of strategic spares.
- 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. There were also impairment triggers for UK Power Reserve (UKPR) which resulted in S\$34 million charged (Note B4(i)). These impairment charges were recognised in cost of sales.

- vii. The amount represents a reduction in capital work-in-progress due to reversal of accrued expenditure on completion of projects.

- viii. 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, 2021, 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 or provision for restoration cost has been recorded as at December 31, 2021. 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 2021, this leasehold land is reported together with other rented land under right-of-use assets.

Change in estimates

In 2021, the Group revised its estimates for the useful lives of certain assets within plant and machinery from 25 to 30 years in line with the term of the Engineering, Procurement and Construction (EPC) contracts, taking into consideration that the assets have been operating within design limits and are in good condition due to regular maintenance, as observed by an external consultant during a technical study conducted. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

(\$ million)	2021	2022	2023	2024	2025	Later
Group						
(Decrease) / Increase in depreciation expense and increase / (decrease) in profit before tax	(6)	(25)	(25)	(25)	(25)	106

Notes to the Financial Statements

D. Our Assets (cont'd)

D1. Property, Plant and Equipment (cont'd)

(\$ million)	Leasehold and freehold land, wet berthing 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
Company									
Cost									
Balance at January 1, 2021	20	7	8	730	20	3	7	142	937
Additions	*	*	*	23	2	*	9	3	37
Remeasurement adjustments for right-of-use assets	–	–	–	–	–	–	–	*	*
Reclassification	–	–	–	1	–	–	(1)	–	–
Disposals / Write-offs	*	*	*	(19)	*	*	–	*	(19)
Balance at December 31, 2021	20	7	8	735	22	3	15	145	955
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2021	13	7	4	466	17	1	–	46	554
Depreciation for the year	1	*	*	44	2	*	–	5	52
Disposals / Write-offs	*	*	*	(17)	*	*	–	*	(17)
Impairment losses	*	*	–	*	*	1	–	*	1
Balance at December 31, 2021	14	7	4	493	19	2	–	51	590
Carrying Amounts									
At January 1, 2021	7	–	4	264	3	2	7	96	383
At December 31, 2021	6	–	4	242	3	1	15	94	365
Company									
Cost									
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
Accumulated Depreciation and Impairment Losses									
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
Carrying Amounts									
At January 1, 2020	8	–	4	291	3	2	1	100	409
At December 31, 2020	7	–	4	264	3	2	7	96	383

Notes to the Financial Statements

D. Our Assets (cont'd)

D1.1 Right-of-use Assets and Leases

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, please refer to Note D2 Investment Properties and Note B2 under Rental Income.

Accounting policies

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 which the leased asset is available for use by the Group.

Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets. These right-of-use assets are subsequently 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.

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

These lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the lessee's incremental borrowing rate. The resulting finance cost is charged to profit or loss over the lease period.

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments, with a corresponding adjustment to the right-of-use asset or in profit or loss if the carrying amount of the asset has been reduced to zero.

Payment associated with short-term leases (i.e. leases with a lease term of 12 months or less) and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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.

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.

a. Amounts recognised in the balance sheets

	Group	
	December 31, 2021	December 31, 2020
<i>(\$ million)</i>		
Right-of-use assets		
Leasehold land and buildings	247	226
Plant and machinery	6	*
Motor vehicles	11	3
Furniture, fittings and office equipment	*	1
Total	264	230
Lease liabilities		
Current	14	11
Non-current	244	215
Total	258	226
Maturity analysis		
Within 1 year	14	11
After 1 year but within 5 years	56	36
After 5 years	188	179
Total	258	226

In 2021, cost of S\$nil (2020: S\$15 million) was transferred from property, plant and equipment and remaining additions to the right-of-use assets were S\$49 million (2020: S\$42 million).

	Company	
	December 31, 2021	December 31, 2020
<i>(\$ million)</i>		
Right-of-use assets		
Leasehold land and buildings	67	66
Plant and machinery	27	30
Total	94	96
Lease liabilities		
Current	5	4
Non-current	110	112
Total	115	116
Maturity analysis		
Within 1 year	5	4
After 1 year but within 5 years	18	17
After 5 years	92	95
Total	115	116

Notes to the Financial Statements

D. Our Assets *(cont'd)*

D1.1 Right-of-use Assets and Leases *(cont'd)*

b. Amounts recognised in profit or loss

<i>(S\$ million)</i>	Group	
	2021	2020
Depreciation charge of right-of-use assets:		
– Leasehold land and buildings	16	12
– Plant and machinery	1	1
– Motor vehicles	2	1
– Furniture, fittings and office equipment	*	1
Total	19	15
Interest expense on lease liabilities (included in finance cost)	9	9
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	*	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)	6	4
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 2021 of S\$22 million (2020: S\$40 million) has been reduced by less than S\$1 million (2020: S\$1 million) of rent concessions linked to COVID-19 received from lessors and taken to profit or loss.

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 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.

The policy on impairment and reversal of impairment is consistent with property, plant and equipment as disclosed in Note D1.

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.

<i>(S\$ million)</i>	Note	Group		Total
		Investment properties	Investment properties work-in-progress	
Cost				
Balance at January 1, 2021		158	3	161
Translation adjustments		6	*	6
Additions		*	2	2
Reclassification		*	*	–
Transfer to property, plant and equipment	D1	(4)	–	(4)
Transfer to inventories		(1)	–	(1)
Disposals / Write-offs		*	–	*
Balance at December 31, 2021		159	5	164
Accumulated Depreciation				
Balance at January 1, 2021		26	–	26
Translation adjustments		*	–	*
Depreciation for the year	B4(a)	3	–	3
Transfer to property, plant and equipment	D1	(3)	–	(3)
Disposals / Write-offs		*	–	*
Balance at December 31, 2021		26	–	26
Carrying Amounts				
At January 1, 2021		132	3	135
At December 31, 2021		133	5	138

Notes to the Financial Statements

D. Our Assets (cont'd)

D2. Investment Properties (cont'd)

(\$ million)	Note	Group		Total
		Investment properties	Investment properties work-in-progress	
Cost				
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
Accumulated Depreciation				
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
Carrying Amounts				
At January 1, 2020		125	3	128
At December 31, 2020		132	3	135

Amounts recognised in profit or loss for investment properties

(\$ million)	Group	
	2021	2020
Rental income	10	7
Operating expenses arising from rental of investment properties	7	5

The fair value of the investment properties as at the balance sheet date is S\$186 million (2020: S\$191 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\$nil (2020: S\$18 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 as follows:

(\$ million)	Group	
	2021	2020
Lease receivable:		
Within 1 year	10	6
1 to 2 years	9	6
2 to 3 years	6	5
3 to 4 years	3	5
4 to 5 years	2	3
More than 5 years	7	14
	37	39

D3. Intangible Assets

The balance sheet contains significant intangible assets, mainly in relation to goodwill, intellectual property rights and long-term 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 not amortised but is tested for impairment on an annual basis. An impairment loss on goodwill is recognised as an expense in profit or loss and is not reversed in a subsequent period.

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. 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.

Notes to the Financial Statements

D. Our Assets (cont'd)

D3. Intangible Assets (cont'd)

Accounting policies (cont'd)

c. 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.

d. Other Intangible Assets

Included in other intangible assets are water rights which are perpetual in nature. Water rights are measured at cost less accumulated impairment.

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.

Subsequent Expenditure

Subsequent expenditure on 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.

Impairment (except for Goodwill, separately disclosed in (a))

Intangible assets that have indefinite useful lives or that are not yet available for use are tested for impairment annually. For intangible assets with finite useful lives, the policy on impairment is consistent with property, plant and equipment as disclosed in Note D1.

Reversal of Impairment (except for Goodwill, separately disclosed in (a))

The policy on reversal of impairment is consistent with property, plant and equipment as disclosed in Note D1.

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.

(\$ million)	Note	Group				Total
		Goodwill	Service concession arrangements	Long-term contracts	Others	
Cost						
Balance at January 1, 2021		277	54	236	74	641
Translation adjustments		1	4	*	*	5
Additions	(i)	–	1	–	84	85
Acquisition of subsidiary		*	–	–	–	*
Disposal	(i)	–	*	–	(22)	(22)
Transfer from other category of asset		–	–	–	1	1
Write-off	B4(a)	–	(1)	(1)	–	(2)
Balance at December 31, 2021		278	58	235	137	708
Accumulated Amortisation and Impairment Losses						
Balance at January 1, 2021		118	21	122	32	293
Translation adjustments		1	4	*	*	5
Amortisation charge for the year	B4(a)	–	3	11	8	22
Disposal		–	*	–	–	*
Impairment losses	B4(a), B4(c), (ii)	–	–	–	*	*
Write-off	B4(a)	–	*	(1)	(1)	(2)
Balance at December 31, 2021		119	28	132	39	318
Carrying Amounts						
At January 1, 2021		159	33	114	42	348
At December 31, 2021		159	30	103	98	390

Notes to the Financial Statements

D. Our Assets (cont'd)

D3. Intangible Assets (cont'd)

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

- The additions during the year mainly related to the increase in carbon allowances and the disposal was for the settling of the Group's carbon obligation.
- In 2021, the Group recognised impairment loss on goodwill of S\$nil (2020: S\$27 million) in non-operating expenses and long-term contracts of S\$nil (2020: S\$6 million) in cost of sales.

- Intangible assets of less than S\$1 million (2020: less than S\$1 million) have been pledged to secure loan facilities.
- The amortisation of intangible assets is analysed as follows:

(\$ million)	Group	
	2021	2020
Cost of sales	15	21
Administrative expenses	7	6
Total	22	27

a. Goodwill Impairment Testing

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.

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

(\$ million)	Group	
	December 31, 2021	December 31, 2020
Cash-generating Unit (CGU)		
SUT Division	19	19
Sembcorp Gas Pte Ltd / Sembcorp Fuels (Singapore) Pte Ltd ¹	43	42
SEIL (Project I) (formerly known as Sembcorp Energy India Ltd)	23	23
SEIL (Project II) (formerly known as Sembcorp Gayatri Power Limited)	38	39
Sembcorp Green Infra Limited and its subsidiaries	36	36
Multiple units with insignificant goodwill	*	*
	159	159

¹ 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 as both have same customer bases for natural gas, pricing is set by the same management team and cash inflows are not generated largely independently.

The recoverable amounts for SUT Division, Sembcorp Gas Pte Ltd / Sembcorp Fuels (Singapore) Pte Ltd, SEIL (Project I), SEIL (Project II), Sembcorp Green Infra Limited and its subsidiaries and UKPR were determined using value-in-use calculations. Cash flow projections used in the value-in-use calculations were prepared based on management's past experience in operating the business and forward market outlook over the long-term nature of the utilities and power business. Pre-tax discount rates between 3.9% and 10.4% (2020: 4.5% and 10.3%) had been used.

At the balance sheet date, based on the key assumptions below, the recoverable amounts of the respective CGUs exceeded their carrying amounts.

Notes to the Financial Statements

D. Our Assets (cont'd)

D3. Intangible Assets (cont'd)

a. Goodwill (cont'd)

Impairment Testing (cont'd)

Key assumptions on recoverable amounts of respective CGUs

	SUT Division	Sembcorp Gas Pte Ltd / Sembcorp Fuels (Singapore) Pte Ltd	SEIL (Project I)	SEIL (Project II)	Sembcorp Green Infra Limited and its subsidiaries
Cash flow projections period	Remaining useful life of plants assumed 19 years (2020: 20 years)	Remaining contractual period of existing contracts	Remaining useful life of plants assumed 24 years (2020: 20 years)	Remaining useful life of plants assumed 25 years (2020: 21 years)	Remaining useful life of plants assumed 29 years (2020: 30 years)
Revenue and margins	Based on contracts secured along with likely renewals and forecasted demand for industrial utilities and services; as well as forecasted margins	Based on estimated sales and purchases of gas quantities derived from the contractual period of existing contracts	Based on combination of long-term and short-term contracts secured at contracted tariffs as well as electricity spot prices. Contract renewals are assumed based on estimated demand and supply as well as margin	Primarily based on the forecasted combination of long-term and short-term contracts and electricity spot prices with reference to estimated demand and supply of electricity as well as margin 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
Expected capital expenditure	In accordance with plant maintenance programme	In accordance with plant maintenance programme and pipeline servicing	In accordance with plant maintenance programme	In accordance with plant maintenance programme	In accordance with plant maintenance programme
Terminal value	Nil (2020: Nil)	Nil (2020: Nil)	5% of cost (2020: Nil)	5% of cost (2020: Nil)	Nil (2020: Nil)
Inflation rate assumptions used to project overheads and other general expenses	0.9% – 1.5% (2020: 0.9%)	0.9% – 1.5% (2020: 0.9%)	3% (2020: 3.5%)	3% (2020: 3.5%)	3.5% (2020: 3.5%)
Others	NA	Forward USD / SGD exchange rate and High Sulphur Fuel Oil (HSFO) prices with reference to forward quotes were assumed in the forecast performance	Cash flows are estimated based on the premise that the conversion of the leasehold land, which the subsidiary has already paid in full, will be converted to freehold (Note D1(viii)).	NA	NA

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts are based would not cause the carrying amounts to exceed the recoverable amounts.

b. Service Concession Arrangements

In 2021, the subsidiaries in Fuzhou and Yanjiao in China have service concession agreements with the local municipalities to supply drinking water to the local communities. In 2020, the subsidiaries in Chile and Panama, 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.

Notes to the Financial Statements

D. Our Assets (cont'd)

D3. Intangible Assets (cont'd)

c. 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 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. See Note B4(i) for key assumptions used.

d. Other Intangible Assets

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

(S\$ million)	Company		
	Goodwill	Others	Total
Cost			
Balance at January 1, 2021	19	26	45
Additions	–	2	2
Disposals / Write-offs	–	(1)	(1)
Balance at December 31, 2021	19	27	46
Accumulated Amortisation			
Balance at January 1, 2021	–	19	19
Amortisation charge for the year	–	2	2
Disposals / Write-offs	–	*	*
Balance at December 31, 2021	–	21	21
Carrying Amounts			
At January 1, 2021	19	7	26
At December 31, 2021	19	6	25

(S\$ million)	Company		
	Goodwill	Others	Total
Cost			
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
Accumulated Amortisation			
Balance at January 1, 2020	–	16	16
Amortisation charge for the year	–	3	3
Disposals	–	*	*
Balance at December 31, 2020	–	19	19
Carrying Amounts			
At January 1, 2020	19	7	26
At December 31, 2020	19	7	26

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

Notes to the Financial Statements

E. Our 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.

Accounting policies

Trade and other receivables are initially recognised at the amount of consideration receivable that is unconditional, unless they contain significant financing components, whereby they will be recognised at fair value.

Subsequently, trade and other receivables are measured 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. The carrying value of trade and other receivables is reduced by appropriate allowances for estimated irrecoverable amounts. The estimated irrecoverable amounts and calculation of loss allowances are based on the policies set out in Note F4. Interest income, foreign exchange gains or losses, impairment losses and gains or losses on derecognition relating to these receivables are recognised in profit or loss.

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

(\$ million)	Note	December 31, 2021			December 31, 2020		
		Non-current	Current	Total	Non-current	Current	Total
Group							
Trade receivables		*	1,000	1,000	*	871	871
Service concession receivables	(i)	912	44	956	934	40	974
Amounts due from related parties	G5	1	44	45	1	59	60
Staff loans		–	*	*	–	*	*
Deposits	(ii)	6	106	112	5	28	33
Sundry receivables	(iii)	–	108	108	–	81	81
Unbilled receivables	(iv)	–	542	542	–	395	395
Loan receivables		–	12	12	–	9	9
Recoverables		*	22	22	*	8	8
Interest receivables		–	3	3	–	6	6
Grant receivables		–	4	4	–	8	8
		919	1,885	2,804	940	1,505	2,445
Loss allowance	F4	(12)	(65)	(77)	(12)	(45)	(57)
Financial assets at amortised cost	F4, (v)	907	1,820	2,727	928	1,460	2,388
Prepayments	(vi)	38	52	90	46	45	91
Employee defined benefit asset		22	2	24	*	2	2
Advances to suppliers		–	104	104	–	61	61
Tax recoverable		15	4	19	21	3	24
Share application money paid	(vii)	–	4	4	–	–	–
		982	1,986	2,968	995	1,571	2,566

- i. Through its subsidiaries, the Group has service concession agreements with the local governments and governing agencies. 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.

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% (2020: 3.6% to 8.5%).

- ii. Deposits include cash collateral placed on deposits in margin accounts.
- iii. Sundry receivables represent mainly GST receivables and miscellaneous receivables.
- iv. Unbilled receivables represent revenue accrued for sale of utilities commodities and services.
- v. Trade and other receivables of S\$1,325 million (2020: S\$1,337 million) have been pledged to secure loan facilities. Included in the pledged amount is S\$397 million (2020: S\$404 million) that relates to the underlying assets of the service concession arrangements.
- vi. Prepayments are charged to profit or loss on a straight-line basis over the prepaid period. They relate primarily to:
- 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\$20 million (2020: S\$22 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.

- vii. The Group has paid S\$4 million towards share application money pending allotment to a joint venture.

(\$ million)	Note	December 31, 2021			December 31, 2020		
		Non-current	Current	Total	Non-current	Current	Total
Company							
Trade receivables		–	20	20	–	15	15
Amounts due from related parties	G5	–	35	35	–	15	15
Deposits		–	2	2	–	2	2
Unbilled receivables	(i)	–	49	49	–	48	48
Grant Receivables		–	4	4	–	4	4
		–	110	110	–	84	84
Loss allowance	F4	–	(1)	(1)	–	*	*
Financial assets at amortised cost	F4	–	109	109	–	84	84
Prepayments	(ii)	3	5	8	3	6	9
Advance to suppliers		–	1	1	–	1	1
		3	115	118	3	91	94

- i. Included in the Company's unbilled receivables are amounts of S\$25 million (2020: S\$28 million) due from related companies.
- ii. Connection and capacity charges prepaid for the use of pipelines and pipe racks.

Notes to the Financial Statements

E. Our Working Capital (cont'd)

E2. Inventories

Accounting policies

a. 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 expenses.

b. 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

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

	Group		Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<i>(\$ million)</i>				
Raw materials and consumables	221	192	2	*
Finished goods	27	29	7	7
	248	221	9	7
Allowance for inventory obsolescence	(27)	(25)	(2)	(3)
	221	196	7	4
Properties under development	1	*	–	–
	222	196	7	4

S\$127 million (2020: S\$112 million) of the Group's inventories have been pledged to secure loan facilities.

Amounts recognised in profit or loss

	Note	Group	
		2021	2020
<i>(\$ million)</i>			
– Inventories recognised as an expense in cost of sales		931	826
– Inventories written down and allowance for stock obsolescence	(i)	2	45
– Inventories written off	(ii)	–	53

- In 2020, due to the significant decline in fuel prices, the value of Sembcorp'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.

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 cost using the effective interest method. Trade payables are not interest-bearing and are stated at their nominal value.

	Note	Group		Company	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
<i>(\$ million)</i>					
Current liabilities					
Trade payables		268	325	7	4
Advance payments from customers		23	31	*	*
Amounts due to related parties	G5	4	10	2	4
Accrued capital and operating expenditure	(i)	924	583	141	84
Deposits		33	35	*	*
Accrued interest payable		15	11	–	–
Other creditors	(ii)	441	160	5	5
Deferred grants	(iii)	–	4	–	2
		1,708	1,159	155	99
Non-current liabilities					
Deferred grants	(iii)	3	4	*	*
Amounts due to related parties	G5	–	–	1,445	1,595
Other long-term payables	(iv)	51	52	20	18
Deferred income		42	46	–	–
Retirement benefit obligation		9	6	–	–
		105	108	1,465	1,613

Notes to the Financial Statements

E. Our Working Capital *(cont'd)*

E3. Trade and Other Payables *(cont'd)*

- i. Included in the Company's accrued operating expenses are amounts of S\$43 million (2020: S\$37 million) due to related companies.
- ii. Included in the Group's other creditors is an amount owing in the margin account as a result of withdrawal against net unrealised gain, driven by the high oil commodity forward price.
- iii. Current deferred grant related to JSS government grant and non-current deferred grants related to government grants for capital assets.
- iv. Other long-term payables included 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.

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 cost. For the purpose of the consolidated 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 short-term liquidity requirements to be met.

(\$ million)	Group		Company	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Fixed deposits with banks	549	301	–	–
Cash and bank balances	795	731	427	358
Cash and cash equivalents in the balance sheets	1,344	1,032	427	358
Restricted bank balances	(47)	(23)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	1,297	1,009	427	358
Cash and cash equivalents inclusive of placement with:				
– A subsidiary	4	–	426	357
– A related corporation	74	117	1	1

Fixed deposits with banks of the Group earn interest at rates ranging from 0.12% to 8.00% (2020: 0.03% to 9.00%) per annum.

Included in the Group's cash and cash equivalents is an amount of S\$259 million (2020: S\$262 million) over which banks have a first charge in the event that the respective subsidiaries do not meet the debt servicing requirements.

F. Our Financial Instruments and Risks Management

In undertaking the transformation from brown to green, the Group has carefully assessed its risk exposures, including ensuring that the Group is not over leveraged while optimising its portfolio.

F1. Market Risk

This note details the Group's exposure to treasury and financial risks including credit, liquidity, interest and foreign exchange risk, and the objectives and policies in place to monitor and manage these risks.

In the last couple of years, the Group has embarked on transitioning its 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.

Under the IAF, the Group's key markets, being the first LOD, are required 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 include 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.

Notes to the Financial Statements

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

F1. Market Risk (cont'd)

a. Market Risk

Market risk is the possibility that changes in interest rates, foreign exchange rates, 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 rates while using interest rate swaps and cross currency swaps to hedge the variability in cash flows attributable to the floating interest rates.

Based on the variable rate net debt position (both issued and hedged) at the balance sheet date, assuming other factors (principally foreign exchange rates and commodity prices) remained constant and that no further interest rate management action was taken, an increase in interest rates of 1% would have decreased the Group's profit before tax (PBT) by S\$29 million (2020: decreased by S\$44 million) and increased equity by S\$6 million (2020: increased by S\$8 million). At Company level, PBT would have decreased by S\$9 million (2020: decreased by S\$11 million) and no impact to equity (2020: no impact). A 1% decrease in interest rates would have the opposite effect for both Group and Company.

ii. Foreign Currency Risk

The Group is exposed to currency risk on foreign currency denominated borrowings, investments and 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.

The Group's exposure to foreign currency risk (excluding the Group's net investments hedge in its subsidiaries in the UK) based on its risk management policy is summarised as follows:

(\$ million)	Group						
	SGD	USD	EURO	GBP	RMB	INR	Others
2021							
Financial assets							
Cash and cash equivalents	27	224	3	*	*	–	17
Loan to an associate	–	–	–	70	–	–	–
Trade and other receivables	23	404	*	1	158	*	22
Other financial assets	–	53	–	–	–	–	–
	50	681	3	71	158	*	39
Financial liabilities							
Trade and other payables	41	299	3	130	29	*	11
Interest-bearing borrowings	–	964	–	–	–	–	95
Lease liabilities	4	–	–	–	–	–	*
	45	1,263	3	130	29	*	106
Net financial assets / (liabilities)	5	(582)	–	(59)	129	*	(67)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	(159)	(4)	–	(76)	–	–
Less: Cross currency swap / Foreign exchange forward contracts	24	1,043	4	129	(35)	–	95
Net currency exposure	29	302	–	70	18	*	28
2020							
Financial assets							
Cash and cash equivalents	24	184	9	11	1	–	13
Loan to an associate	–	–	–	71	–	–	–
Trade and other receivables	15	382	*	146	118	856	17
Other financial assets	–	71	–	–	–	–	–
	39	637	9	228	119	856	30
Financial liabilities							
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	119	856	(99)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	(195)	(4)	–	–	–	–
Less: Cross currency swap / Foreign exchange forward contracts	17	501	4	–	(63)	(869)	105
Net currency exposure	24	264	1	2	56	(13)	6

Notes to the Financial Statements

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

F1. Market Risk (cont'd)

a. Market Risk (cont'd)

ii. Foreign Currency Risk (cont'd)

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

	Company USD
<i>(S\$ million)</i>	
2021	
Financial assets	
Cash and cash equivalents	3
Trade and other receivables	15
	18
Financial liabilities	
Trade and other payables	24
Net financial liabilities	(6)
Net currency exposure	(6)
2020	
Financial assets	
Cash and cash equivalents	21
Trade and other receivables	13
	34
Financial liabilities	
Trade and other payables	17
Net financial assets	17
Net currency exposure	17

Sensitivity Analysis

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

<i>(S\$ million)</i>	Group		Company	
	Equity	Profit before tax	Profit before tax	
	2021	2020	2021	2020
SGD	2	1	*	1
USD	15	20	27	22
EURO	–	*	*	*
GBP	6	6	7	(4)
RMB	–	–	9	6
INR	–	–	*	(1)
Others	–	–	3	6

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

iii. Price Risk

Mutual Funds and Equity Securities Price Risk

The Group is exposed to mutual 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 mutual funds and equity securities increased by 10% with all other variables held constant, equity and PBT would have increased by S\$5 million and S\$11 million, respectively (2020: increased by S\$7 million and S\$12 million, respectively). Conversely, if prices decreased by 10%, equity and PBT would have had an equal but opposite effect.

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

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

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

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

Sensitivity Analysis

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

<i>(S\$ million)</i>	Group	
	2021	2020
Equity	19	15

A 10% decrease in the prices for commodities would have had an equal but opposite effect to the equity. The analysis assumed that all other variables remain constant.

Notes to the Financial Statements

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

F2. Hedges

The Group uses derivative instruments (derivatives) (as disclosed in Note H1) 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 are settled at a future date.

The Group designates certain derivatives as either:

- i. Hedges of fair value of recognised assets, liabilities or firm commitments (fair value hedge)
- ii. Hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction (cash flow hedge)
- iii. Hedges of a net investment in a foreign operation (net investment hedge)

Accounting policies

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.

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

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 hedging 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 hedging 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 hedging 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.

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.

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some IBORs with alternative nearly risk-free rates (interest rate benchmark reform).

The Audit Committee monitors and manages the Group's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of interest rate benchmark reform and how to manage communication about interest rate benchmark reform with counterparties. The committee reports to the Company's Board of Directors quarterly and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from interest rate benchmark reform.

The Group has loans and derivatives (as hedges to the loans) in SOR and LIBOR which extend beyond the anticipated cessation date of the rates on June 30, 2023. The Group has started to engage some of the counterparties to start transitioning its loans and hedges. It has completed transitioning its GBP loan and hedges from LIBOR to SONIA by end of December 31, 2021. The Group will transition its USD and SGD loans and hedges in 2022 and 2023. As at December 31, 2021, the Group does not expect to be significantly impacted as a result of the transition to alternate reference rates. The Group continues to apply the amendments to SFRS(I) 9 issued in December 2020 (Phase 1) to those hedging relationships directly affected by interest rate benchmark reform.

The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to interest rate benchmark reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an "unreformed contract").

Notes to the Financial Statements

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

F2. Hedges (cont'd)

Interest Rate Benchmark Reform (cont'd)

The following table shows the total amounts of unreformed contracts as at December 31, 2021 for the Group. There is no unreformed contract for the Company. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their nominal amounts.

(\$ million)	Total amount of unreformed contracts		
	SOR	USD LIBOR	GBP LIBOR
Group			
December 31, 2021			
Financial liabilities			
Secured term loans	–	130	–
Unsecured term loans	2,390	210	544
Derivatives			
Interest rate swaps	260	306	544

The Group's exposure to the interest rate benchmark reform as at December 31, 2021 is attributable to the interest rate swaps and cross currency swaps to hedge SOR and LIBOR (2020: SOR and LIBOR) cash flows on the Group's bank loans maturing from 2023 to 2036 (2020: 2021 to 2036). The Group's exposure to SOR and USD LIBOR (2020: SOR and LIBOR) designated in a hedging relationship that is directly affected by the interest rate benchmark reform approximates nominal amount of S\$1,109 million (2020: S\$1,377 million) at December 31, 2021. Out of the S\$3,274 million of unreformed contracts, the Group has completed the transition agreement of S\$644 million of the bank loans, and the alternate reference rates will be effective after December 31, 2021.

Cash Flow Hedges

Key estimates and judgements

For cash flow hedging relationships directly impacted by interest rate benchmark reform (i.e. hedges of LIBOR and SOR), the Group assumes that the cash flows of the hedged item and hedging instrument will not be altered. As of December 31, 2021, the Group has transitioned a GBP LIBOR hedged loan and a SOR hedged loan with the hedged rate effectively unaltered.

LIBOR 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 LIBOR and SOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at December 31, 2021.

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

At December 31, 2021, the Group held the following instruments to hedge exposures to changes in foreign currency, interest rates and commodity prices:

(\$ million)	Rate (\$)	Interest rate (%)	Maturity		
			Within 1 year	Between 1 and 5 years	More than 5 years
2021					
Foreign currency risk					
Forward foreign exchange contracts (Buy / Sell)					
– SGD / USD	0.73 – 0.76	–	30	–	–
– USD / SGD	1.32 – 1.47	–	209	21	–
– EUR / SGD	1.59	–	3	–	–
– USD / INR	75.04 – 78.26	–	609	–	–
– CNH / SGD	0.21	–	2	–	–
Cash					
– USD / SGD	1.35 – 1.36	–	56	–	–
– CNH / SGD	0.21	–	29	–	–
Interest rate risk					
Interest rate swap (IRS)					
– Float-to-fixed	–	0.87 – 2.51	117	899	–
– Fixed-to-float	–	2.92	177	–	–
Foreign currency and interest rate risk					
Cross currency swaps					
– USD / INR	66.75	–	249	–	–
Commodity risk					
Fuel oil swaps					
– Fuel oil swap (\$ per MT)	205.00 – 475.75	–	613	41	–
– Fuel oil swap (\$ per BBL)	33.03 – 83.13	–	183	2	–
– Fuel oil swap (\$ per MMBTU)	4.90 – 9.55	–	102	22	–
Electricity futures market contracts	97.59 – 115.85	–	11	–	–

Notes to the Financial Statements

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

F2. Hedges (cont'd)

Cash Flow Hedges (cont'd)

(\$ million)	Rate (\$)	Interest rate (%)	Maturity		
			Within 1 year	Between 1 and 5 years	More than 5 years
2020					
Foreign currency risk					
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	-	-
Interest rate risk					
Interest rate swap (IRS)					
- Float-to-fixed	-	1.05 – 2.51	122	597	100
- Fixed-to-float	-	2.92	181	-	-
Foreign currency and interest rate risk					
Cross currency swaps					
- USD / INR	66.75	-	12	244	-
Commodity risk					
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	-	-

The amounts at the balance sheet date relating to items designated as hedged items are as follows:

(\$ million)	Cash flow hedge reserve for continuing hedges	
	2021	2020
Foreign currency risk		
Highly probable purchases	3	8
Highly probable equity injection	1	-
Interest rate risk		
Variable rate borrowings	(28)	(68)
Other financial liabilities	(3)	(9)
Foreign currency and interest rate risk		
Receivables	-	(1)
Variable rate borrowings	(2)	(3)
Commodity risk		
Highly probable purchases	51	21
Fuel oil price	84	1

Notes to the Financial Statements

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

F2. Hedges (cont'd)

Cash Flow Hedges (cont'd)

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

	Foreign currency risk		Interest rate risk		Foreign currency risk and interest rate risk		Commodity risk			Total
	Forward foreign exchange contracts / Cash	Interest rate swaps	Cross currency swaps	Fuel oil swaps	Electricity futures market contracts	Coal commodity contracts				
2021										
Nominal amount – S\$ million	959	1,193	249	963	11	–	–	–	–	3,375
Quantity	–	–	–	1,805,648 MT, 4,015,159 BBL and 19,260,000 MMBTU	–	–	–	–	–	1,805,648 MT, 4,015,159 BBL and 19,260,000 MMBTU
Carrying amount – S\$ million										
Other financial assets	1	3	26	212	–	–	–	–	–	242
Other financial liabilities	2	36	–	50	29	–	–	–	–	117
Cash	85	–	–	–	–	–	–	–	–	85
Fair value increase / (decrease) – S\$ million										
Hedging instruments	(84)	54	5	212	(52)	–	–	–	–	135
Hedged items	84	(54)	(5)	(215)	52	–	–	–	–	(138)
Hedge ineffectiveness	*	–	–	(3)	–	–	–	–	–	(3)
Reconciliation of hedging reserve – S\$ million										
Changes in fair value	(84)	54	5	212	(52)	–	–	–	–	135
Amounts reclassified to profit or loss:										
– Cost of goods sold	48	–	–	(75)	25	–	–	–	–	(2)
– Finance cost	47	–	–	–	–	–	–	–	–	47
Amount reclassified to cost of investment in a subsidiary	(1)	–	–	–	–	–	–	–	–	(1)
Tax on above items	–	–	–	–	–	–	–	–	–	179
Change in hedging reserve										148
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	–	–	35
Movement during the year										183

	Foreign currency risk		Interest rate risk		Foreign currency risk and interest rate risk		Commodity risk			Total
	Forward foreign exchange contracts	Interest rate swaps	Cross currency swaps	Fuel oil swaps	Electricity futures market contracts	Coal commodity contracts				
2020										
Nominal amount – S\$ million	1,304	1,195	256	450	12	20	–	–	–	3,237
Quantity	–	–	–	533,953 MT, 1,034,975 BBL and 2,352,000 MMBTU	–	–	–	–	–	533,953 MT, 1,034,975 BBL and 2,352,000 MMBTU
Carrying amount – S\$ million										
Other financial assets	3	–	17	47	*	4	–	–	–	71
Other financial liabilities	13	86	–	25	2	–	–	–	–	126
Fair value increase / (decrease) – S\$ million										
Hedging instruments	(40)	(45)	(88)	(24)	6	5	–	–	–	(186)
Hedged items	51	45	88	26	(6)	(5)	–	–	–	199
Hedge ineffectiveness	11	–	–	2	–	–	–	–	–	13
Reconciliation of hedging reserve – S\$ million										
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
Tax on above items	–	–	–	–	–	–	–	–	–	(39)
Change in hedging reserve										1
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	–	–	–	(38)
Movement during the year										(54)

Notes to the Financial Statements

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

F2. Hedges (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:

(\$ million)	Cash flow hedge reserve	
	2021	2020
Balance at January 1	(133)	(87)
Movement during the year		
Changes in fair value:		
– Foreign currency risk	(84)	(40)
– Interest rate risk	54	(45)
– Foreign currency and interest rate risk	5	(88)
– Commodity risk	160	(13)
Amount reclassified to profit or loss:		
– Foreign currency risk	95	(80)
– Interest rate risk	–	2
– Foreign currency and interest rate risk	–	162
– Commodity risk	(50)	63
Amount reclassified to cost of investment in a subsidiary	(1)	–
Tax on movements on reserves during the year	(31)	1
Share of other comprehensive income of associates and joint ventures	35	(16)
	183	(54)
Share of non-controlling interests	(2)	8
Balance at December 31	48	(133)

Net Investment Hedges

The Group's investments in its UK subsidiaries are hedged by GBP / SGD forward foreign exchange contracts (hedging instrument), which mitigates the currency risks arising from the subsidiaries' net assets. The carrying amount of the hedging instrument of S\$6 million (2020: S\$4 million) and S\$9 million (2020: S\$8 million) is included in other financial assets and other financial liabilities respectively.

The notional amount of the contracts is S\$166 million (2020: S\$127 million). During the financial year, hedging loss of S\$1 million (2020: S\$2 million) was recognised in other comprehensive income. As at December 31, 2021, the balance of foreign currency translation reserve for continuing hedges is S\$32 million (2020: S\$33 million).

F3. Liquidity Risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to its operating environment and expected cash flows. Liquidity requirements are maintained within the credit facilities established and are adequate and available for 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 flows 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\$750 million (2020: S\$600 million) of interest-bearing borrowings are due within 12 months. The Group has at least S\$1,900 million (2020: S\$800 million) 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:

(\$ million)	Carrying amount	Contractual cash flow	Cash flows		
			Less than 1 year	Between 1 and 5 years	Over 5 years
Group					
2021					
Derivatives					
Derivative financial liabilities	143				
– inflow		254	152	102	–
– outflow		(386)	(260)	(126)	–
Derivative financial assets	(291)				
– inflow		415	380	35	–
– outflow		(146)	(131)	(15)	–
Non-derivative financial liabilities					
Trade and other payables ¹	1,644	(1,645)	(1,624)	(16)	(5)
Lease liabilities	258	(386)	(26)	(78)	(282)
Interest-bearing borrowings	7,391	(9,244)	(1,009)	(5,099)	(3,136)
	9,145	(11,138)	(2,518)	(5,197)	(3,423)
2020					
Derivatives					
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)	–
Non-derivative financial liabilities					
Trade and other payables ¹	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)

¹ Excludes advance payments, deferred grants, rental payables, Goods and Services Tax and employee benefits

Notes to the Financial Statements

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)

(\$ million)	Carrying amount	Contractual cash flow	Cash flows		
			Less than 1 year	Between 1 and 5 years	Over 5 years
Company					
2021					
Non-derivative financial liabilities					
Trade and other payables ¹	1,618	(1,673)	(177)	(1,496)	–
Lease liabilities	115	(182)	(9)	(33)	(140)
	1,733	(1,855)	(186)	(1,529)	(140)
2020					
Non-derivative financial liabilities					
Trade and other payables ¹	1,708	(1,750)	(120)	(1,630)	–
Lease liabilities	116	(187)	(8)	(32)	(147)
	1,824	(1,937)	(128)	(1,662)	(147)

¹ Excludes advance payments, deferred grants, rental payables, Goods and Services Tax and employee benefits

The following table indicates the periods in which the cash flows 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:

(\$ million)	Carrying amount	Contractual cash flow	Cash flows		
			Less than 1 year	Between 1 and 5 years	Over 5 years
Group					
2021					
Derivative financial liabilities					
– inflow	117	136	130	6	–
– outflow		(253)	(236)	(17)	–
Derivative financial assets					
– inflow	(242)	329	294	35	–
– outflow		(87)	(72)	(15)	–
	(125)	125	116	9	–
2020					
Derivative financial liabilities					
– inflow	126	232	190	42	–
– outflow		(358)	(275)	(74)	(9)
Derivative financial assets					
– inflow	(71)	102	97	5	–
– outflow		(32)	(32)	–	–
	55	(56)	(20)	(27)	(9)

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 (ECL).

Accounting policies

The Group applies the simplified approach to provide ECL on trade and unbilled receivables, and contract assets without 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. The loss allowance for service concession receivables is measured at 12-month ECL. A receivable balance is written-off to the extent that there is no realistic prospect of recovery.

For customers with credit ratings (or equivalent), the ECL rate is calculated based on probabilities of default and loss given default obtained from Standards and Poor's and Moody's. The Group monitors changes in credit risk by tracking published external credit ratings.

Customers with no credit ratings (or equivalent) are group based on shared credit risk characteristics and days past due, with ECL rates calculated using historical loss rates for each category of customers, adjusted to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

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, taking into account forward-looking information. Customer collectability is assessed on an ongoing basis and any resulting impairment losses are recognised in the profit or loss.

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

Notes to the Financial Statements

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

F4. Credit Risk (cont'd)

ECL assessment for customers with credit ratings (or equivalent)

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

(\$ million)	Equivalent to external credit rating	Credit impaired	Gross carrying amount	Loss allowance	Net carrying amount
Group					
2021					
<i>Receivables measured at lifetime ECL</i>					
Trade and other receivables and contract assets					
- Industrial	BBB+ – B-	No	610	(9)	601
- Government	AAA – BB	No	49	*	49
- Retail	B-	No	19	(2)	17
- Others	B+ – B-	No	2	*	2
			680	(11)	669
<i>Receivables measured at 12-month ECL</i>					
Service concession receivables	AAA – B	No	956	(11)	945
Total			1,636	(22)	1,614
2020					
<i>Receivables measured at lifetime ECL</i>					
Trade and other receivables and contract assets					
- Industrial	AAA – CCC	No	339	(5)	334
- Government	AAA	No	21	-	21
- Retail	B+ – B-	No	17	(2)	15
- Others	B+ – B-	No	1	*	1
			378	(7)	371
<i>Receivables measured at 12-month ECL</i>					
Service concession receivables	AAA – B	No	974	(11)	963
Total			1,352	(18)	1,334
Company					
2021					
<i>Receivables measured at lifetime ECL</i>					
Trade and other receivables and contract assets					
- Industrial	BB+ – B-	No	46	(1)	45
- Government	AAA	No	4	-	4
			50	(1)	49
2020					
<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

- i. As at December 31, 2021, 84% (2020: 84%) of service concession receivables relate to two major customers of the Group.
- ii. The carrying amount of receivable from the Group's most significant customer is S\$423 million (2020: S\$458 million) as at December 31, 2021. This receivable relates mainly to the sale of power in India and the customer is sovereign backed. Based on assessment performed in accordance with the Group's policy, the ECL allowance recognised as at December 31, 2021 is S\$11 million (2020: S\$9 million).
- iii. 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.

ECL assessment for customers without credit ratings (or equivalent)

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
Group					
2021					
Not past due	No	0.6%	176	(1)	175
Past due 0 to 3 months	No	0.5%	210	(1)	209
Past due 3 to 6 months	No	0.7%	144	(1)	143
Past due 6 to 12 months	No	1.6%	183	(3)	180
More than 1 year	No	25.0%	132	(33)	99
Total			845	(39)	806
Company					
2021					
Not past due	No	1.2%	82	(1)	81
Past due 0 to 3 months	No	-	19	-	19
Past due 3 to 6 months	No	-	3	-	3
Past due 6 to 12 months	No	-	3	-	3
More than 1 year	No	-	3	-	3
Total			110	(1)	109

Notes to the Financial Statements

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

F4. Credit Risk (cont'd)

ECL assessment for customers without credit ratings (or equivalent) (cont'd)

(\$ million)	Credit impaired	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Group					
2020					
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
Total			876	(33)	843
Company					
2020					
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
Total			84	–	84

For the remaining financial assets at amortised cost amounting to S\$351 million (2020: S\$232 million) which pertain mainly to long-term fixed deposits with financial institutions, dividend receivables from joint ventures and GST receivables, the Group considered the risk that a credit loss may occur, and recognised a loss allowance of S\$16 million (2020: S\$6 million).

Movements in loss allowances

(\$ million)	Note	Group			Company		
		12-month ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Total
Balance at January 1, 2021		11	46	57	–	*	*
Currency translation difference		*	1	1	–	–	–
Impairment loss recognised		–	26	26	–	1	1
Loss allowance written back		*	(7)	(7)	–	–	–
Balance at December 31, 2021	E1	11	66	77	–	1	1
Balance at January 1, 2020		8	193	201	–	*	*
Currency translation difference		1	(8)	(7)	–	–	–
Impairment loss recognised		2	14	16	–	*	*
Loss allowance utilised		–	(3)	(3)	–	–	–
Loss allowance written back		–	(5)	(5)	–	–	–
Distribution of a subsidiary		–	(145)	(145)	–	–	–
Balance at December 31, 2020	E1	11	46	57	–	*	*

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

Derivatives are used by the Group for hedging and enhancement of performance purposes. These derivatives are mainly foreign exchange contracts, foreign exchange swaps, interest rate swaps, cross currency swaps, fuel oil swaps and electricity futures market contracts.

1. The fair value of foreign exchange contracts and foreign exchange swaps are accounted for based on the difference between the contractual price and the current forward market price.
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 future market. Upon settlement, the gains and losses for CFDs are taken to profit or loss.

Non-derivative non-current financial assets and liabilities

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

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.

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.

Notes to the Financial Statements

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

F5. Financial Instruments (cont'd)

a. Fair Value Hierarchy

Financial assets and financial liabilities carried at fair value

(\$ million)	Fair value measurement			Total
	Level 1	Level 2	Level 3	
Group				
At December 31, 2021				
Financial assets at FVOCI	–	–	53	53
Financial assets at FVTPL	85	–	28	113
Derivative financial assets	–	291	–	291
	85	291	81	457
Derivative financial liabilities	–	(143)	–	(143)
	85	148	81	314
At December 31, 2020				
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

There have been no transfers between the different levels of the fair value hierarchy at December 31, 2021 and December 31, 2020.

Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances of Level 3 financial assets measured at FVOCI and FVTPL:

(\$ million)	Financial assets at FVOCI	
	2021	2020
Group		
Balance at January 1	71	87
Translation adjustments	–	1
Net change in fair value recognised in OCI	(18)	(14)
Distribution of a subsidiary	–	(3)
Balance at December 31	53	71

(\$ million)	Financial assets at FVTPL	
	2021	2020
Group		
Balance at January 1	26	25
Addition	5	4
Repayment of shareholder's loan ¹	–	(5)
Disposal ²	(10)	–
Net change in fair value recognised in profit or loss	7	2
Balance at December 31	28	26

¹ Related to repayment of shareholder's loan by Sembcorp Jingmen Water Co. Ltd (SJW)

² Included the Group's divestment of its interests in SJW in May 2021

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

Assets and liabilities not carried at fair value

The following table shows assets and liabilities not carried at fair value but for which fair values are disclosed, except financial assets and financial liabilities measured at amortised cost for which the carrying amounts approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

(\$ million)	Fair value measurement			Total
	Level 1	Level 2	Level 3	
Group				
At December 31, 2021				
Investment properties	–	–	186	186
Associate	99	–	–	99
Service concession receivables	–	1,501	–	1,501
Long-term interest-bearing borrowings	–	(6,654)	–	(6,654)
At December 31, 2020				
Investment properties	–	–	191	191
Associate	131	–	–	131
Service concession receivables	–	1,334	–	1,334
Long-term interest-bearing borrowings	–	(7,175)	–	(7,175)
Company				
At December 31, 2021				
Amounts due to related parties	–	(1,451)	–	(1,451)
At December 31, 2020				
Amounts due to related parties	–	(1,603)	–	(1,603)

Notes to the Financial Statements

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

F5. Financial Instruments (cont'd)

b. Fair Value Versus Carrying Amount

The fair value of financial assets and financial liabilities measured at amortised cost approximate their carrying amounts, except for service concession receivables and non-current borrowings.

(\$ million)	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
Group				
At December 31, 2021				
Service concession receivables	956	–	956	1,501
Interest-bearing borrowings:				
Non-current borrowings	–	(6,637)	(6,637)	(6,654)
At December 31, 2020				
Service concession receivables	974	–	974	1,334
Interest-bearing borrowings:				
Non-current borrowings	–	(7,135)	(7,135)	(7,175)
Company				
At December 31, 2021				
Amounts due to related parties	–	(1,445)	(1,445)	(1,451)
At December 31, 2020				
Amounts due to related parties	–	(1,595)	(1,595)	(1,603)

G. Our 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, including related party 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

(\$ million)	Company	
	December 31, 2021	December 31, 2020
At cost and carrying value:		
Unquoted equity shares	2,016	2,016
Preference shares	288	288
Share-based payments reserve	5	4
	2,309	2,308

Notes to the Financial Statements

G. Our Group Structure (cont'd)

G1. Subsidiaries (cont'd)

Details of key subsidiaries of the Group are as follows:

Name of key subsidiary	Country of incorporation	Effective equity held by the Group	
		2021 %	2020 %
Sembcorp Utilities Pte Ltd (SCU) ¹	Singapore	100	100
Sembcorp Cogen Pte Ltd ¹	Singapore	100	100
Sembcorp Gas Pte Ltd ¹	Singapore	100	100
Sembcorp Environment Pte. Ltd. ¹	Singapore	100	100
SembWaste Pte Ltd ¹	Singapore	100	100
Sembcorp Development Ltd ¹	Singapore	100	100
Singapore Precision Industries Pte Ltd ¹	Singapore	100	100
Singapore Technologies Industrial Corp Ltd ¹	Singapore	100	100
Vietnam Singapore Industrial Park Pte Ltd ¹	Singapore	96.59	96.59
Sembcorp Utilities (UK) Limited ²	United Kingdom	100	100
Sembcorp Energy UK Limited ²	United Kingdom	100	100
Nanjing Riverside Quay Co., Ltd ²	China	100	100
Sembcorp Myingyan Power Company Limited ²	Myanmar	100	100
Sembcorp North-West Power Company Ltd. ²	Bangladesh	71	71
Sembcorp Energy India Ltd, SEIL ³	India	100	100
Sembcorp Green Infra Limited (SGI) ^{3,4}	India	100	100

¹ Audited by KPMG LLP, Singapore

² Audited by member firms of KPMG International

³ Audited by PricewaterhouseCoopers, India

⁴ In December 2021, the Group has reorganised its investments in India and SGI became a wholly owned subsidiary of SCU (previously held by SEIL)

G2. Non-controlling Interests

There are no subsidiaries with material NCI for financial year ended December 31, 2021 and December 31, 2020.

There are also no significant acquisitions of additional interest in subsidiaries during the year.

G3. 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 (VSSI). 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 businesses 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

	Note	2020
<i>(\$ million)</i>		
<i>a. Effect on cash flows of the Group</i>		
Cash paid		18
Less: Cash and cash equivalents in subsidiaries acquired		(9)
Cash outflow on acquisition		9
<i>b. Identifiable assets acquired and liabilities assumed</i>		
Total net identifiable assets		35
Less: Negative goodwill	B4(c)	(17)
Consideration transferred for the businesses		18

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 on its core operations.

Acquisition-related Costs

The Group incurred acquisition related cost of S\$2 million. These costs have been charged to profit or loss.

Disposal of Significant Subsidiaries

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

The financial effects arising from the deconsolidation and disposal of subsidiaries are as follows:

	2020
<i>(\$ million)</i>	
Net assets derecognised	37
Realisation of currency translation and other reserves	1
	38
Gain on disposal	20
Consideration (net of withholding tax) received	58
Less: Cash and cash equivalents disposed of	(4)
Net cash inflow	54

Notes to the Financial Statements

G. Our Group Structure (cont'd)

G4. Associates and Joint Ventures

Accounting policies

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

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

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

Key estimates and judgements

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

(\$ million)	Note	Group	
		December 31, 2021	December 31, 2020
Associates and joint ventures		1,846	1,614
Less: Allowance for impairment		(316)	(97)
	(a), (b)	1,530	1,517
Loan to an associate	(i)	70	71
		1,600	1,588

- The loan 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 recognised within investment in associate. Allowance for impairment on this loan is insignificant.
- In 2021, the Group received dividends of S\$77 million (2020: S\$213 million) from its investments in associates and joint ventures.
- The carrying value includes goodwill on acquisition as follows:

(\$ million)	Group	
	2021	2020
Balance at January 1	*	3
Distribution of a subsidiary	—	(3)
Balance at December 31	*	*

a. Associates

Details of the Group's key associates are as follows:

Name of key associate	Nature of relationship with the Group	Country of incorporation	Effective equity held by the Group	
			2021 %	2020 %
Integrated Urban Solutions				
Wuxi-Singapore Industrial Park Development Co., Ltd ¹	Development, management and operation of Wuxi-Singapore Industrial Park	China	45.36	45.36
Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd ²	First-grade land development including building infrastructure and public amenities	China	21.50	21.50
Conventional Energy				
Sembcorp Salalah Power and Water Company SAOG ¹	Generation of electric energy	Oman	40.00	40.00

¹ Audited by member firms of KPMG International

² Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China

There are no individual associates that are considered to be material to the Group as at December 31, 2021 and December 31, 2020. Summarised financial information of the associates presented in aggregate, representing the Group's share, is as follows:

(\$ million)	Group	
	December 31, 2021	December 31, 2020
Carrying amount	446	358
Profit for the year	57	48
Other comprehensive income	43	(2)
Total comprehensive income	100	46

The fair value of the equity interest of a listed associate amounted to S\$99 million (2020: S\$131 million) based on the last transacted market price on the last transaction day of the year.

In 2020, the Group recognised an impairment loss of S\$81 million 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 prolonged 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 program.

Notes to the Financial Statements

G. Our Group Structure (cont'd)

G4. Associates and Joint Ventures (cont'd)

b. Joint Ventures

Details of the Group's key joint ventures are as follows:

Name of key joint venture	Nature of relationship with the Group	Country of incorporation	Effective equity held by the Group	
			2021 %	2020 %
Renewables				
Guohua AES (Huanghua) Wind Power Co., Ltd ¹	Development, construction and operation of wind farms as well as provision of wind power technical consultation and services, training and research, development and engineering support services	China	49.00	49.00
Integrated Urban Solutions				
Vietnam Singapore Industrial Park J.V. Co., Ltd. ²	Development of industrial parks, residential areas and commercial areas for sale and lease	Vietnam	49.26	49.26
PT Kawansan Industri Kendal ³	Development of an industrial, commercial and residential township	Indonesia	49.00	49.00
Conventional Energy				
Phu My 3 BOT Power Company Ltd. ⁴	Building, owning, operation and maintenance of Power Plant Facility	Vietnam	66.67	66.67
Shanghai Cao Jing Co-generation Co. Ltd ⁵	Production of electricity and steam, supply of steam to customers, supply of electricity to the power grid and production and sale of other relevant products	China	30.00	30.00
Emirates Sembcorp Water & Power Company P.J.S.C ⁶	Development, possession, operation and maintenance of production, power generation and water desalination projects	United Arab Emirates	40.00	40.00

¹ Audited by Baker Tilly Certified Public Accountants Co., Ltd, China

² Audited by member firms of KPMG International

³ Audited by BDO Indonesia

⁴ Audited by Ernst & Young Vietnam Limited

⁵ Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company

⁶ Audited by Ernst & Young, Abu Dhabi

The Group has two (2020: 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:

(\$ million)	Guohua AES (Huanghua) Wind Power Co., Ltd.		Vietnam Singapore Industrial Park J.V. Co., Ltd.	
	2021	2020	2021	2020
Revenue	131	120	469	391
Profit for the year ¹	51	48	106	81
Other comprehensive income	–	–	26	3
Total comprehensive income	51	48	132	84
Attributable to non-controlling interests	–	–	14	13
Attributable to investee's shareholders	51	48	118	71

¹ Includes depreciation and amortisation of S\$51 million (2020: S\$53 million), finance income of S\$4 million (2020: S\$4 million), finance cost of S\$18 million (2020: S\$22 million) and income tax expense of S\$24 million (2020: S\$20 million).

(\$ million)	Guohua AES (Huanghua) Wind Power Co., Ltd.		Vietnam Singapore Industrial Park J.V. Co., Ltd.	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Non-current assets	690	694	231	173
Current assets ¹	250	216	1,055	880
Non-current liabilities ²	(278)	(335)	(267)	(161)
Current liabilities ³	(170)	(158)	(306)	(309)
Non-controlling interests	–	–	(102)	(90)
Net assets	492	417	611	493

¹ Includes cash and cash equivalents of S\$314 million (2020: S\$161 million)

² Includes non-current financial liabilities (excluding trade and other payables and provisions) of S\$458 million (2020: S\$419 million)

³ Includes current financial liabilities (excluding trade and other payables and provisions) of S\$242 million (2020: S\$133 million)

Notes to the Financial Statements

G. Our Group Structure (cont'd)

G4. Associates and Joint Ventures (cont'd)

b. Joint Ventures (cont'd)

<i>(\$ million)</i>	Guohua AES (Huanghua) Wind Power Co., Ltd.	Vietnam Singapore Industrial Park J.V. Co., Ltd.	Individually immaterial joint ventures	Total
December 31, 2021				
Group's interest in net assets of investees at beginning of the year	201	251	707	1,159
Group's share of:				
– Profit from continuing operations	24	48	77	149
– Other comprehensive income	–	–	14	14
Total comprehensive income	24	48	91	163
– Dividends received during the year	–	–	(65)	(65)
– Translation during the year	12	12	16	40
– Impairment during the year	–	–	(212)	(212)
– Addition during the year, net of disposal	–	–	*	*
– Transfer to assets held for sale	–	–	(1)	(1)
Carrying amount of interest in investees at end of the year	237	311	536	1,084
December 31, 2020				
Group's interest in net assets of investees at beginning of the year	196	221	800	1,217
Group's share of:				
Profit from continuing operations	24	35	126	185
Other comprehensive income	–	1	(9)	(8)
Total comprehensive income	24	36	117	177
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)
Carrying amount of interest in investees at end of the year	201	251	707	1,159

- i. The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S\$73 million (2020: S\$118 million).
- ii. The Group's interest in joint ventures with total carrying amount of S\$96 million (2020: S\$73 million) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

- iii. In 2021, the Group has fully impaired the carrying value of S\$212 million interest in Chongqing Songzao Sembcorp Electric Power Co., Ltd (CSZ). The business was severely impacted by significantly higher coal costs, with the loss of its mine-mouth advantage and escalating market coal prices due to supply-demand imbalance consequent to a government directive for coal mines and the partner's decision to close all its Chongqing-based coal mines.

The recoverable amount was assessed using a 19-year cash flow projection based on its best estimate of the asset's total service hours and a company specific risk adjusted pre-tax discount rate of 8.3%. The projection takes into consideration the recent 10-year market coal price forecast data, the uncertainty of government support and competitive pressure from low carbon power sources in the longer term. The impairment loss was recorded in non-operating expenses.

Post the impairment, the Group no longer equity accounts the results of CSZ as the Group's cumulative share of losses would exceed its interests in CSZ. As at December 31, 2021, the Group's share of the unrecognised losses of CSZ was S\$25 million.

- iv. In 2020, the Group recognised an impairment loss of S\$32 million 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.

Notes to the Financial Statements

G. Our Group Structure *(cont'd)*

G5. Related Party Information

a. Amounts Due from Related Parties

(\$ million)	Note	Associates		Joint ventures		Related companies		Total	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Group									
Trade		5	9	5	5	19	12	29	26
Non-trade		3	1	12	31	*	1	15	33
Loans		*	*	1	1	–	–	1	1
	E1	8	10	18	37	19	13	45	60
Loss allowance		(1)	(1)	(12)	(2)	–	*	(13)	(3)
		7	9	6	35	19	13	32	57
Amount due within 1 year		(7)	(9)	(6)	(35)	(19)	(13)	(32)	(57)
Amount due more than 1 year		–	–	*	*	–	–	*	*

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

Loss allowance of S\$10 million was made on a dividend receivable from a joint venture which was impaired (see G4(b)(iii)).

In 2020, the loan from a joint venture is repayable in the next 12 months.

(\$ million)	Note	Subsidiaries	
		December 31, 2021	December 31, 2020
Company			
Current:			
– Trade		35	15
– Non-trade		*	*
	E1	35	15

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

b. Amounts Due to Related Parties

(\$ million)	Note	Holding company		Associates		Joint ventures		Related companies		Total	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Group											
Current:											
– Trade		*	–	*	*	*	1	*	2	*	3
– Non-trade		–	–	*	1	*	*	4	4	4	5
Advance payment – trade		–	–	–	–	–	2	–	–	–	2
	E3	*	–	*	1	*	3	4	6	4	10

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

Notes to the Financial Statements

G. Our Group Structure (cont'd)

G5. Related Party Information (cont'd)

b. Amounts Due to Related Parties (cont'd)

(S\$ million)	Note	Subsidiaries	
		December 31, 2021	December 31, 2020
Company			
Current:			
- Trade		*	2
- Non-trade		2	2
	E3	2	4
Non-current:			
- Loans	E3	1,445	1,595
		1,447	1,599

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

The loans from a related party of S\$1,445 million (2020: S\$1,595 million) bear interest rates ranging from 1.36% to 3.72% (2020: 1.37% to 3.72%) per annum and are unsecured.

c. Related Party Transactions

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

(S\$ million)	Outstanding balances		Transactions	
	2021	2020	2021	2020
Related Corporations				
Sales	19	14	177	119
Purchases including rental	*	2	428	316
Finance income	-	-	1	3
Finance expense	4	4	8	16
Associates and Joint Ventures				
Sales	10	14	32	67
Purchases including rental	*	4	-	1
Payment on behalf	-	-	4	1
Loans due from	1	1	-	-

There were no fees paid to related parties in 2021. In 2020, S\$6.5 million break funding cost for early redemption of bonds was paid to bond investors who are also related parties, and S\$6.9 million management and agent fees for the rights issue and the Distribution was paid to a related corporation.

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.

During the year, in line with setting the transformation target and plan, the Group has redefined the key management personnel. As of December 31, 2021, the key management personnel are Wong Kim Yin, Eugene Cheng, Robert Chong, Koh Chiap Khiong, Vipul Tuli, Andrew Koss, Alex Tan and Kelvin Teo.

The compensation of the eight (2020: six) key management personnel is included in the table below:

(S\$ million)	Group	
	2021	2020
Directors		
Directors' fees paid / payable	2	3
Key Management Personnel		
Salary, bonus and other benefits	8	7
Share-based compensation expenses	4	2

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added (EVA), as well as 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.

G6. 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.

Details of SCM's key accounting policies are disclosed in SCM's publicly available financial statements.

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. Subsequently, the secured bonds were fully redeemed by the Company in November 2020 and an amount of S\$6.5 million was paid to a related corporation for the early redemption (Note G5).

The results of SCM were reported in 2020 as a discontinued operation. 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 and floaters, repairs and upgrades, offshore platforms and specialised shipbuilding.

Notes to the Financial Statements

G. Our Group Structure *(cont'd)*

G6. Discontinued Operation *(cont'd)*

Financial performance

The loss from discontinued operation, net of tax of S\$1,300 million included SCM's net loss of S\$330 million (of which the Group's share was S\$184 million) as well as loss on distribution of S\$970 million.

In 2020, the basic and diluted¹ loss per share from discontinued operations were 64.65 cents per share. Earnings (loss) per share is computed using a weighted average number of shares and an adjusted weighted number of shares in Note B5(b).

¹ In computing the 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.

Carry value of the distribution in specie

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

<i>(S\$ million)</i>	2020
Net assets distributed	3,894
Less: Non-controlling interest	(1,208)
Realisation of capital reserves upon distribution	(125)
	<u>2,561</u>
Distribution in specie (less transaction costs of S\$6 million)	(1,591)
Loss on the Distribution	(970)
Consideration received	–
Less: Cash of subsidiary companies distributed	(1,309)
Net cash outflow on distribution in specie	<u>(1,309)</u>

Cash flow information

The cash flows attributable to the discontinued operation for the year ended December 31, 2020 are as follows:

<i>(S\$ million)</i>	Group 2020
Operating cash flow	(357)
Investing cash flow	(63)
Financing cash flow	1,341
Net cash inflows	<u>921</u>

Share-based Incentive Plans

Details of SCM's share plans is disclosed in the SCM's publicly available financial statements.

H. Other Disclosures

H1. Other Financial Assets and Liabilities

Accounting policies

Classification and Measurement

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

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

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 to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. The Group's equity investments are classified as FVOCI. These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets and liabilities at FVTPL

All other financial assets not classified as measured at amortised cost 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 FVOCI, as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. A financial liability is classified as FVTPL if it is 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 a) the contractual rights to the cash flows from the financial asset expire, or b) 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 if the Group neither transfers nor retains substantially all of the risks and rewards of ownership, 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 derecognised.

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

H. Other Disclosures (cont'd)

H1. Other Financial Assets and Liabilities (cont'd)

(\$ million)	Note	Assets		Liabilities	
		Current	Non-current	Current	Non-current
2021					
At FVOCI:					
- Equity shares		-	53	-	-
At FVTPL:					
- Cross currency swaps		-	5	-	9
- Interest rate swaps		-	3	-	*
- Forward foreign exchange contracts		1	-	1	-
- Foreign exchange swap contracts		*	-	-	-
- Mutual funds	(i)	85	28	-	-
- Other derivatives		26	*	7	*
		112	36	8	9
Hedge of net investment in foreign operations:					
- Forward foreign exchange contracts		1	5	-	9
Cash flow hedges:					
- Forward foreign exchange contracts		1	*	2	*
- Fuel oil swaps		204	8	48	2
- Interest rate swaps		-	3	-	36
- Cross currency swaps		26	-	-	-
- Electricity futures market contracts		-	-	29	-
		231	11	79	38
Fair value hedges:					
- Forward foreign exchange contracts		8	-	-	-
At amortised cost:					
- Long-term fixed deposits		-	114	-	-
Total		352	219	87	56

(\$ million)	Note	Assets		Liabilities	
		Current	Non-current	Current	Non-current
2020					
At FVOCI:					
- Equity shares		-	71	-	-
At FVTPL:					
- 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	(ii)	8	-	-	-
- Mutual funds	(i)	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
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	-	*	-
At amortised cost:					
- Long-term fixed deposits		-	124	-	-
Total		159	250	40	98

- i. Included in mutual funds are amounts of S\$83 million (2020: S\$85 million) pledged to secure loan facilities.
- ii. The Group was deemed to have lost control of SJW, and SJW's net assets were deconsolidated and recognised as other financial assets since 2019. In May 2021, the Group divested its interests in SJW.

Notes to the Financial Statements

H. Other Disclosures (cont'd)

H2. 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 in view of the uncertainty of the outcome, the Group believes that the amount of exposure cannot currently be reliably determined. Therefore, no provision has been recorded for these.

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.

Movements in provisions are as follows:

(\$ million)	Note	Claims (i)	Restoration costs (ii)	Remediation of legacy sites (iii)	Warranty	Others (iv)	Total
Group							
2021							
Balance at January 1		12	29	4	–	19	64
Translation adjustments		*	*	(1)	–	*	(1)
Provisions made during the year		*	16	30	–	9	55
Provisions reversed during the year		(3)	(2)	–	–	*	(5)
Provisions utilised during the year		(1)	(1)	(1)	–	(7)	(10)
Unwind of accretion on restoration costs	C6	–	1	–	–	–	1
Balance at December 31		8	43	32	–	21	104
Provisions due:							
– within 1 year		8	14	10	–	8	40
– after 1 year but within 5 years		–	–	22	–	13	35
– after 5 years		*	29	–	–	–	29
		8	43	32	–	21	104
2020							
Balance at January 1		12	105	–	42	17	176
Translation adjustments		*	(1)	*	*	*	(1)
Provisions made during the year		4	5	4	1	5	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 accretion on restoration costs		–	1	–	–	–	1
Balance at December 31		12	29	4	–	19	64
Provisions due:							
– within 1 year		12	4	4	–	6	26
– after 1 year but within 5 years		–	–	–	–	13	13
– after 5 years		–	25	–	–	–	25
		12	29	4	–	19	64

Notes to the Financial Statements

H. Other Disclosures (cont'd)

H2. Provisions (cont'd)

(\$ million)	Claims (i)	Restoration costs (ii)	Others (iv)	Total
Company				
2021				
Balance at January 1	9	13	–	22
Provisions made during the year	*	15	1	16
Provisions reversed during the year	(3)	(2)	–	(5)
Provisions utilised during the year	(2)	*	–	(2)
Balance at December 31	4	26	1	31
Provisions due:				
– within 1 year	4	14	1	19
– after 5 years	–	12	–	12
	4	26	1	31
2020				
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

- i. Provision for claims 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 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. This relates to remediation obligations of certain legacy sites in UK, which are expected to be utilised within one to three years. This provision has been determined with reference to external quotes from suppliers as well as management's best estimate of the costs to complete the remediation works.
- iv. Others for the Group 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. 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.

Others for Company relates to incremental costs necessary to fulfil the obligation under the contract on early termination to cease the incineration plant business.

H3. Subsequent Events

On January 28, 2022, the Group announced the completion of the acquisition of a 35% interest in an associated company, SDIC New Energy Investment Co., Ltd. The equity consideration was RMB1.5 billion (approximately S\$320 million). The acquisition is expected to be earnings accretive commencing from financial year ending December 31, 2022.

On February 21, 2022, the Group entered into a conditional sale and purchase agreement to divest its entire 30% interest in an associated company, Subic Water and Sewage Co, Inc for USD9.7 million (approximately S\$13 million).

H4. New or Revised Accounting Standards and Interpretations Not Yet Effective

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after January 1, 2021:

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 Use
- 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) 1-1 and SFRS(I) Practice Statement 2 Disclosure of Accounting Policies
- Amendments to SFRS(I) 1-8 Definition of Accounting Estimates
- Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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.

Notes to the Financial Statements

I. Supplementary Information

I1. 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 2021, the 5% Group's consolidated NTA as at December 31, 2020 was S\$149 million.

Chapter 9 however permits the Company to obtain a shareholders' mandate for recurrent transaction of a revenue or trading nature or those necessary for its day-to-day operations. At the Annual General Meeting held on April 2021, the Company obtained approval for such shareholders' mandate.

Transactions under shareholders' mandate

(\$ million)	Nature of relationship	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)	2021	
Sale of Goods and Services				
Mapletree Investments Pte Ltd and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company		3.2	
PSA International Pte Ltd and its Associates			5.1	
Singapore Power Limited and its Associates			2.4	
Singapore Telecommunications Ltd and its Associates			173.9	
CapitaLand Ltd and its Associates			2.9	
Olam International Ltd and its Associates			2.5	
SATS Ltd and its Associates			0.2	
SMRT Corporation and its Associates			3.6	
Singapore Technologies Telemedia Pte Ltd and its Associates			0.2	
Singapore Technologies Engineering Ltd and its Associates			1.0	
Sembcorp Marine Ltd and its Associates			29.2	
				224.2
Purchase of Goods and Services				
Singapore Power Limited and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company		8.3	
Surbana-Jurong Private Limited and its Associates			3.1	
Singapore Telecommunications Ltd and its Associates			2.1	
Starhub Ltd and its Associates			1.5	
Temus Pte Ltd and its Associates			0.4	
			15.4	
Obtaining Support Services				
Temasek International Pte Ltd	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company		0.7	
			240.3	

Transactions not under shareholders' mandate

(\$ 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)	2021
Receipt of Grant for Feasibility Study			
Temasek Capital Management Pte Ltd	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company		1.0
Joint Development Agreement			
Singapore Technologies Telemedia Pte Ltd and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company		0.6
			1.6

I2. List of Properties

Corporate and Others

Description	Type	Land tenure	Net lettable / saleable area (sq m)	Group's effective interest
Singapore				
30 Hill Street	Office	Freehold land and building	11,410	100%

Urban

Description	Type	Land tenure	Net lettable / saleable area (sq m)	Group's effective interest	Status
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China

Industrial & Business Properties

1.	International Water Hub, Nanjing	Office & exhibition centre	Leasehold 50 years from 2015	36,489 ¹	100%	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	456,821	45.4%	Completed development
5.	Wuxi-Singapore Industrial Park	Built-to-specs factories	Leasehold 50 years from 2006	152,952	45.4%	Completed development

¹ Gross floor area excludes carpark and basement area

Notes to the Financial Statements

I. Supplementary Information (cont'd)

I2. List of Properties (cont'd)

Urban (cont'd)

Description	Type	Land tenure	Net lettable / saleable area (sq m)	Group's effective interest	Status
China					
<i>Commercial & 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	7,718	21.5%	Completed development
3. Modena by Fraser, Wuxi New District	Service apartment	Leasehold 40 years from 2008	11,056	45.4%	Completed development
Indonesia					
<i>Industrial & Business Properties</i>					
1. Kendal Industrial Park, Central Java	Ready-built factories	Leasehold 30 years from 2015	1,836	49.0%	Completed development
Vietnam					
<i>Industrial & Business Properties</i>					
1. VSIP Binh Duong I	Ready-built factories	Leasehold 50 years from 1996	57,813	49.3%	Completed development
2. VSIP Binh Duong II	Ready-built factories	Leasehold 50 years from 2005	25,016	49.3%	Completed development
3. VSIP Binh Duong II-A	Ready-built factories	Leasehold 50 years from 2008	78,961	49.3%	Completed development
4. VSIP Nghe An	Ready-built factories	Leasehold 50 years from 2015	8,810	49.3%	Completed development
5. VSIP Hai Phong	Ready-built factories	Leasehold 50 years from 2008	30,051	49.3%	Completed development
6. VSIP Bac Ninh	Ready-built factories	Leasehold 50 years from 2007	37,035	46.5%	Completed development
7. VSIP Bac Ninh Flatted Factory	Flatted factory	Leasehold 50 years from 2007	16,136	46.5%	Completed development
8. SIS Hai Phong Phase I	Warehouses	Leasehold 44 years from 2014	15,000	52.5%	Completed development
9. SIS Hai Phong Phase II	Warehouses	Leasehold 43 years from 2016	14,279	52.5%	Completed development
10. SIS Hai Phong Phase III	Warehouses	Leasehold 40 years from 2018	13,200	52.5%	Completed development
11. SIS Hai Duong	Warehouses	Leasehold 38 years from 2020	15,490	52.5%	Under development

Description	Type	Land tenure	Net lettable / saleable area (sq m)	Group's effective interest	Status
Vietnam (cont'd)					
<i>Commercial & Residential Properties</i>					
1. VSIP Binh Duong II-A	Retail	Leasehold 50 years from 2008	1,118	49.3%	Completed development
2. VSIP Plaza, Quang Ngai	Retail	Leasehold 50 years from 2012	3,062	49.3%	Completed development
3. VSIP Hai Phong	Retail	Leasehold 50 years from 2008	421	46.5%	Completed development
4. Hai Phong Gateway	Retail	Leasehold 50 years from 2008	342	46.5%	Completed development
5. VSIP Bac Ninh	Shophouses	Leasehold 50 years from 2007	680	46.5%	Completed development
6. Sun Casa, Binh Duong	Residential & shophouses	Leasehold 50 years from 2008	3,506	49.3%	Completed development
7. Sun Casa Central I, Binh Duong	Residential & shophouses	Leasehold 50 years from 2009	38,114	49.3%	Completed development
8. Bel Homes, Hai Phong	Residential & shophouses	Leasehold 50 years from 2008	5,797	46.5%	Completed development
9. Sun Casa Central II, Binh Duong	Residential & shophouses	Leasehold 50 years from 2009	76,128	49.3%	Under development
10. The Habitat Binh Duong II	Residential & retail	Leasehold 45 years from 2018	815	51.6%	Completed development