Consolidated Financial Statements

Sembcorp solar assets in Punjab, India

Directors' Statement

Year ended December 31, 2023

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended December 31, 2023.

In our opinion:

a. the financial statements set out on pages 110 to 230 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2023 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date are in accordance with the provisions of the Companies Act 1967, Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and

b. at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has on the date of this statement, authorised these financial statements for issue.

Directors

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

Tow Heng Tan
Lim Ming Yan
Ajaib Haridass
Yap Chee Keong
Dr Josephine Kwa Lay Keng
Nagi Hamiyeh
Kunnasagaran Chinniah *(Appointed on August 1, 2023)*
Marina Chin Li Yuen *(Appointed on November 1, 2023)*
Ong Chao Choon *(Appointed on November 3, 2023)*
Wong Kim Yin

Directors' Interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

	Direct interest			Deemed interest		
Name of director and corporation in which interests held	At beginning of the year	At end of the year	At 21/01/2024	At beginning of the year	At end of the year	At 21/01/2024
Ordinary shares of the Company						
Tow Heng Tan[1]	8,700	22,400	22,400	22,715	22,715	22,715
Lim Ming Yan	19,100	34,400	34,400	–	–	–
Ajaib Haridass[2]	155,500	169,500	169,500	–	–	–
Yap Chee Keong[3]	116,800	131,500	131,500	–	–	–
Dr Josephine Kwa Lay Keng	54,300	67,000	67,000	–	–	–
Nagi Hamiyeh	29,600	40,400	40,400	–	–	–
Wong Kim Yin	395,188	4,163,597	4,163,597	–	–	–
S$350,000,000 4.6 per cent notes due 2030 comprising Series 004 ("Series 004 Notes"), issued under the S$3,000,000,000 Multicurrency Debt Issuance Programme						
Yap Chee Keong[4]	–	S$250,000	S$250,000	–	–	–

[1] Deemed interest in the shares registered in the name of his wife
[2] Of the 169,500 SCI shares, 5,000 shares are held in the name of Bank of Singapore and 100,000 shares are held in the name of Bank Julius Baer & Co Ltd
[3] All shares are registered in the name of DBS Nominees Pte Ltd
[4] The Series 004 Notes are registered in the name of DBS Nominees Pte Ltd

	Direct interest		Deemed interest	
Name of director and corporation in which interests held	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Conditional share award				
Wong Kim Yin				
PSP 2021-2022 (Note 1a)	377,900	–	–	–
PSP 2021-2023 (Note 1b)	998,900	998,900	–	–
PSP 2022-2024 (Note 1c)	521,300	521,300	–	–
PSP 2023-2025 (Note 1d)	–	335,900	–	–
PSP-TI 2021-2025 (Note 1e)	1,728,200	1,399,900	–	–
PSP-TI 2022-2025 (Note 1f)	1,751,000	776,000	–	–
PSP-TI 2023-2025 (Note 1g)	–	1,185,360	–	–
RSP 2020 (Note 2a)	78,676	–	–	–
RSP 2021 (Note 2b)	284,066	142,033	–	–
RSP 2022 (Note 2c)	–	714,800	–	–

Note 1: The actual number delivered will depend on the achievement of set targets over the performance period as indicated below. No performance shares will be delivered if achievement of targets is below threshold level. Based on the achievement of performance targets:

a. Period from 2021 to 2022 (PSP 2021-2022)
In FY2023, 755,800 SCI shares were vested on April 3, 2023

b. Period from 2021 to 2023 (PSP 2021-2023)
For this period, 0% to 200% of the conditional performance shares awarded could be delivered

c. Period from 2022 to 2024 (PSP 2022-2024)
For this period, 0% to 200% of the conditional performance shares awarded could be delivered

d. Period from 2023 to 2025 (PSP 2023-2025)
For this period, 0% to 200% of the conditional performance shares awarded could be delivered

e. Period from 2021 to 2025 (PSP-TI 2021-2025)
In FY2023, 859,500 SCI shares were vested on January 20, 2023. The remaining conditional performance shares awarded could be vested between 2024 to 2026, subject to the achievement of performance targets and vesting conditions

f. Period from 2022 to 2025 (PSP-TI 2022-2025)
In FY2023, 1,575,000 SCI shares were vested on January 20, 2023. The remaining conditional performance shares awarded could be vested between 2024 to 2026, subject to the achievement of performance targets and vesting conditions

g. Period from 2023 to 2025 (PSP-TI 2023-2025)
For this period, 0% to 140% of the conditional performance shares awarded could be delivered

Note 2: With effect from FY2019, restricted shares were granted based on the financial performance and corporate objectives achieved in the preceding year.

a. RSP 2020
In FY2023, 78,676 SCI shares (final release of the 1/3 of 236,030 shares) were vested on April 3, 2023.

b. RSP 2021
In FY2023, 142,033 SCI shares (2nd release of the 1/3 of 426,100 shares) were vested on April 3, 2023. The remaining shares will be vested in Year 2024.

c. RSP 2022
In FY2023, 357,400 SCI shares (1st release of the 1/3 of 1,072,200 shares) were vested on April 3, 2023. The remaining shares will be vested in Year 2024 and 2025.

Directors' Interests *(cont'd)*

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

Except as disclosed under the "Share-based Incentive Plans" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except as disclosed in Notes B4(a) and G4(d) to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he / she is a member, or with a company in which he / she has a substantial financial interest.

Share-based Incentive Plans

The Company's Performance Share Plan 2020 (SCI PSP 2020) and Restricted Share Plan 2020 (SCI RSP 2020) (collectively, the 2020 Share Plans) were approved and adopted by the shareholders at an Annual General Meeting of the Company held on May 21, 2020.

The Executive Resource & Compensation Committee (the Committee) of the Company has been designated by the Board as the Committee responsible for the administration of the Share Plans. The Committee comprises the following members, all of whom are directors:

Lim Ming Yan *(Chairman)*
Tow Heng Tan
Kunnasagaran Chinniah *(Appointed on November 3, 2023)*

The 2020 Share Plans aim to strengthen the Company's competitiveness in attracting, retaining and motivating talented key senior management and senior executives, to incentivise superior performance and sustainable growth, and to align the interests of participants and shareholders. Under the 2020 Share Plans, the Group President & CEO and top management are required to hold shares equivalent to a multiple of the individual participant's annual base salaries.

Details of 2020 Share Plans are disclosed in Note B6 to the financial statements.

a. Performance Share Plan (PSP)

The details of the performance shares of Sembcorp Industries Ltd awarded during the financial year since commencement of the PSP (aggregate) are as follows:

Performance shares participants	At January 1	Movements during the year: Conditional performance shares awarded	Conditional performance shares lapsed	Performance shares awarded due to achievement of targets	Conditional performance shares released	At December 31
2023						
Key executives of the Group[1]	22,711,791	2,501,600	(1,849,415)	4,552,470	(11,508,600)	16,407,846

[1] Includes PSP for Group President & CEO of Sembcorp Industries Ltd

Of the performance shares released, nil (2022: 19,900) performance shares were cash-settled. The remaining performance shares were released via the issuance of treasury shares.

The total number of performance shares granted conditionally but not released as at December 31, 2023, was 16,407,846 (2022: 22,711,791). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 24,742,626 (2022: 34,557,122) performance shares.

b. Restricted Share Plan (RSP)

The details of the restricted shares of Sembcorp Industries Ltd awarded during the year are as follows:

Restricted shares participants	At January 1	Movements during the year: Conditional restricted shares awarded	Conditional restricted shares released	Conditional restricted shares lapsed	At December 31
2023					
Non-executive directors of the Company:					
Tow Heng Tan	–	13,700	(13,700)	–	–
Lim Ming Yan	–	15,300	(15,300)	–	–
Ajaib Haridass	–	14,000	(14,000)	–	–
Yap Chee Keong	–	14,700	(14,700)	–	–
Dr Josephine Kwa Lay Keng	–	12,700	(12,700)	–	–
Nagi Hamiyeh	–	10,800	(10,800)	–	–
Kunnasagaran Chinniah	–	–	–	–	–
Marina Chin Li Yuen	–	–	–	–	–
Ong Chao Choon	–	–	–	–	–
Employees of the Group[1]	4,072,047	3,449,525	(4,449,145)	(8,738)	3,063,689
	4,072,047	3,530,725	(4,530,345)	(8,738)	3,063,689

[1] Includes RSP for Group President & CEO of Sembcorp Industries Ltd

The total number of restricted shares outstanding, including award(s) achieved but not released, as at end 2023, was 3,063,689 (2022: 4,072,047). With the change in the remuneration structure, with effect from 2019 award, the RSP balances represent 100% of targets achieved, but not released subject to individual performance and fulfilment of service conditions at vesting. The actual release of the awards is a maximum of 3,063,689 (2022: 4,072,047) restricted shares.

c. Maximum Number of Shares Issuable

The maximum number of performance shares and restricted shares which could be delivered, when aggregated with the number of new shares issued and issuable in respect of all options granted, is within the 15% limit of the share capital of the Company on the day preceding the relevant date of the grant.

Audit Committee

The members of the Audit Committee during the year and at the date of this report are:

Yap Chee Keong *(Chairman)*
Ajaib Haridass
Dr Josephine Kwa Lay Keng
Marina Chin Li Yuen *(Appointed on November 3, 2023)*
Ong Chao Choon *(Appointed on November 3, 2023)*

The Audit Committee held five meetings during the financial year. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, and the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performed the functions specified in Section 201B of the Companies Act 1967, the Listing Manual of the SGX, and the Code of Corporate Governance.

The Audit Committee also reviewed the following:

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

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the board of directors that the auditors, KPMG LLP, be nominated for reappointment as auditors at the forthcoming AGM of the Company.

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept reappointment.

On behalf of the Board of Directors

Tow Heng Tan
Chairman

Wong Kim Yin
Director

Singapore
February 19, 2024

Independent Auditors' Report

Members of the Company
Sembcorp Industries Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sembcorp Industries Ltd (the Company) and its subsidiaries (the Group), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at December 31, 2023, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including material accounting policy information as set out on pages 110 to 230.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act), Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the financial position of the Group and the Company as at December 31, 2023 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment, intangible assets and interests in associates and joint ventures (collectively, the Group's non-financial assets)

(Refer to Notes D1, D3 and G3 to the financial statements: property, plant and equipment of S$6,465,000,000, intangible assets of S$952,000,000 and associates and joint ventures of S$2,396,000,000).

Risk:

As at December 31, 2023, the Group's non-financial assets amounted to S$9,813,000,000. Management performs impairment assessment of these assets at least annually and as and when indicators of impairment or impairment reversal occur.

CGUs identified for impairment assessment are found in Note D3.

The recoverable amount of a CGU is the higher of the CGU's fair value less costs of disposal and its value-in-use (VIU). As the fair values of these assets are not readily determinable, the Group measures the recoverable amounts using the discounted cash flow technique to derive the assets' VIU.

The determination of the recoverable amounts of these CGUs involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the gross margin forecasts, plant load factors and discount rates used. Gross margin forecasts and plant load factors depend on customer demand that corresponds with tariff rates that can be affected by political and regulatory developments.

Independent Auditors' Report

Report on the audit of the financial statements *(cont'd)*

Impairment assessment of property, plant and equipment, intangible assets and interests in associates and joint ventures (collectively, the Group's non-financial assets) *(cont'd)*

Our response:
We assessed the Group's process for identifying and reviewing the CGUs subject to impairment testing.

We reviewed the key assumptions supporting the value-in-use calculations. We compared the plant load factors and gross margin forecasts to what had been achieved historically and prevailing market conditions affecting tariff and electricity demand. We involved our valuation specialist in comparing the discount rates to market observable data of peer companies and applicable risk premiums, where required.

We performed sensitivity analysis of key assumptions driving the cash flow forecasts for the individual CGUs and considered the likelihood of such changes arising.

Our findings:
The Group has a process for identifying and reviewing the CGUs for impairment testing. Key inputs on revenue and margins, cash flow projections period, maintenance capital expenditure, assumed inflationary adjustment on operating costs and discount rates are used in assessing the recoverable amounts of the CGUs. We found these key inputs comparable to market expectations. The disclosures describing the estimation uncertainties and the sensitivity of the assumptions applied are appropriate.

Valuation of trade and service concession receivables
(Refer to Note E1 to the financial statements: Gross trade receivables of S$841,000,000 and service concession receivables of S$843,000,000)

Risk:
As at December 31, 2023, the Group's gross trade and service concession receivables totalled S$1,684,000,000 against which a loss allowance of S$170,000,000 was recorded. Such assessment of expected credit losses involving customer-specific and forward-looking information requires management judgement.

Management estimates the loss allowance based on the ageing of overdue balances, repayment histories of individual debtors, existing customer-specific, market conditions and forward-looking information.

Such assessment of expected credit losses is inherently subjective and requires the exercise of significant management judgement.

Our response:
We reviewed the Group's estimation process in determining the amount of loss allowance recognised on these receivables.

We evaluated the creditworthiness of individually significant receivable accounts including the ones with deterioration in credit risk after initial recognition; and checked the probability of default and loss given default factors appraised by external credit agencies.

We assessed the adequacy of disclosures surrounding management's assessment on recoverability of these receivables.

Our findings:
The Group performs credit risk assessment on its trade and service concession receivables.

Management's basis of expected credit loss allowances booked on these receivables is supported by past historical experience together with probabilities of default and loss given default obtained from Economist Intelligence Unit (EIU), Standards and Poor and Moody.

We found the disclosures surrounding credit risk assessment to be adequate.

Divestment of Sembcorp Energy India Limited (SEIL)
(Refer to Note G6 and H1 to the financial statements: DPN receivable of S$1,816,000,000)

Risk:
The Group completed its divestment of Sembcorp Energy India Limited and its subsidiaries ("SEIL") during the year. As part of this transaction, the Group provided vendor financing to the Purchaser (Tanweer Infrastructure Pte. Ltd.) ("Tanweer") via a deferred payment note ("DPN"). The Group expects the DPN to be fully repaid within 24 years. The DPN is accounted as a financial asset measured at fair value through profit or loss as it does not satisfy the solely payment of principal and interest (SPPI) criteria set out under SFRS(I) 9 Financial Instruments for this financial asset to be carried at amortised cost. Tanweer also requested the Group to provide advisory services to SEIL via a Technical Service Agreement ("TSA").

In determining the fair value of DPN, it is assumed that Tanweer settles the DPN from agreed portions (as set out in S&P agreement) of distributions including dividends declared by SEIL. The Group has performed a discounted cashflow using the forecasted distributable reserves available from SEIL, taking into account (i) secured cash flows from various power purchase agreements ("PPA") with an average remaining duration of 15 years and (ii) unsecured cash flows from contract renewals and/or new contracts.

Management applied a discount rate to present value the DPN to reflect the cash flow risks associated with the forecast distributable dividends from SEIL, and credit-default risk of the Purchaser.

High degree of judgement is required to determine if the Group retains control or significant influence over SEIL post divestment. Significant estimates are also required to determine the fair value of the DPN.

Our response:
We read the relevant transaction agreements and reviewed management's assessment on whether the Group retains control or significant influence over SEIL post completion of the divestment.

We involved our valuation specialist to obtain market observable data including credit ratings of bonds issued by Indian public energy sector to benchmark with discount rate and application of valuation model used by management.

We performed a retrospective review over the amount received for the year and reviewed the latest cash flows forecasted by management to ascertain reasonableness of assumptions used in the valuation model.

We assessed adequacy of disclosure relating to the divestment.

Our findings:
Management assessed that the Group does not retain control or significant influence over SEIL following completion of the divestment. The Group divested 100% of equity stake in SEIL and does not have representatives on SEIL's board of directors who are responsible for key decisions which impact operations and financial returns of SEIL. The services which may be requested by Tanweer and provided by the Group under the TSA are advisory in nature and do not confer the Group the ability to control or significantly influence operations of SEIL. In addition, the TSA is non-exclusive and Tanweer has the discretion to appoint another competent third-party service provider. The DPN included certain rights such as the requirement for annual operating budget of SEIL to be approved by the Group. Such rights are considered protective in nature and commonly included in non-recourse project financing agreements provided by other financial institutions.

Management has appropriately recognised the DPN as fair value through profit or loss as it does not satisfy the solely payment of principal and interest (SPPI) criteria set out under SFRS(I) 9 Financial Instruments.

Amounts received by the Group are in line with management's forecast and assumptions used in the valuation model appears to be reasonable.

Management's use of discount rate to present value the DPN reflects the risks associated with the cash flows and credit risk as appraised under prevailing market conditions and circumstances applicable to SEIL and the Purchaser, respectively. Any changes in market conditions and circumstances may change the subsequent measurement value of DPN, with effects on future periods' profit or loss.

We found the disclosures relating to the divestment to be adequate.

Independent Auditors' Report

Report on the audit of the financial statements *(cont'd)*

Other Information
Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the following items prior to the date of this auditors' report:

- Investor Relations
- Corporate Information
- Group FY2023 Highlights
- Investor Day 2023 Thematics
- Chairman and CEO's Statement
- Business Review – Performance Scorecard
- Gas and Related Services Review
- Renewables Review
- Integrated Urban Solutions Review
- Decarbonisation Solutions Review
- Directors' Statement

The following items (the Reports) are expected to be made available to us after that date:

- Our Leadership
- Group Financial Review
- Environmental, Social and Governance Review
- Shareholding Statistics
- Additional Information on Directors Seeking Re-election

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Koh Wei Peng.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
February 19, 2024

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Consolidated Financial Statements

Notes to the Financial Statements

Balance Sheets

As at December 31, 2023

(S$ million)	Note	Group 2023	Group 2022	Company 2023	Company 2022
Property, plant, and equipment	D1	6,465	5,305	350	348
Investment properties	D2	153	133	–	–
Investments in subsidiaries	G1	–	–	2,498	2,309
Associates and joint ventures	G3	2,396	2,287	–	–
Intangible assets	D3	952	697	29	27
DPN receivable	H1	1,816	–	–	–
Trade and other receivables	E1	811	855	*	1
Other investments and derivative assets	H1	132	183	1	–
Deferred tax assets	B3c	66	52	–	–
Non-current assets		**12,791**	**9,512**	**2,878**	**2,685**
Inventories	E2	135	137	7	9
Trade and other receivables	E1	1,674	1,564	117	119
Contract assets	B2c	15	29	–	–
Other investments and derivative assets	H1	114	89	*	*
Contract costs		1	3	–	–
Cash and cash equivalents	E4	767	1,254	288	239
Current assets		**2,706**	**3,076**	**412**	**367**
Assets held for sale	G6	–	3,432	–	*
Total assets		**15,497**	**16,020**	**3,290**	**3,052**
Trade and other payables	E3	1,630	1,715	289	144
Contract liabilities	B2c	171	139	1	2
Derivative liabilities	H1	63	99	*	–
Provisions	H2	77	42	35	17
Current tax payable		236	219	21	30
Lease liabilities	D1.1	18	17	11	10
Loans and borrowings	C5	1,281	1,096	–	–
Current liabilities		**3,476**	**3,327**	**357**	**203**
Liabilities held for sale	G6	–	1,494	–	–
Net current (liabilities) / assets		**(770)**	**1,687**	**55**	**164**

(S$ million)	Note	Group 2023	Group 2022	Company 2023	Company 2022
Other long-term payables	E3	121	93	1,392	1,379
Contract liabilities	B2c	80	69	37	25
Derivative liabilities	H1	20	23	–	–
Provisions	H2	65	62	17	24
Deferred tax liabilities	B3c	598	492	20	25
Lease liabilities	D1.1	292	270	104	107
Loans and borrowings	C5	5,973	5,974	–	–
Non-current liabilities		**7,149**	**6,983**	**1,570**	**1,560**
Total liabilities		**10,625**	**11,804**	**1,927**	**1,763**
Net assets		**4,872**	**4,216**	**1,363**	**1,289**
Equity attributable to owners of the Company:					
Share capital	C2	566	566	566	566
Reserve for own shares	C3	(40)	(31)	(40)	(31)
Other reserves	C3	(664)	(608)	(3)	19
Revenue reserve		4,726	4,050	840	735
Total		**4,588**	**3,977**	**1,363**	**1,289**
Non-controlling interests	G2	284	239	–	–
Total equity		**4,872**	**4,216**	**1,363**	**1,289**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Profit or Loss

Year ended December 31, 2023

(S$ million)	Note	Group 2023	Group 2022
Continuing operations			
Turnover	B1, B2	7,042	7,825
Cost of sales		(5,469)	(6,598)
Gross profit		1,573	1,227
General and administrative expenses		(432)	(499)
Other operating income, net		36	169
Non-operating income		148	9
Non-operating expenses		(7)	(16)
Finance income	C6	57	37
Finance costs	C6	(409)	(310)
Share of results of associates and joint ventures, net of tax		264	248
Profit before tax		1,230	865
Tax expense	B3	(182)	(138)
Profit from continuing operations	B4	1,048	727
Discontinued operation			
(Loss) / Profit from discontinued operation, net of tax	G6	(78)	144
Profit for the year		**970**	**871**
Profit attributable to:			
Owners of the Company		942	848
Non-controlling interests		28	23
Profit for the year		970	871
Earnings per share (cents):	B5		
Basic		52.83	47.59
Diluted		51.99	46.57
Earnings per share (cents) – Continuing operations:	B5		
Basic		57.21	39.51
Diluted		56.29	38.66

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2023

(S$ million)	Note	Group 2023	Group 2022
Profit for the year		970	871
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(154)	(559)
Exchange differences on monetary items forming part of net investment in foreign operation		2	(7)
Net change in fair value of cash flow hedges		(56)	318
Net change in fair value of cash flow hedges reclassified to profit or loss		(3)	(341)
Realisation of reserves upon disposal of associates and assets held for sale		137	2
Share of other comprehensive income of associates and joint ventures		1	62
Net change in fair value of cash flow hedges reclassified to cost of investment of / loan to a subsidiary	F2	1	*
Income tax relating to these items	B3d	11	9
		(61)	(516)
Items that may not be reclassified subsequently to profit or loss:			
Defined benefit plan actuarial gains and losses		(11)	(7)
Change in fair value of financial assets at fair value through other comprehensive income		(6)	*
Income tax relating to these items	B3d	2	2
		(15)	(5)
Other comprehensive income for the year, net of tax	B3d	(76)	(521)
Total comprehensive income for the year		894	350
Total comprehensive income attributable to:			
Owners of the Company		874	334
Non-controlling interests		20	16
Total comprehensive income for the year		894	350
Total comprehensive income attributable to owners of the Company:			
Continuing operations		819	452
Discontinued operation		55	(118)
		874	334

Consolidated Statement of Changes in Equity

Year ended December 31, 2023

	Attributable to owners of the Company											
(S$ million)	Share capital	Reserve for own shares	Foreign currency translation reserve	Capital reserve	Merger reserve	Share-based payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total	Non-controlling interests	Total equity
Group												
Balance at January 1, 2023	566	(31)	(957)	176	29	11	40	93	4,050	3,977	239	4,216
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	–	942	942	28	970
Other comprehensive income												
Foreign currency translation differences for foreign operations	–	–	(146)	–	–	–	–	–	–	(146)	(8)	(154)
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	2	–	–	–	–	–	–	2	–	2
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	(45)	–	(45)	*	(45)
Net change in fair value of cash flow hedges reclassified to profit or loss	–	–	–	–	–	–	–	(3)	–	(3)	–	(3)
Net change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(6)	–	–	(6)	–	(6)
Realisation of reserves upon disposal of assets held for sale	–	–	423	(288)	–	(4)	–	–	2	133	–	133
Realisation of reserves upon disposal of associates	–	–	4	*	–	–	–	–	–	4	–	4
Transfer of reserves	–	–	2	16	–	7	2	5	(32)	–	–	–
Net change in fair value of cash flow hedges reclassified to cost of investment of / loan to a subsidiary	–	–	–	–	–	–	–	1	–	1	–	1
Defined benefit plan actuarial gains and losses	–	–	–	–	–	–	–	–	(9)	(9)	*	(9)
Share of other comprehensive income of associates and joint ventures	–	–	–	3	–	–	–	(6)	4	1	–	1
Total other comprehensive income for the year	–	–	285	(269)	–	3	(4)	(48)	(35)	(68)	(8)	(76)
Total comprehensive income for the year	–	–	285	(269)	–	3	(4)	(48)	907	874	20	894
Transactions with owners of the Company, recognised directly in equity												
Share issuance	–	–	–	–	–	–	–	–	–	–	30	30
Share-based payments	–	–	–	–	–	29	–	–	–	29	–	29
Purchase of treasury shares	–	(61)	–	–	–	–	–	–	–	(61)	–	(61)
Treasury shares transferred to employees	–	52	–	–	–	(52)	–	–	–	–	–	–
Dividend paid / payable to owners (Note C4)	–	–	–	–	–	–	–	–	(231)	(231)	–	(231)
Dividend paid / payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(5)	(5)
Total transactions with owners	–	(9)	–	–	–	(23)	–	–	(231)	(263)	25	(238)
At December 31, 2023	566	(40)	(672)	(93)	29	(9)	36	45	4,726	4,588	284	4,872

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended December 31, 2023

	Attributable to owners of the Company											
(S$ million)	Share capital	Reserve for own shares	Foreign currency translation reserve	Capital reserve	Merger reserve	Share-based payments reserve	Fair value reserve	Hedging reserve	Revenue reserve	Total	Non-controlling interests	Total equity
Group												
Balance at January 1, 2022	566	(15)	(401)	156	29	(5)	40	48	3,349	3,767	151	3,918
Total comprehensive income for the year												
Profit for the year	–	–	–	–	–	–	–	–	848	848	23	871
Other comprehensive income												
Foreign currency translation differences for foreign operations	–	–	(548)	–	–	–	–	–	–	(548)	(11)	(559)
Exchange differences on monetary items forming part of net investment in foreign operations	–	–	(7)	–	–	–	–	–	–	(7)	–	(7)
Net change in fair value of cash flow hedges	–	–	–	–	–	–	–	266	–	266	4	270
Net change in fair value of cash flow hedges reclassified to profit or loss	–	–	–	–	–	–	–	(284)	–	(284)	–	(284)
Net change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	*	–	–	*	–	*
Realisation of reserves upon disposal of an associate	–	–	1	1	–	–	–	–	–	2	–	2
Transfer of reserves	–	–	(2)	20	–	–	–	–	(18)	–	–	–
Net change in fair value of cash flow hedges reclassified to cost of investment of / loan to a subsidiary	–	–	–	–	–	–	–	*	–	*	–	*
Defined benefit plan actuarial gains and losses	–	–	–	–	–	–	–	–	(5)	(5)	–	(5)
Share of other comprehensive income of associates and joint ventures	–	–	–	(1)	–	–	–	63	–	62	–	62
Total other comprehensive income for the year	–	–	(556)	20	–	–	–	45	(23)	(514)	(7)	(521)
Total comprehensive income for the year	–	–	(556)	20	–	–	–	45	825	334	16	350
Transactions with owners of the Company, recognised directly in equity												
Share issuance	–	–	–	–	–	–	–	–	–	–	21	21
Share-based payments	–	–	–	–	–	27	–	–	–	27	–	27
Purchase of treasury shares	–	(27)	–	–	–	–	–	–	–	(27)	–	(27)
Treasury shares transferred to employees	–	11	–	–	–	(11)	–	–	–	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	63	63
Dividend paid / payable to owners (Note C4)	–	–	–	–	–	–	–	–	(125)	(125)	–	(125)
Dividend paid / payable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(12)	(12)
Unclaimed dividends	–	–	–	–	–	–	–	–	1	1	–	1
Total transactions with owners	–	(16)	–	–	–	16	–	–	(124)	(124)	72	(52)
At December 31, 2022	566	(31)	(957)	176	29	11	40	93	4,050	3,977	239	4,216

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2023

(S$ million)	Group 2023	Group 2022
Cash flows from operating activities		
Profit for the year:		
– Continuing operations	1,048	727
– Discontinued operation	(78)	144
Adjustments for:		
Dividend income	(2)	(2)
Finance income	(57)	(54)
Finance costs	409	444
Deferred payment note income	(133)	–
Depreciation and amortisation	454	461
Amortisation of deferred income and capital grants	14	(4)
Share of results of associates and joint ventures, net of tax	(264)	(248)
Loss / (Gain) on disposal of:		
– asset held for sale	78	–
– property, plant and equipment, intangible assets and other financial assets	(5)	(4)
– associate	(5)	*
Changes in fair value of financial instruments	6	4
Equity settled share-based compensation expenses	29	27
Allowance for:		
– impairment loss in value of assets and assets written off, net	12	31
Negative goodwill	(1)	–
Tax expense	182	166
Operating profit before working capital changes	1,687	1,692
Changes in:		
Inventories	2	(51)
Receivables	155	277
Payables	(230)	(212)
Contract costs	*	(2)
Contract assets	14	(1)
Contract liabilities	43	13
	1,671	1,716
Tax paid	(190)	(64)
Net cash from operating activities	**1,481**	**1,652**

(S$ million)	Note	Group 2023	Group 2022
Cash flows from investing activities			
Dividend received		166	95
Interest received		58	51
Proceeds from:			
– disposal of investments in joint ventures and associates		–	12
– sale of property, plant and equipment		5	2
– sale of intangible assets		*	–
– disposal of other financial assets and business		698	617
Deferred payment note receipts		355	–
Acquisition of subsidiaries, net of cash acquired		(502)	(350)
Acquisition of additional investments in joint ventures and associates		(148)	(630)
Acquisition of other financial assets		(674)	(567)
Purchase of property, plant and equipment and investment properties		(826)	(608)
Purchase of intangible assets		(10)	(7)
Net cash used in investing activities		**(878)**	**(1,385)**
Cash flows from financing activities			
Proceeds from share issued to non-controlling interests of subsidiaries		30	21
Purchase of treasury shares		(61)	(27)
Repayment of lease liabilities		(21)	(23)
Proceeds from borrowings		4,034	3,854
Repayment of borrowings		(4,450)	(3,544)
Dividends paid to owners of the Company		(231)	(125)
Dividends paid to non-controlling interests of subsidiaries		(5)	(12)
(Payment) / Receipts in restricted cash held as collateral		(27)	39
Payment on contingent consideration		(12)	–
Interest paid		(356)	(386)
Net cash used in financing activities		**(1,099)**	**(203)**
Net (decrease) / increase in cash and cash equivalents		(496)	64
Cash and cash equivalents at beginning of the year		1,246	1,297
Effect of exchange rate changes on balances held in foreign currency		(18)	(79)
Cash and cash equivalents at end of the year (including held for sale)		**732**	**1,282**
Cash and cash equivalents classified as held for sale	G6	–	(36)
Cash and cash equivalents at end of the year	E4	**732**	**1,246**

Significant non-cash transactions

During the year, proceeds from the capital reduction of a joint venture in China was settled against an amount due to joint venture of S$44 million (Note G3 and G4).

The accompanying notes form an integral part of these financial statements.

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 49.61% 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 of the Group as at and for the year ended December 31, 2023 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.

The financial statements were authorised for issue by the Board of Directors on February 19, 2024.

A1. Basis of Preparation

The Group's financial statements are prepared on a going concern basis, notwithstanding that as at December 31, 2023, the Group was in a net current liabilities position of S$770 million. The net current liabilities position was transitional, as approximately 85% of the total S$1,281 million borrowing due within the next 12 months is in various stages of being refinanced and 15% is under project finance amortised repayments. The Group has S$1.9 billion of committed unutilised credit facilities available for drawdown with maturity beyond 2024.

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

A2. Material Accounting Policy Information

The Group adopted Amendments to SFRS(I)1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies for the first time in 2023. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. These amendments did not result in any changes to the accounting policies, they impacted the accounting policy information disclosed in the financial statements and they have been applied consistently by Group entities. Besides the accounting polices described below, other material 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. Material Accounting Policy Information *(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. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. 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 interests

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 new and amendments to SFRS(I)s which became effective on January 1, 2023.

- SFRS(I) 17 Insurance Contracts

Amendments to:
- SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) Practice Statement 2 (Disclosure of Accounting Policies)
- SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)
- SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- SFRS(I) 1-12 International Tax Reform – Pillar Two Model Rules

The Group has also early adopted Amendments to SFRS(I) 1-1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants) with effect from January 1, 2023.

The adoption of these SFRS(I)s 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.

Sembcorp Industries (Sembcorp) is a leading energy and urban solutions provider. In November 2023, the Group announced its 2024–2028 strategic plan, reaffirming its commitment to transform its portfolio from brown to green.

The Group will play its part in achieving a low-carbon future through a responsible energy transition. The Gas and Related Services segment continues to provide reliable energy. Its significantly contracted position provides earnings visibility, to fund the Group's renewables growth as well as the development of decarbonisation solutions.

The Group has categorised its business segments based on the internal reports that are reviewed and used by the executive management team in determining the allocation of resources and in assessing performance of the operating segments. The Group's businesses are categorised into the five main segments, namely Gas and Related Services, Renewables, Integrated Urban Solutions, Decarbonisation Solutions, and Other Businesses and Corporate. Comparative segment information has been re-presented accordingly.

The principal activities of key subsidiaries under the five main segments are as follows:

i. Gas and Related Services
The Gas and Related Services 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). This segment also includes sale of water products from its integrated assets.

ii. Renewables
The Renewables segment's principal activities are the provision of self-generated electricity from solar and wind resources, energy storage, 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.

iii. 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.

iv. Decarbonisation Solutions
The Decarbonisation Solutions segment includes the trading of Energy Attribute Certificates, low-carbon feedstock (green hydrogen and ammonia), power imports and carbon capture, utilisation and storage (CCUS) business.

v. Other Businesses and Corporate
The Other Businesses and Corporate segment comprise 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 continuing operations' results of each reportable segment is included below.

	Continuing operations						
(S$ million)	Gas and Related Services	Renewables	Integrated Urban Solutions	Decarbon-isation Solutions	Other Businesses and Corporate	Elimination	Total
2023							
Turnover							
External sales	5,457	703	418	16	448	–	7,042
Inter-segment sales	50	1	17	5	11	(84)	–
Total	**5,507**	**704**	**435**	**21**	**459**	**(84)**	**7,042**

	Continuing operations						
(S$ million)	Gas and Related Services	Renewables	Integrated Urban Solutions	Decarbon-isation Solutions	Other Businesses and Corporate	Elimination	Total
2023 *(cont'd)*							
Results							
Earnings before interest, taxes, depreciation and amortisation[1] (EBITDA)	1,088	514	120	(11)	82	(4)	1,789
Share of results of associates and joint ventures, net of tax	94	88	82	*	*	–	264
Adjusted EBITDA	**1,182**	**602**	**202**	**(11)**	**82**	**(4)**	**2,053**
Depreciation and amortisation	(190)	(198)	(54)	*	(12)	–	(454)
Other non-cash (expenses) / income:							
– Allowance for impairment in value of assets and assets written off	(7)	(2)	(3)	–	*	–	(12)
– Others	–	1	–	–	(6)	–	(5)
Finance income	55	16	20	1	91	(126)	57
Finance costs	(95)	(174)	(12)	*	(254)	126	(409)
Profit / (Loss) before tax	**945**	**245**	**153**	**(10)**	**(99)**	**(4)**	**1,230**
Tax expense	(124)	(39)	(19)	*	*	–	(182)
Non-controlling interests	(12)	(8)	(8)	–	*	–	(28)
Profit / (Loss) from continuing operations	**809**	**198**	**126**	**(10)**	**(99)**	**(4)**	**1,020**
Loss from discontinued operation, net of tax							**(78)**
Profit attributable to owners of the Company							**942**
Assets							
Segment assets	4,844	6,272	1,440	51	3,589	(3,176)	13,020
Associates and joint ventures	514	1,040	837	*	5	–	2,396
Tax assets	22	23	17	–	19	–	81
Total assets	**5,380**	**7,335**	**2,294**	**51**	**3,613**	**(3,176)**	**15,497**
Liabilities							
Segment liabilities	2,916	4,897	422	13	4,715	(3,172)	9,791
Tax liabilities	328	337	67	–	102	–	834
Total liabilities	**3,244**	**5,234**	**489**	**13**	**4,817**	**(3,172)**	**10,625**
Capital expenditure[2]	**213**	**595**	**40**	*****	**8**	**–**	**856**

[1] Indicates EDITDA 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 and carbon allowances.

The EBITDA elimination amount relates to unrealised profits on the sale of environmental attributes across the segments with corresponding adjustment in segment assets.

Other Businesses and Corporate's segment assets include DPN receivable (Note H1).

B. Our Performance *(cont'd)*

B1. Segments Information *(cont'd)*

a. Operating Segments *(cont'd)*

(S$ million)	Continuing operations: Gas and Related Services	Renewables	Integrated Urban Solutions	Decarbonisation Solutions	Other Businesses and Corporate	Elimination	Total
2022							
Turnover							
External sales	6,547	503	444	3	328	–	7,825
Inter-segment sales	54	1	8	*	6	(69)	–
Total	**6,601**	**504**	**452**	**3**	**334**	**(69)**	**7,825**
Results							
Earnings before interest, taxes, depreciation and amortisation[1] (EBITDA)	886	353	131	(2)	(60)	–	1,308
Share of results of associates and joint ventures, net of tax	93	62	94	(1)	*	–	248
Adjusted EBITDA	**979**	**415**	**225**	**(3)**	**(60)**	**–**	**1,556**
Depreciation and amortisation	(184)	(124)	(53)	*	(11)	–	(372)
Other non-cash (expenses) / income:							
– (Impairment and write off) / Write back of investments	–	(8)	–	(1)	–	–	(9)
– Allowance for impairment in value of assets and assets written off	(25)	(1)	(6)	–	*	–	(32)
– Others	–	*	*	–	(5)	–	(5)
Finance income	19	13	14	*	63	(72)	37
Finance costs	(92)	(130)	(13)	*	(147)	72	(310)
Profit / (Loss) before tax	**697**	**165**	**167**	**(4)**	**(160)**	**–**	**865**
Tax expense	(83)	(26)	(18)	*	(11)	–	(138)
Non-controlling interests	(11)	(6)	(6)	–	–	–	(23)
Profit / (Loss) from continuing operations	**603**	**133**	**143**	**(4)**	**(171)**	**–**	**704**
Profit from discontinued operation, net of tax							**144**
Profit attributable to owners of the Company							**848**
Assets							
Segment assets	4,855	4,855	1,402	5	2,108	(2,986)	10,239
Associates and joint ventures	504	870	908	*	5	–	2,287
Tax assets	17	9	19	–	17	–	62
	5,376	**5,734**	**2,329**	**5**	**2,130**	**(2,986)**	**12,588**
Assets held for sale							3,432
Total assets							**16,020**

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

(S$ million)	Continuing operations: Gas and Related Services	Renewables	Integrated Urban Solutions	Decarbonisation Solutions	Other Businesses and Corporate	Elimination	Total
2022 *(cont'd)*							
Liabilities							
Segment liabilities	3,211	3,973	488	6	4,907	(2,986)	9,599
Tax liabilities	326	220	47	–	118	–	711
	3,537	**4,193**	**535**	**6**	**5,025**	**(2,986)**	**10,310**
Liabilities held for sale							1,494
Total liabilities							**11,804**
Capital expenditure[2]	109	488	32	–	10	–	639

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

b. Geographical Segments

The Group's geographical segments are presented in six principal geographical areas: Singapore, India, United Kingdom (UK), China, Rest of Asia, 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.

Continuing operations

(S$ million)	Turnover: December 31, 2023	Turnover: December 31, 2022	Capital Expenditure: December 31, 2023	Capital Expenditure: December 31, 2022
Singapore	5,297	5,828	326	404
UK	710	1,165	83	118
China[1]	364	301	32	29
India	364	277	249	52
Rest of Asia	261	211	2	36
Middle East	44	42	164	–
Other Countries	2	1	–	–
Total	**7,042**	**7,825**	**856**	**639**

(S$ million)	Non-current Assets: December 31, 2023	Non-current Assets: December 31, 2022	Total Assets: December 31, 2023	Total Assets: December 31, 2022[3]
Singapore[2]	3,989	2,163	5,005	3,343
China[1]	3,681	3,212	4,406	4,016
India	2,493	1,644	2,834	1,989
Rest of Asia	1,291	1,309	1,715	1,632
UK	800	828	970	1,233
Middle East	517	341	547	358
Other Countries	20	15	20	17
Total	**12,791**	**9,512**	**15,497**	**12,588**

[1] China businesses under Renewables and Integrated Urban Solutions segments comprise associates or joint ventures that are accounted for under the equity method.

[2] In 2023, the amounts include the DPN receivable (Note H1).

[3] Excludes amount from disposal group held for sale (Note G6).

Majority of the Group's revenue from continuing operations is from Singapore and UK which contributed to 75% (2022: 74%) and 10% (2022: 15%) respectively.

The increase in assets in 2023 for China and India was mainly attributable to the acquisitions of subsidiaries during the year.

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 commensurates 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 has 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.

B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

Key estimates and judgements

The Group has applied judgement and estimates in recognising revenue from 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 construction. The assessment also encompasses the analysis of the industry outlook and customers' financial health.

Information regarding the turnover for continuing operations is included below:

(S$ million)	Note	2023	2022
Revenue from contracts with customers	a	7,035	7,818
Rental income		7	7
		7,042	7,825

There was no revenue from performance obligations satisfied or partially satisfied in previous periods due to change in estimate of the transaction price in 2023 and 2022.

Revenue from Contracts with Customers

a. Disaggregation of Revenue from Contracts with Customers

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

	Reportable segments					
(S$ million)	Gas and Related Services	Renewables	Integrated Urban Solutions	Decarbon-isation Solutions	Other Businesses and Corporate	Total
2023						
Primary geographical markets						
Singapore	4,485	156	210	16	430	5,297
UK	687	23	–	–	*	710
China	*	160	201	–	–	361
India	–	358	–	–	6	364
Rest of Asia	241	6	*	–	10	257
Middle East	44	–	–	–	–	44
Other countries	–	–	–	–	2	2
Total	5,457	703	411	16	448	7,035
Major product / service lines						
Provision of energy products and related services (including electricity, gas and steam)	4,980	665	–	–	*	5,645
Provision of water products, reclamation of water and industrial wastewater treatment	135	–	187	–	–	322
Solid waste management	*	–	196	–	–	196
Service concession revenue	240	–	14	–	–	254
Construction and engineering related activities	–	–	–	–	409	409
Others	102	38	14	16	39	209
Total	5,457	703	411	16	448	7,035
Timing of revenue recognition						
Over time	5,457	673	399	–	416	6,945
At a point in time	–	30	12	16	32	90
Total	5,457	703	411	16	448	7,035

B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

Revenue from Contracts with Customers *(cont'd)*

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

(S$ million)	Reportable segments: Gas and Related Services	Renewables	Integrated Urban Solutions	Decarbonisation Solutions	Other Businesses and Corporate	Total
2022						
Primary geographical markets						
Singapore	5,187	98	226	3	314	5,828
UK	1,129	35	–	–	1	1,165
China	*	86	208	–	–	294
India	–	277	–	–	–	277
Rest of Asia	189	7	3	–	12	211
Middle East	42	–	–	–	*	42
Other countries	–	–	–	–	1	1
Total	6,547	503	437	3	328	7,818
Major product / service lines						
Provision of energy products and related services (including electricity, gas and steam)	6,122	490	–	–	*	6,612
Provision of water products, reclamation of water and industrial wastewater treatment	146	–	200	–	–	346
Solid waste management	*	–	212	–	–	212
Service concession revenue	189	–	14	–	–	203
Construction and engineering related activities	–	–	–	–	298	298
Others	90	13	11	3	30	147
Total	6,547	503	437	3	328	7,818
Timing of revenue recognition						
Over time	6,547	469	425	–	298	7,739
At a point in time	–	34	12	3	30	79
Total	6,547	503	437	3	328	7,818

i. Service concession revenue included interest revenue of S$58 million (2022: S$63 million).

ii. The lower turnover in FY2023 was mainly from lower gas and power prices under the Gas and Related Services segment, mitigated by the higher turnover from the subsidiaries acquired during FY2022 and FY2023, new capacities added from the Renewables segment as well as higher turnover from the specialised construction business.

b. Transaction Price Allocated to Remaining Performance Obligations

Accounting policies

The Group has elected to apply 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.

(S$ million)	Note	Within the next 12 months	Between 1 to 5 years	More than 5 years	Total
2023					
Segment					
Gas and Related Services	i	654	2,049	697	3,400
Renewables	ii	–	–	–	–
Integrated Urban Solutions		85	169	140	394
Other Businesses and Corporate		426	865	38	1,329
Total		1,165	3,083	875	5,123
2022					
Segment					
Gas and Related Services	i	942	579	358	1,879
Renewables	ii	–	–	–	–
Integrated Urban Solutions		52	58	30	140
Other Businesses and Corporate		413	866	55	1,334
Total		1,407	1,503	443	3,353

i. The increase in amounts was attributable to new long-term contracts signed with key customers during the year.

ii. 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.

B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

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:

	Group		Company	
(S$ million)	2023	2022	2023	2022
Contract assets	15	29	–	–
Contract liabilities				
Current	171	139	1	2
Non-current	80	69	37	25
Total	251	208	38	27

Contract assets

The contract assets relate to the Group's conditional rights to consideration in the sale of the renewable obligation certificates and the construction of infrastructure. Contract asset is recognised when the value of goods transferred, or services rendered for the contract exceeds payments received from customers. The contract assets are transferred to trade receivables when the rights become unconditional.

Changes in the contract assets balances during the period are as follows:

	Group		Company	
(S$ million)	2023	2022	2023	2022
Transfer of contract assets recognised at the beginning of the year to trade receivables	(25)	(19)	–	–
Recognition of revenue, net of transfer to trade receivables during the year	10	23	–	–
Currency translation charges	*	(4)	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	*	*	–	–
– Contract modifications	1	1	–	–

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.

Changes in the contract liabilities balances during the year are as follows:

	Group		Company	
(S$ million)	2023	2022	2023	2022
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(132)	(108)	(3)	(3)
Increases due to cash received, excluding amounts recognised as revenue during the year	184	147	13	–
Currency translation changes	*	(6)	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	1	(7)	–	–
– Contract modifications	(10)	(13)	–	–

B3. Taxation

This note explains how our Group's 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, using tax rates enacted or substantively enacted at the balance sheet date. Tax expense is recognised in profit or loss except if it relates to (i) business combinations and is recognised in equity or (ii) other items recognised directly in equity or in other comprehensive income.

Current tax is the expected taxable income (payable) or tax loss (recoverable) for the year and includes adjustments to tax payable in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and for taxation purposes.

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.

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 at the time of the transaction (a) affects neither accounting nor taxable profit or loss; and (b) does not give rise to equal taxable and deductible temporary differences; 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 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.

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.

New accounting standards and amendments

Deferred tax related to assets and liabilities arising from a single transaction

With effect from January 1, 2023, the Group has adopted Amendments to SFRS(I)1-12: Deferred tax related to Assets and Liabilities arising from a Single Transaction. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences (e.g. leases and restoration liabilities).

The Group had previously recognised deferred tax for leases on an aggregate temporary difference basis. Following the amendments, the Group recognises separately deferred tax asset and deferred tax liability, for the deductible and taxable temporary differences on its lease liabilities and right-of-use assets respectively, see Note B3(c). There was no impact to the opening retained earnings as at January 1, 2022 as a result of the change, and there was also no impact on the statement of financial position as the resulting deferred tax consequences qualify for offsetting.

Amendments to SFRS(I) 1–12: International Tax Reform – Pillar Two Model Rules

In May 2023, the Group applied the relief from deferred tax accounting for Pillar Two global minimum top-up taxes upon the release of the amendments in May 2023. The mandatory exception is effective immediately and applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at December 31, 2022 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements.

Notes to the Financial Statements

B. Our Performance *(cont'd)*

B3. Taxation *(cont'd)*

a. Tax Expenses *(cont'd)*

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 considers 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.

(S$ million)	Note	Group 2023	Group 2022
Current tax expense			
Current year		192	136
Over provided in prior years	i	(36)	(43)
Foreign withholding tax		12	9
		168	102
Deferred tax expense			
Movements in temporary differences		19	11
(Over) / Under provided in prior years	i	(6)	20
Effect of changes in tax rates	ii	1	5
		14	36
Tax expense on continuing operations		**182**	**138**
Reconciliation of effective tax rate			
Profit from continuing operations		1,048	727
Tax expense		182	138
Share of results of associates and joint ventures, net of tax		(264)	(248)
Profit before tax and share of results of associates and joint ventures from continuing operations		966	617
Tax using Singapore tax rate of 17% (2022: 17%)		164	105
Effect of changes in tax rates		1	5
Effect of different tax rates in foreign jurisdictions		10	11
Tax incentives and income not subject to tax		(26)	(21)
Expenses not deductible for tax purposes		42	53
Utilisation of deferred tax benefits not previously recognised		(4)	(6)
Over provided in prior years		(42)	(23)
Deferred tax benefits not recognised		10	13
Foreign withholding tax		12	9
Deferred tax on unremitted dividend income		2	1
Others		13	(9)
Tax expense on continuing operations		**182**	**138**

i. The over-provision of the current tax was mainly related to tax optimisation through Group Tax Relief and write-back of tax provisions including those time-barred.

ii. Related to the enactment of UK corporation tax rate from 19% to 25%, which will take effect from 2023.

b. International Tax Reform – Pillar Two

Out of all the tax jurisdictions the Group operates in, four have enacted or substantively enacted new legislation to implement the global minimum top-up tax. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as current tax when it is incurred. The new legislations in the four tax jurisdictions are effective from January 1, 2024 and January 1, 2025 as follows:

Tax jurisdictions	Effective Date
Netherlands, UK, and Vietnam	January 1, 2024
Malaysia	January 1, 2025

There is no current tax impact in the period ended December 31, 2023.

If these new legislations had applied in 2023, there would not be any global minimum top-up tax expected in each of the above tax jurisdictions for the year ended December 31, 2023.

c. Deferred Tax Assets and Liabilities

As at December 31, 2023, after applying the legal right to offset, deferred tax assets were S$66 million (2022: S$52 million) and deferred tax liabilities were S$598 million (2022: S$492 million).

Following the Amendment to SFRS(I)1-12: Deferred tax related to Assets and Liabilities arising from a single transaction, the Group restated the associated deferred tax assets and liabilities from January 1, 2022.

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

(S$ million)	Group At January 1 Restated	Recognised in profit or loss – continuing operations (Note (a))	Recognised in equity (Note (d))	Acquisition of subsidiaries (Note G5)	Translation adjustments	At December 31
2023						
Deferred tax liabilities						
Property, plant and equipment	475	57	–	55	(3)	584
Right-of-use assets	32	4	–	4	*	40
Other financial assets	46	(2)	(11)	7	*	40
Trade and other receivables	33	(10)	–	–	–	23
Intangible assets	112	(6)	–	67	(3)	170
Retirement benefit obligations	6	*	*	–	*	6
Other items	11	(1)	(3)	–	1	8
Total	715	42	(14)	133	(5)	871
Deferred tax assets						
Property, plant and equipment	(79)	*	–	–	*	(79)
Right-of-use assets	–	*	–	(2)	*	(2)
Inventories	(2)	2	–	–	*	*
Trade receivables	(4)	1	–	(4)	*	(7)
Trade and other payables	(11)	(5)	–	–	*	(16)
Tax losses	(64)	(11)	–	(37)	2	(110)
Provisions	(42)	(10)	–	–	3	(49)
Lease liabilities	(33)	(4)	–	–	*	(37)
Other financial liabilities	(24)	(1)	1	–	*	(24)
Other items	(16)	*	–	–	1	(15)
Total	(275)	(28)	1	(43)	6	(339)

Notes to the Financial Statements

B. Our Performance *(cont'd)*

B3. Taxation *(cont'd)*

c. Deferred Tax Assets and Liabilities *(cont'd)*

	Group							
(S$ million)	At January 1 Restated	Recognised in profit or loss – continuing operations (Note (a)) Restated	Recognised in profit or loss – discontinued operation (Note G6)	Recognised in equity (Note (d))	Acquisition of subsidiaries (Note G5)	Transfer to held for sale (Note G6)	Translation Adjustments	At December 31 Restated
2022								
Deferred tax liabilities								
Property, plant and equipment	456	65	289	–	–	(281)	(54)	475
Right-of-use assets	28	4	–	–	–	–	–	32
Other financial assets	43	(6)	–	3	7	–	(1)	46
Trade and other receivables	32	1	–	–	–	–	–	33
Intangible assets	28	1	–	–	97	(6)	(8)	112
Retirement benefit obligations	6	*	(4)	*	–	4	*	6
Other items	18	(5)	1	(1)	–	(1)	(1)	11
Total	611	60	286	2	104	(284)	(64)	715
Deferred tax assets								
Property, plant and equipment	(79)	*	–	–	–	–	*	(79)
Inventories	(2)	*	–	–	–	–	–	(2)
Trade receivables	(4)	(1)	(5)	–	–	5	1	(4)
Trade and other payables	(13)	1	–	*	–	–	1	(11)
Tax losses	(69)	(8)	(247)	–	*	228	32	(64)
Provisions	(28)	(15)	(1)	–	–	1	1	(42)
Lease liabilities	(29)	(4)	–	–	–	–	–	(33)
Other financial liabilities	(12)	*	*	(13)	–	*	1	(24)
Other items	(21)	3	*	–	–	*	2	(16)
Total	(257)	(24)	(253)	(13)	*	234	38	(275)

	Company					
(S$ million)	At January 1, 2022 Restated	Recognised in profit or loss Restated	At December 31, 2022 Restated	Recognised in profit or loss	Recognised in equity	At December 31, 2023
Deferred tax liabilities						
Property, plant and equipment	35	(1)	34	(2)	–	32
Right-of-use assets	15	*	15	(1)	–	14
Other financial assets	–	–	–	–	*	*
Other Items	–	–	–	*	–	*
Total	50	(1)	49	(3)	*	46
Deferred tax assets						
Lease liabilities	(19)	*	(19)	1	–	(18)
Provisions	(6)	1	(5)	(3)	–	(8)
Total	(25)	1	(24)	(2)	–	(26)

Notes to the Financial Statements

B. Our Performance *(cont'd)*

B3. Taxation *(cont'd)*

c. Deferred Tax Assets and Liabilities *(cont'd)*

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

(S$ million)	Group December 31, 2023	Group December 31, 2022 Restated	Company December 31, 2023	Company December 31, 2022 Restated
Deferred tax liabilities	598	492	20	25
Deferred tax assets	(66)	(52)	–	–
	532	440	20	25

Unrecognised deferred tax liabilities

As at December 31, 2023, a deferred tax liability of S$3 million (2022: S$3 million) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures was not recognised.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised where:

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

ii. 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, 2023	Group December 31, 2022
Deductible temporary differences	55	51
Tax losses	74	57
Capital allowances	39	54
	168	162

Tax losses of the Group amounting to S$45 million (2022: S$45 million) will predominantly expire between 2025 and 2028 (2022: 2023 and 2027). 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 have been set off against the unused tax losses. There were no unrecognised tax losses for 2023 and 2022.

d. Other Comprehensive Income

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

(S$ million)	Group 2023 Before tax	Group 2023 Tax expense	Group 2023 Net of tax	Group 2022 Before tax	Group 2022 Tax expense	Group 2022 Net of tax
Cash flow hedges: net movement in hedging reserves	(58)	11	(47)	(23)	9	(14)
Defined benefit plan actuarial gains and losses	(11)	2	(9)	(7)	2	(5)
	(69)	13	(56)	(30)	11	(19)

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.

The following items have been included in arriving at profit for the year:

(S$ million)	Note	Group 2023	Group 2022
a. Expenses			
Materials	i	3,952	5,496
Staff costs:			
– salaries, bonuses and other personnel related costs		455	436
– contributions to defined contribution plan		38	34
– equity-settled share-based payments	B6	29	25
– cash-settled share-based payments	B6	–	*
– contributions to defined benefit plan		1	1
Depreciation:			
– property, plant and equipment	D1	408	340
– investment properties	D2	4	4
Sub-contract cost		408	294
Repair and maintenance		133	102
Write-back of provision for remediation of legacy sites	H2	(2)	(3)
Amortisation of intangible assets	D3	42	28
Allowance for impairment losses (net):			
– receivables and contract assets	F4	20	108
– property, plant and equipment	D1	4	22
Property, plant and equipment written off		8	8
(Write-back of) / allowance for inventory obsolescence, net	E2	(7)	*
Audit fees paid / payable to:			
– auditors of the Company		2	2
– other member firms of KPMG International		2	2
– other auditors		1	1
Non-audit fees paid / payable to:			
– auditors of the Company		*	*
– other member firms of KPMG International		*	*
– other auditors		1	*
Intangible assets written off	D3	*	*
Bad debts written off		*	1

Notes to the Financial Statements

B. Our Performance *(cont'd)*

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

(S$ million)	Note	Group 2023	Group 2022
b. Other operating income			
Net change in fair value of financial assets at FVTPL (mandatorily measured)	ii	1	61
Grants received (income related)		6	6
Gain on disposal of property, plant and equipment		*	1
Other income	iii	36	88
Net exchange (loss) / gain		(7)	14
c. Non-operating income / (expenses)			
DPN income	iv	133	–
Gain on disposal of:			
– other financial assets		5	3
– associate		5	2
– subsidiaries		–	*
Net change in fair value of financial assets at FVTPL (designated on initial recognition)		(5)	(4)
Gross dividend income from financial assets at FVOCI		2	2
Impairment and write-off of:			
– joint venture	G3biii	–	(2)
– other investments	v	–	(8)

i. The decrease in materials costs was mainly due to lower gas and power costs from the Gas and Related Services segment in Singapore and the United Kingdom (UK), in line with lower turnover.

ii. 2022 amount included changes in fair value from the economic hedges used for managing the Group's gas costs, net of gains from the unwinding of hedges no longer required following the cancellation of a commitment.

iii. Other income in 2023 mainly included corporate guarantee fee income, late payment fees income and insurance compensation. In 2022, other income included the following: (i) a S$23 million termination fee from the favourable outcome of an arbitration in China, (ii) late payment fees of approximately S$21 million recognised with the implementation of the equated monthly instalment by the power distribution companies in India and (iii) a cancellation fee of S$12 million received from a supplier in Singapore.

iv. DPN income represents the change in fair value of the DPN which included income of S$179 million, net of foreign exchange loss of S$46 million. There are no other fair value adjustments in 2023.

v. Amount in 2022 mainly related to an investment in Vietnam for project expenses incurred by the company.

vi. The cost of compliance under Singapore's carbon tax, UK Emissions Trading Scheme (UK ETS) and UK Carbon Price Support (CPS) mechanism amounted to S$52 million (2022: S$99 million).

B5. Earnings Per Share

(S$ million)	Group 2023	Group 2022
a. Profit attributable to owners of the Company:		
Continuing operations:		
Profit attributable to equity holders of the Company	1,020	704
Discontinued operation:		
(Loss) / Profit from discontinued operation, net of tax attributable to owners of the Company	(78)	144
Profit for the year attributable to owners of the Company	**942**	**848**
b. Weighted average number of ordinary shares (in millions)		
Issued ordinary shares at January 1	1,777	1,780
Effect of performance shares and restricted shares released	13	4
Effect of own shares held	(7)	(2)
Weighted average number of ordinary shares	**1,783**	**1,782**
Adjustment for dilutive potential ordinary shares		
– performance shares	26	35
– restricted shares	3	4
Weighted average number of ordinary shares adjusted for all dilutive potential shares	**1,812**	**1,821**
c. Earnings per ordinary share (cents)		
– basic[1]	52.83	47.59
– diluted[2]	51.99	46.57
Earnings per ordinary share (cents) – Continuing operations		
– basic[1]	57.21	39.51
– diluted[2]	56.29	38.66

[1] Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company 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.

Notes to the Financial Statements

B. Our Performance *(cont'd)*

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.

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.

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

(S$ million)	2023	2022
Equity-settled share-based	29	25
Cash-settled share-based	–	*

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 2023, the performance conditions and number of shares to be released subject to the achievement of performance targets are as follows:

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 2023, 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.

B. Our Performance *(cont'd)*

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

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

Restricted Share Plan (RSP) *(cont'd)*

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

	2023		2022	
	PSP	RSP	PSP	RSP
At January 1	22,711,791	4,072,047	14,297,428	6,307,724
Shares awarded	2,501,600	3,449,525	12,103,400	2,931,594
Shares released	(11,508,600)	(4,449,145)	(1,076,800)	(4,904,932)
Shares lapsed	(1,849,415)	(8,738)	(505,994)	(262,339)
Performance shares awarded due to achievement of targets / (lapsed arising from targets not met)	4,552,470	–	(2,106,243)	–
At December 31	16,407,846	3,063,689	22,711,791	4,072,047

SCI PSP

PSP awards granted have both market-based and non-market-based performance conditions. The Committee reviews achievement of the performance targets annually. In 2023, 4,552,470 performance shares were awarded due to achievement of targets for the performance period 2020 to 2022. In 2022, 2,106,243 performance shares lapsed for under-achievement of the performance targets for the performance period 2019 to 2021.

Of the performance shares released, nil (2022: 19,900) performance shares were cash-settled. The remaining performance shares were released via the issuance of treasury shares.

The total number of performance shares in awards granted conditionally but not released as at December 31, 2023, was 16,407,846 (2022: 22,711,791). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 24,742,626 (2022: 34,557,122) performance shares.

SCI RSP

Of the restricted shares released, 165,280 (2022: 262,954) 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, 2023, was 3,063,689 (2022: 4,072,047). 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 3,063,689 (2022: 4,072,047) restricted shares.

Awards for the performance and corporate objectives achieved in 2023 will be granted in 2024 (2022: achieved in 2022 will be granted in 2023).

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		
	June 7, 2023	May 31, 2022	May 31, 2022
Fair value at measurement date	S$6.69	S$2.52[1]	S$3.60[1]
Assumptions under the Monte Carlo model			
Share price	S$5.31	S$2.85	S$2.85
Expected volatility	35.1%	1.7% – 36.1%	36.7%
Risk-free interest rate	2.9%	1.8% – 2.6%	2.2%
Expected dividend	2.9%	3.2%	3.2%

[1] Fair value computed based on different performance periods.

	RSP Date of Grant		
	April 3, 2023	March 31, 2022	April 1, 2022
Fair value at measurement date	S$4.27	S$2.58	S$2.58
Assumptions under the Monte Carlo model			
Share price	S$4.37	S$2.67	S$2.67
Expected volatility	25.6%	36.4%	36.4%
Risk-free interest rate	3.1%	1.9%	1.9%
Expected dividend	2.4%	3.4%	3.4%

Notes to the Financial Statements

C. Our Funding

In 2023, the Group has issued S$350 million green bond and established an additional S$5.0 billion Euro Medium Term Note (EMTN) Programme as part of the strategy to diversify and optimise funding base.

As at December 31, 2023, the Group's total credit facilities, including its Multicurrency Debt Issuance Programmes and Euro Medium Term Note (EMTN) Programme, amounted to S$17.0 billion (2022: S$13.4 billion). This comprised borrowing facilities of S$15.5 billion (2022: S$12.0 billion) and trade-related facilities of S$1.5 billion (2022: S$1.4 billion), including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds. Please refer to Note C5 for further details.

Equity value as at December 31, 2023 is enhanced by the strong performance for the year offset by the negative change in foreign currency translation reserve due to the depreciation of India Rupee and Renminbi against Singapore Dollar.

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 net debt-to-capitalisation ratio as at the balance sheet date was as follows:

(S$ million)	Note	Group 2023	Group 2022
Net debt		6,487	5,816
Cash and cash equivalents	E4	767	1,254
Gross debt	C5, i	7,254	7,070
Total equity		4,872	4,216
Total gross debt and equity		12,126	11,286
Net debt-to-capitalisation ratio		0.53	0.52

i. As at December 31, 2022, SEIL's borrowing of S$1,172 million was presented under liabilities held for sale (see Note G6). Including SEIL's borrowing, the Group's total borrowing was S$8,242 million. The sale of SEIL was completed on January 19, 2023.

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	Number of shares: Treasury Shares
At January 1, 2022	1,787,547,732	7,515,526
Treasury shares purchased	–	8,947,300
Treasury shares transferred pursuant to performance share plan	–	(1,056,900)
Treasury shares transferred pursuant to restricted share plan	–	(4,641,978)
At December 31, 2022	1,787,547,732	10,763,948
Treasury shares purchased	–	13,318,500
Treasury shares transferred pursuant to performance share plan	–	(11,508,600)
Treasury shares transferred pursuant to restricted share plan	–	(4,283,865)
At December 31, 2023	1,787,547,732	8,289,983

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, 2023, the Company's issued and paid up capital excluding treasury shares comprised 1,779,257,749 (2022: 1,776,783,784) ordinary shares.

Treasury shares

During the year, the Company acquired 13,318,500 (2022: 8,947,300) ordinary shares in the Company by way of on-market purchases. A total of 15,792,465 (2022: 5,698,878) treasury shares were re-issued pursuant to the Performance Share Plan (PSP) and Restricted Share Plan (RSP).

As at December 31, 2023, the Company held 8,289,983 (2022: 10,763,948) of its own uncancelled shares as treasury shares that may be re-issued upon the vesting of performance shares and restricted shares under the PSP and RSP respectively.

Notes to the Financial Statements

C. Our Funding *(cont'd)*

C3. Other Reserves

(S$ million)	Note	Group December 31, 2023	Group December 31, 2022	Company December 31, 2023	Company December 31, 2022
Distributable					
Reserve for own shares		(40)	(31)	(40)	(31)
Non-distributable					
Foreign currency translation reserve (FCTR)	a	(672)	(957)	–	–
Capital reserve	b	(93)	176	–	–
Merger reserve	c	29	29	–	–
Share-based payments reserve	d	(9)	11	(4)	19
Fair value reserve	e	36	40	–	–
Hedging reserve	f	45	93	1	–
		(664)	(608)	(3)	19
Total		(704)	(639)	(43)	(12)

During the year, S$423 million loss in FCTR and S$290 million gain in capital reserve and other reserves were realised through profit or loss upon disposal of SEIL (Note G6).

Type of other reserve	Nature
a. Foreign currency translation reserve (FCTR)	Comprises: i. foreign exchange differences arising from translation of the financial statements of foreign entities, ii. effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign entities, and iii. translation of foreign currency loan used to hedge or form part of the Group's net investments in foreign entities.
b. Capital reserve	Comprises: i. acquisitions and disposals with non-controlling interests that do not result in a change of control, capitalisation of accumulated profits for the issue of bonus shares, capital reserve (net of goodwill) on consolidation and equity accounting, ii. asset revaluation reserve, capital redemption reserve, convertible loan stock reserve, iii. transfer from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries, associates and joint ventures operate, and treasury shares of a subsidiary, and iv. recognition of call options issued to non-controlling interests of subsidiaries.
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.

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.

Dividend Paid / Payable

(S$ million)	Group and Company 2023	Group and Company 2022
Interim one-tier tax-exempt dividend of 5 cents per share in respect of year 2023 (2022: 4 cents per share in respect of year 2022)	89	71
Final one-tier tax-exempt dividend of 4 cents per share in respect of year 2022 (2022: 3 cents per share in respect of year 2021)	71	54
Special dividend of 4 cents per share in respect of year 2022	71	–
	231	125

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 8 cents per share (2022: 4 cents per share) and a special dividend of nil (2022: 4 cents) per share. This amounts to an estimated net dividend of S$142 million (2022: S$142 million) in respect of the year ended December 31, 2023, based on the number of issued shares as at December 31, 2023.

The total proposed dividend of 8 cents per share (2022: 8 cents per share) has not been included as a liability in the financial statements.

C5. Loans and Borrowings

(S$ million)	Note	Group December 31, 2023	Group December 31, 2022
Current liabilities			
Non-convertible debentures		171	139
Secured term loans	a	122	122
Unsecured term loans	b	988	835
Total		1,281	1,096
Non-current liabilities			
Secured term loans	a	1,618	1,717
Unsecured term loans	b	4,355	4,257
Total		5,973	5,974
Total loans and borrowings (measured at amortised cost)		7,254	7,070

Included in loans and borrowings were S$480 million (2022: S$546 million) of loans taken with a related corporation.

Notes to the Financial Statements

C. Our Funding *(cont'd)*

C5. Loans and Borrowings *(cont'd)*

Effective Interest Rates and Maturity of Liabilities

	Group Effective interest rate % 2023	2022
Floating rate loans	1.05–10.58	1.05–10.58
Fixed rate loans	0.77–10.48	0.77–11.48
Bonds and notes	2.45–4.60	2.45–4.25
Debentures	6.49	9.15

(S$ million)	Group 2023	2022
In one year or less, or on demand	1,281	1,096
Between one to five years	3,180	3,593
After five years	2,793	2,381
Total loans and borrowings (measured at amortised cost)	7,254	7,070

a. Secured Term Loans

The secured term loans are collaterised by the following assets:

(S$ million)	Note	Group Net Book Value December 31, 2023	December 31, 2022
Property, plant and equipment	D1i	1,325	1,971
Mutual funds	H1ii	19	35
Trade and other receivables	E1	409	839
Intangible assets	D3	*	*
Inventories	E2	26	25
Cash and cash equivalents	E4	84	156
Equity shares of a subsidiary		32	33

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, 2023 and December 31, 2022, the Group has the following outstanding medium-term notes issued under the Programme:

(S$ million)	Nominal interest rate	Year of issue	Year of maturity	Principal amount December 31, 2023	December 31, 2022
S$ medium-term notes	4.25%	2010	2025	100	100
S$ medium-term notes	3.64%	2013	2024	200	200
S$ medium-term notes	3.59%	2014	2026	150	150
Green bonds					
S$ medium-term notes	2.45%	2021	2031	400	400
S$ medium-term notes	4.60%	2023	2030	350	–
Sustainability-linked notes					
S$ medium-term notes	2.66%	2021	2032	675	675
S$ medium-term notes	3.74%	2022	2029	300	300
				2,175	1,825

In 2023, the Group has issued S$350 million green bond and as at December 31, 2023, S$750 million, representing 100% of the total S$750 million green bonds issued has been deployed to eligible green projects under the Sembcorp Green Financing Framework that meet Climate Bonds Initiative sector-specific technical criteria.

In 2022, the Group issued S$300 million sustainability-linked bond and secured an additional S$1.8 billion of sustainability-linked revolving credit and term loan facilities through SFS.

The Group expects its interest cost for the sustainability-linked notes to maintain as disclosed as the Group is on track to achieve its 2025 target* for gross installed capacity and carbon emissions intensity. At December 31, 2023, the Group's renewable assets' gross installed capacity was at 9.4GW, compared to the target of 10GW, and has reduced its carbon emission to an indicative level of 0.29 tonnes of carbon dioxide emission per megawatt-hour (tCO_2e/MWh), ahead of the target of 0.40 tCO_2e/MWh.

As at December 31, 2023, an amount of S$554 million (2022: S$489 million) medium-term notes were held by a related corporation.

* 2025 targets were set in May 2021

Notes to the Financial Statements

C. Our Funding *(cont'd)*

C5. Loans and Borrowings *(cont'd)*

c. Financial guarantees

Accounting policies

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs in accordance with the original or modified terms of a debt instrument. These financial guarantee contracts are accounted for as insurance contracts. With the transition of SFRS(I) 4 on Insurance Contract to SFRS(I) 17, the Group has elected to apply SFRS(I) 9, on a contract-by-contract basis, to account for its financial guarantees issued.

At inception, the Group recognises the financial guarantee at its fair value. Subsequently, it is measured at the higher of (i) amount initially recognised less the cumulative amount of income recognised in accordance with SFRS(I) 15; and (ii) the amount of expected loss allowance in accordance with SFRS(I) 9. Where there are any premium receivables at inception, the Group adopts a net approach, recognising a single net amount, to account for its financial guarantee contracts and premium receivables.

Liabilities arising from financial guarantees contracts are included within "loans and borrowings".

Key estimates and judgements

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Significant judgements are used in estimating the loss allowance of the Group's and Company's obligations under the financial guaranteed contracts which may be affected by future events that cannot be predicted with certainty. These assumptions made may vary from actual experience and consequently the actual liability may also vary considerably from the best estimates.

Group

The Group has provided guarantees to banks to secure banking facilities provided to joint ventures. There are no terms and conditions attached to the guaranteed contracts that would have a material effect on the amount, timing and uncertainty of the Group's and Company's future cash flows.

The Group, prior to the disposal of its subsidiary, SEIL, had extended corporate guarantees in favour of some of its lenders. To facilitate SEIL in obtaining its lenders' consent for the change in its shareholders, these corporate guarantees amounting to S$1,305 million are extended at a fee pegged to market, post divestment. The fair value of the financial guarantee contract is determined using the interest rate differential approach. As such, the guarantee fees receivable approximate the financial guarantee liability. The guarantee fees are payable quarterly in arrears. Applying the net approach, the fair value of the financial guarantee contract is negligible.

For other financial guarantees given, the Group determines the fair value of those financial guarantees using the discounted cash flow approach. The Group believes the joint venture has sufficient resources to fulfil its obligations and the Group does not consider it probable that a claim will be made against the Group under the guarantee. As such, the fair values of these financial guarantee contracts are negligible.

The details of the financial guarantees given at balance sheet date were:

	Group	
(S$ million)	December 31, 2023	December 31, 2022
Guarantees given to banks to secure banking facilities provided to:		
– Joint ventures	49	25
– SEIL	1,305	–
– Others	1	*
	1,355	25

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

	Group	
(S$ million)	December 31, 2023	December 31, 2022
Less than 1 year	318	25
Between 1 to 5 years	503	*
More than 5 years	534	–
	1,355	25

Company

The Company has provided guarantees to banks to secure banking facilities provided to a wholly-owned subsidiary, Sembcorp Financial Services Pte Ltd. The intra-group financial guarantees granted by the Company amount to S$11,686 million (2022: S$8,831 million), with S$3,732 million (2022: S$4,139 million) drawn down as at balance sheet date. The Company uses the interest rate differential approach to determine the fair value of these financial guarantees and has deemed them to be not material. The periods in which the financial guarantees expire are as follows:

	Company	
(S$ million)	December 31, 2023	December 31, 2022
Less than 1 year	376	800
Between 1 to 5 years	1,430	1,963
More than 5 years	1,926	1,376
	3,732	4,139

Notes to the Financial Statements

C. Our Funding *(cont'd)*

C5. Loans and Borrowings *(cont'd)*

c. Financial guarantees *(cont'd)*

Company *(cont'd)*

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

	2023				2022			
(S$ million)	Accrued interest payable (Note E3)	Loans and borrowings (Note C5)	Lease liabilities (Note D1.1)	Total	Accrued interest payable (Note E3)	Loans and borrowings (Note C5)	Lease liabilities (Note D1.1)	Total
Balance at January 1	29	7,070	287	7,386	15	7,391	258	7,664
Cash flows								
Cash payments	–	(4,450)	(21)	(4,471)	–	(3,544)	(23)	(3,567)
Cash proceeds	–	4,034	–	4,034	–	3,854	–	3,854
Interest paid	(345)	–	(11)	(356)	(242)	–	(10)	(252)
Non-cash items								
Acquisition of subsidiaries	–	616	11	627	1	881	11	893
Transfer to liabilities held for sale	–	–	–	–	–	(1,265)	*	(1,265)
Interest expenses, including amortisation of capitalised transaction costs	347	45	11	403	255	33	10	298
New leases	–	–	30	30	–	–	45	45
Write-off of lease liabilities	–	–	–	–	–	–	*	*
Remeasurement of lease liabilities / Adjustment to upfront fees	–	–	2	2	–	–	5	5
Foreign exchange movement	1	(61)	1	(59)	*	(280)	(9)	(289)
	348	600	55	1,003	256	(631)	62	(313)
Balance at December 31	32	7,254	310	7,596	29	7,070	287	7,386

C6. Net Interest Expense

Accounting policies

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

		Group	
(S$ million)	Note	2023	2022
Finance income			
Finance income from financial assets measured at amortised cost			
– associates and joint ventures		5	6
– bank and others		52	31
Significant financing component from contracts with customers		*	–
		57	37
Finance costs			
Interest paid and payable to, measured at amortised cost			
– banks and others		384	280
Amortisation of capitalised transaction costs		12	13
Unwind of accretion on restoration costs	H2	2	2
Significant financing component from contracts with customers		4	3
Interest rate swaps:			
– changes in fair value through profit or loss		*	*
– ineffective portion of changes in fair value		(4)	2
Interest expense on amortisation of lease liabilities	D1.1	11	10
		409	310

Notes to the Financial Statements

C. Our Funding *(cont'd)*

C7. Contingent Liabilities

Key estimates and judgements

A contingent liability is:

i. a potential obligation arising from past events, which will only be confirmed by the occurrence (or non-occurrence) of one or more uncertain future events that are not completely within the Group's control, or

ii. a present obligation arising from past events that is not recognised in the financial statements because an outflow of resources representing economic benefits is unlikely to be necessary to extinguish the obligation, or because the amount of the obligation cannot be measured reliably.

Group

In 2023, the Group's subsidiaries are involved in certain tax disputes, where the amount of potential exposure is estimated to be S$3 million (2022: S$52 million, predominately from the disposal group).

C8. Commitments

A commitment is a contractual obligation to make a payment in the future. 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:

		Group	
(S$ million)	Note	2023	2022
– Commitments in respect of contracts placed for property, plant and equipment	a	1,120	334
– Commitments in respect of a civil settlement in China	b	45	45
– Uncalled commitments to subscribe for additional shares in joint ventures and other investments		3	40
– Commitments in respect of purchase of investment properties		*	30
		1,168	449

a. The amount in 2023 included S$587 million for the construction of a combined cycle power plant on Jurong Island, Singapore.

b. As part of the settlement relating to the discharge of off-specification wastewater by its 98.42%-owned wastewater treatment company, Sembcorp Nanjing Suiwu Company Limited, the Group is committed to invest S$45 million by December 2023 to develop projects and initiatives to support environmental protection in China. As at December 31, 2023, the Group has invested more than S$45 million, which includes the upgrading of wastewater treatment plants in Jiangsu, China towards the civil settlement amount. The invested amount is pending audit and confirmation by the Nanjing Procuratorate and court, which is estimated to be completed in 2024.

D. Our Assets

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. Costs 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	Lease period of 5 to 84 years
Buildings	3 to 50 years
Improvements to premises	3 to 30 years
Quays and dry docks	9 to 28 years
Infrastructure	25 to 30 years
Plant and machinery	3 to 56 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.

Notes to the Financial Statements

D. Our Assets *(cont'd)*

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

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.

(S$ million)	Note	Leasehold and freehold land 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, 2023		335	83	12	–	7,187	61	82	230	405	8,395
Translation adjustments		(7)	(2)	–	–	(60)	(1)	*	(5)	–	(75)
Additions		13	*	–	–	58	5	4	767	30	877
Reclassification		6	3	–	–	383	2	*	(394)	–	–
Acquisition of subsidiaries	iii	32	–	–	–	421	*	–	315	21	789
Transfer to intangible assets	D3	–	–	–	–	–	–	–	(1)	–	(1)
Remeasurement adjustments for right-of-use assets		–	–	–	–	–	–	–	–	3	3
Disposals / Write-offs		*	*	*	–	(151)	(3)	(6)	(1)	(8)	(169)
Balance at December 31, 2023		379	84	12	–	7,838	64	80	911	451	9,819
Accumulated Depreciation and Impairment Losses											
Balance at January 1, 2023		107	27	10	–	2,742	45	42	5	112	3,090
Translation adjustments		–	(1)	–	–	10	–	–	–	–	9
Depreciation for the year											
– Continuing operations	B4a	9	3	*	–	356	7	8	–	25	408
Reclassification		*	*	–	–	–	*	–	–	–	–
Disposals / Write-offs		*	*	*	–	(140)	(3)	(7)	–	(7)	(157)
Impairment losses	B4a	4	*	–	–	*	*	*	–	–	4
Balance at December 31, 2023		120	29	10	–	2,968	49	43	5	130	3,354
Carrying Amounts											
At January 1, 2023		228	56	2	–	4,445	16	40	225	293	5,305
At December 31, 2023		259	55	2	–	4,870	15	37	906	321	6,465

Notes to the Financial Statements

D. Our Assets *(cont'd)*

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

(S$ million)	Note	Leasehold and freehold land 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, 2022		401	85	12	55	9,584	70	88	159	359	10,813
Translation adjustments		(20)	(7)	–	(1)	(479)	(2)	(1)	(14)	(13)	(537)
Additions		5	1	–	–	106	6	2	544	55	719
Reclassification		1	5	–	*	446	*	3	(456)	1	–
Acquisition of subsidiaries	iii	33	–	–	–	885	*	*	–	14	932
Transfer from investment properties	D2	3	–	–	–	–	*	–	–	–	3
Transfer from / (to) other financial assets		–	–	–	–	*	–	–	*	–	*
Remeasurement adjustments for right-of-use assets		–	–	–	–	–	–	–	–	7	7
Transfer to assets held for sale	G6	(87)	–	–	(54)	(3,290)	(6)	(2)	(3)	(12)	(3,454)
Disposals / Write-offs		(1)	(1)	–	–	(65)	(7)	(8)	*	(6)	(88)
Balance at December 31, 2022		335	83	12	–	7,187	61	82	230	405	8,395
Accumulated Depreciation and Impairment Losses											
Balance at January 1, 2022		111	24	9	28	3,354	51	41	6	95	3,719
Translation adjustments		(5)	(1)	–	(1)	(141)	(1)	*	(1)	(2)	(152)
Depreciation for the year											
– Continuing operations	B4a	9	4	1	*	288	6	9	–	23	340
– Discontinued operation	G6	1	–	–	3	82	*	*	–	1	87
Reclassification		1	–	–	–	(1)	*	*	–	–	–
Transfer from investment properties	D2	*	–	–	–	–	–	–	–	–	*
Transfer to assets held for sale	G6	(9)	–	–	(30)	(805)	(4)	(1)	–	(1)	(850)
Disposals / Write-offs		(1)	*	–	–	(57)	(7)	(7)	*	(4)	(76)
Impairment losses	B4a	*	*	–	–	22	*	–	–	–	22
Balance at December 31, 2022		107	27	10	–	2,742	45	42	5	112	3,090
Carrying Amounts											
At January 1, 2022		290	61	3	27	6,230	19	47	153	264	7,094
At December 31, 2022		228	56	2	–	4,445	16	40	225	293	5,305

Group

i. PPE with the following net book values have been pledged to secure loan facilities granted to subsidiaries. The PPE of the disposal group and the corresponding amount pledged are presented under assets held for sale (Note G6).

(S$ million)	Note	Group December 31, 2023	Group December 31, 2022
Freehold land and buildings		60	70
Leasehold land and buildings including right-of-use assets		41	33
Plant and machinery		1,222	1,862
Capital work-in-progress		–	4
Other assets		2	2
	C5a	1,325	1,971

Notes to the Financial Statements

D. Our Assets *(cont'd)*

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

Group *(cont'd)*

ii. During the year, interest and direct staff costs amounting to less than S$1 million (2022: S$4 million) and less than S$1 million (2022: S$4 million), respectively were capitalised as capital work-in-progress. The capitalised interest costs are calculated using a rate from 3.45% to 4.20% (2022: 3.84% to 4.99%).

iii. PPE arising from the acquisition of subsidiaries were stated at fair value at the acquisition date (Note G5).

iv. In 2023, the provision for restoration costs capitalised in PPE amounted to S$19 million (2022: S$34 million) (Note H2).

Change in estimates

In 2023, the Group revised its estimates for the useful lives of certain asset within plant and machinery, with the decision to coincide the replacement in the next scheduled major outage. Consequently, the useful life of this asset is reduced from 25 years to 23 years. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

(S$ million)	2023	2024	2025	2026	Total
Group					
Depreciation based on initial useful life till 3Q2026	7	7	7	3	24
Depreciation based on revised useful life till 1Q2024	19	5	–	–	24
Increase / (Decrease) in depreciation expense and decrease / (increase) in profit before tax	12	(2)	(7)	(3)	–

(S$ million)	Leasehold and freehold land, 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, 2023	19	7	8	732	22	2	3	160	953
Additions	*	*	–	15	1	–	37	7	60
Remeasurement adjustments for right-of-use assets	–	–	–	–	–	–	–	1	1
Reclassification	–	*	–	3	*	–	(3)	–	–
Transfer from inventory	–	–	–	1	–	–	–	–	1
Disposals / Write-offs	*	*	*	(20)	(1)	*	*	–	(21)
Balance at December 31, 2023	19	7	8	731	22	2	37	168	994
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2023	14	7	6	495	19	1	–	63	605
Depreciation for the year	1	*	*	46	2	*	–	10	59
Disposals / Write-offs	*	*	*	(19)	(1)	*	–	–	(20)
Impairment losses	–	–	–	*	–	*	–	–	*
Balance at December 31, 2023	15	7	6	522	20	1	–	73	644
Carrying Amounts									
At January 1, 2023	5	–	2	237	3	1	3	97	348
At December 31, 2023	4	–	2	209	2	1	37	95	350

Notes to the Financial Statements

D. Our Assets *(cont'd)*

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

(S$ million)	Leasehold and freehold land, 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, 2022	20	7	8	735	22	3	15	145	955
Additions	*	*	–	23	*	*	5	12	40
Remeasurement adjustments for right-of-use assets	–	–	–	–	–	–	–	3	3
Reclassification	–	*	–	16	1	–	(17)	–	–
Transfer to assets held for sale	*	–	–	–	–	–	–	–	*
Disposals / Write-offs	(1)	*	–	(42)	(1)	(1)	–	*	(45)
Balance at December 31, 2022	19	7	8	732	22	2	3	160	953
Accumulated Depreciation and Impairment Losses									
Balance at January 1, 2022	14	7	4	493	19	2	–	51	590
Depreciation for the year	1	*	2	43	1	*	–	12	59
Transfer to assets held for sale	*	–	–	–	–	–	–	–	*
Disposals / Write-offs	(1)	*	–	(42)	(1)	(1)	–	*	(45)
Impairment losses	*	–	–	1	–	–	–	–	1
Balance at December 31, 2022	14	7	6	495	19	1	–	63	605
Carrying Amounts									
At January 1, 2022	6	–	4	242	3	1	15	94	365
At December 31, 2022	5	–	2	237	3	1	3	97	348

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.

Notes to the Financial Statements

D. Our Assets *(cont'd)*

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

Accounting policies *(cont'd)*

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.

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	
(S$ million)	December 31, 2023	December 31, 2022
Right-of-use assets		
Leasehold land and buildings	303	272
Plant and machinery	4	5
Motor vehicles	14	16
Furniture, fittings and office equipment	*	*
Total	321	293
Lease liabilities		
Current	18	17
Non-current	292	270
Total	310	287
Maturity analysis		
Within 1 year	18	17
After 1 year but within 5 years	82	85
After 5 years	210	185
Total	310	287

In 2023, additions to the right-of-use assets were S$30 million (2022: S$55 million).

	Company	
(S$ million)	December 31, 2023	December 31, 2022
Right-of-use assets		
Leasehold land and buildings	72	72
Plant and machinery	23	25
Total	95	97
Lease liabilities		
Current	11	10
Non-current	104	107
Total	115	117
Maturity analysis		
Within 1 year	11	10
After 1 year but within 5 years	19	18
After 5 years	85	89
Total	115	117

b. Amounts recognised in profit or loss

		Group	
(S$ million)	Note	2023	2022
Depreciation charge of right-of-use assets:			
– Leasehold land and buildings		19	17
– Plant and machinery		1	1
– Motor vehicles		5	5
– Furniture, fittings and office equipment		*	*
		25	23
Interest expense on lease liabilities (included in finance cost)	C6	11	10
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)		1	*
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)		8	7
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 2023 was S$32 million (2022: S$33 million).

Notes to the Financial Statements

D. Our Assets *(cont'd)*

D2. Investment Properties

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

Accounting policies

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

(S$ million)	Note	Group Investment properties	 Investment properties work-in-progress	 Total
Cost				
Balance at January 1, 2023		148	10	158
Translation adjustments		(5)	*	(5)
Additions		*	29	29
Reclassification		39	(39)	–
Disposals / Write-offs		(1)	–	(1)
Balance at December 31, 2023		181	*	181
Accumulated Depreciation				
Balance at January 1, 2023		25	–	25
Translation adjustments		(1)	–	(1)
Depreciation for the year	B4a	4	–	4
Disposals / Write-offs		*	–	*
Balance at December 31, 2023		28	–	28
Carrying Amounts				
At January 1, 2023		123	10	133
At December 31, 2023		153	*	153

(S$ million)	Note	Group Investment properties	 Investment properties work-in-progress	 Total
Cost				
Balance at January 1, 2022		159	5	164
Translation adjustments		(12)	(1)	(13)
Additions		3	11	14
Reclassification		5	(5)	–
Transfer to property, plant and equipment	D1	(3)	*	(3)
Disposals / Write-offs		(4)	–	(4)
Balance at December 31, 2022		148	10	158
Accumulated Depreciation				
Balance at January 1, 2022		26	–	26
Translation adjustments		(1)	–	(1)
Depreciation for the year	B4a	4	–	4
Transfer to property, plant and equipment	D1	*	–	*
Disposals / Write-offs		(4)	–	(4)
Balance at December 31, 2022		25	–	25
Carrying Amounts				
At January 1, 2022		133	5	138
At December 31, 2022		123	10	133

Amounts recognised in profit or loss for investment properties

(S$ million)	Group 2023	 2022
Rental income	10	11
Operating expenses arising from rental of investment properties	9	8

The fair value of the investment properties as at the balance sheet date is S$204 million (2022: S$187 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.

Notes to the Financial Statements

D. Our Assets *(cont'd)*

D2. Investment Properties *(cont'd)*

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:

	Group	
(S$ million)	2023	2022
Lease receivable:		
Within 1 year	8	8
1 to 2 years	5	5
2 to 3 years	3	3
3 to 4 years	1	2
4 to 5 years	1	2
More than 5 years	2	5
	20	25

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.

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. Power Generation Permits

Power generation permits are fair valued using cash flow projections over the tenure of the permits, ranging from 20 to 25 years. Amortisation is recognised in profit or loss on a straight-line basis over the tenure of the permits.

e. Carbon Allowances

Carbon allowances received are accounted for using the 'net liability' method. Any quantities of allowances above those forecast to be required for the company's own use are accounted for as an intangible asset together with a related deferred income balance in the balance sheet at their estimated recoverable value. A liability would only crystalise when emissions are greater than the allowances granted.

f. Other Intangible Assets

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

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 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, forecasted tariff rates and future carbon taxes for the non-renewable investments. These are inherently subject to estimation uncertainties as well as political and regulatory developments.

Notes to the Financial Statements

D. Our Assets *(cont'd)*

D3. Intangible Assets *(cont'd)*

(S$ million)	Note	Group Goodwill	Service concession arrangements	Long-term contracts	Power generation permits	Carbon allowances	Others	Total
Cost								
Balance at January 1, 2023		235	51	182	393	78	65	1,004
Translation adjustments		(1)	(2)	2	(17)	3	(3)	(18)
Additions	i	–	*	–	–	32	9	41
Acquisition of subsidiaries	G5, iv	95	–	164	90	–	–	349
Disposals	i	–	*	–	–	(72)	*	(72)
Transfer from property, plant and equipment	D1	–	*	–	–	–	1	1
Write-off	B4a	*	*	–	–	–	*	*
Balance at December 31, 2023		329	49	348	466	41	72	1,305
Accumulated Amortisation								
Balance at January 1, 2023		109	27	117	9	–	45	307
Translation adjustments		4	(4)	5	(1)	–	*	4
Amortisation charge for the year								
– Continuing operations	B4a	–	3	14	17	–	8	42
Disposals		–	*	–	–	–	*	*
Write-off	B4a	–	*	–	–	–	*	*
Balance at December 31, 2023		113	26	136	25	–	53	353
Carrying Amounts								
At January 1, 2023		126	24	65	384	78	20	697
At December 31, 2023		216	23	212	441	41	19	952

(S$ million)	Note	Group Goodwill	Service concession arrangements	Long-term contracts	Power generation permits	Carbon allowances	Others	Total
Cost								
Balance at January 1, 2022		278	58	235	–	76	61	708
Translation adjustments		(21)	(7)	(20)	(22)	(9)	(1)	(80)
Additions	i	–	*	–	–	135	7	142
Acquisition of subsidiary	G5	33	–	–	415	–	*	448
Disposals	i	–	*	–	–	(124)	*	(124)
Transfer from other category of asset		–	*	–	–	–	*	*
Transfer to assets held for sale	G6	(55)	–	(33)	–	–	(2)	(90)
Write-off	B4a	–	*	–	–	–	*	*
Balance at December 31, 2022		235	51	182	393	78	65	1,004
Accumulated Amortisation								
Balance at January 1, 2022		119	28	132	–	–	39	318
Translation adjustments		(10)	(4)	(13)	(1)	–	(1)	(29)
Amortisation charge for the year								
– Continuing operations	B4a	–	3	7	10	–	8	28
– Discontinued operation		–	–	1	–	–	1	2
Disposals		–	*	–	–	–	*	*
Transfer to assets held for sale	G6	–	–	(10)	–	–	(2)	(12)
Write-off	B4a	–	*	–	–	–	*	*
Balance at December 31, 2022		109	27	117	9	–	45	307
Carrying Amounts								
At January 1, 2022		159	30	103	–	76	22	390
At December 31, 2022		126	24	65	384	78	20	697

i. 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.

ii. Intangible assets of less than S$1 million (2022: less than S$1 million) have been pledged to secure loan facilities.

iii. The amortisation of intangible assets is analysed as follows:

(S$ million)	Group 2023	2022
Cost of sales	36	22
Administrative expenses	6	8
Total	42	30

iv. Prior to the end of the provisional one-year period from the date of acquisition of Sembcorp Huiyang New Energy (Shenzhen) Co., Ltd (June 1, 2022), the consideration of the acquisition has decreased by S$3 million, with a corresponding reduction in goodwill by S$3 million (Note G5).

Notes to the Financial Statements

D. Our Assets *(cont'd)*

D3. Intangible Assets *(cont'd)*

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:

(S$ million)	Note	Group December 31, 2023	Group December 31, 2022
Cash-generating Unit (CGU)			
SUT Division		19	19
Sembcorp Gas Pte Ltd / Sembcorp Fuels (Singapore) Pte Ltd	i	43	43
Green Infra Wind Energy Limited (GIWEL) and its subsidiaries	ii	127	31
Sembcorp Huiyang New Energy (Shenzhen) Co., Ltd and its subsidiaries (HYNE)		26	33
Multiple units with insignificant goodwill		1	*
		216	126

i. Sembcorp Gas Pte Ltd and Sembcorp Fuels (Singapore) Pte Ltd are considered a single CGU as both have the same customer bases for natural gas, pricing is set by the same management team and cash inflows are not generated largely independently.

ii. During the year, as part of the re-organisation of the Group's renewable portfolio in India to increase the operational efficiencies through pooling of management resources and technical skills, Sembcorp Green Infra Limited (SGIL) has amalgamated into GIWEL and is now known as GIWEL.

In January 2023, GIWEL has acquired 100% interest in Vector Green Energy Private Limited (Vector Green), which consists of a portfolio of solar and wind assets. The increase in goodwill predominately arose from this acquisition. The identified assets acquired, and liabilities assumed for the CGU are measured at their fair values and there has been no change to the goodwill determined on provisional basis as at December 31, 2023 (see Note G5).

The recoverable amounts for SUT Division, Sembcorp Gas Pte Ltd / Sembcorp Fuels (Singapore) Pte Ltd, Green Infra Wind Energy Limited and its subsidiaries and Sembcorp Huiyang New Energy (Shenzhen) Co., Ltd and its subsidiaries were determined using value-in-use calculations. Cash flow projections used in the value-in-use calculations were prepared based on management's 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 6.0% and 10.3% (2022: 5.7% and 11.7%) 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.

Key assumptions on recoverable amounts of respective CGUs

	SUT Division	Sembcorp Gas Pte Ltd / Sembcorp Fuels (Singapore) Pte Ltd	Green Infra Wind Energy Limited and its subsidiaries (GIWEL)	Sembcorp Huiyang New Energy (Shenzhen) Co., Ltd and its subsidiaries (HYNE)
Cash flow projections period	Remaining useful life of plants assumed 18 years (2022: 19 years)	Remaining contractual period of existing contracts	Remaining useful life of plants assumed 30 years (2022: 28 years)	Remaining useful life of plants assumed 24 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 long-term contracts secured at contracted tariffs. New contracts and contract renewals are assumed based on estimated demand and supply as well as margin	Based on feed-in tariffs as per power purchase agreements secured along with likely renewals
Carbon tax / Costs	Carbon taxes will be borne by customers	Carbon taxes will be borne by customers	NA	NA
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
Terminal value	Nil (2022: Nil)	Nil (2022: Nil)	Nil (2022: Nil)	5% of original cost
Inflation rate assumptions used to project overheads and other general expenses	2.0%–5.5% (2022: 1.5%–2.0%)	2.0%–5.5% (2022: 1.5%–2.0%)	3.0%–5.0% (2022: 3.5%)	0%
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	NA	NA

The assumptions for GIWEL and its subsidiaries include those from its portfolio of assets acquired in 2023 (Note G5).

b. Service Concession Arrangements

The subsidiaries in Fuzhou and Yanjiao in People's Republic of China have service concession agreements with the local municipalities to supply drinking water to the local communities.

Under these arrangements, the charges for use of these assets are adjusted regularly according to agreed cost reference and escalation formula in the concession agreement as approved by 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 the renewables sector in India have long-term contracts with India's State Electricity Boards in Rajasthan, Gujarat, Karnataka, Maharashtra, Madhya Pradesh, Punjab, and Telangana with tenures ranging from 20 to 30 years. These subsidiaries also sell electricity to commercial customers with tenures ranging from 10 to 25 years.

United Kingdom (UK)

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

d. Power Generation Permits

The subsidiaries in China own power generation permits to operate solar and wind power plants in various locations of China, with tenures ranging from 20 to 25 years.

e. Carbon Allowances

These are allowances, received from the UK government and purchased from the carbon market, to settle the emission obligation from its gas-fired thermal power plants.

f. Other Intangible Assets

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

	Company		
(S$ million)	Goodwill	Others	Total
Cost			
Balance at January 1, 2023	19	31	50
Additions	–	5	5
Balance at December 31, 2023	19	36	55
Accumulated Amortisation			
Balance at January 1, 2023	–	23	23
Amortisation charge for the year	–	3	3
Balance at December 31, 2023	–	26	26
Carrying Amounts			
At January 1, 2023	19	8	27
At December 31, 2023	19	10	29
Cost			
Balance at January 1, 2022	19	27	46
Additions	–	4	4
Disposals / Write-offs	–	*	*
Balance at December 31, 2022	19	31	50
Accumulated Amortisation			
Balance at January 1, 2022	–	21	21
Amortisation charge for the year	–	2	2
Disposals / Write-offs	–	*	*
Balance at December 31, 2022	–	23	23
Carrying Amounts			
At January 1, 2022	19	6	25
At December 31, 2022	19	8	27

The Company's goodwill relates to goodwill 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 terms 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 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.

		December 31, 2023			December 31, 2022		
(S$ million)	Note	Non-current	Current	Total	Non-current	Current	Total
Group							
Trade receivables	i	6	835	841	12	665	677
Service concession receivables	ii	796	47	843	852	45	897
Amounts due from related parties	G4	5	109	114	4	86	90
Staff loans		–	–	–	–	*	*
Deposits	iii	21	30	51	28	85	113
Sundry receivables	iv	39	166	205	–	141	141
Unbilled receivables	v	–	364	364	–	374	374
Recoverables		3	24	27	1	24	25
Interest receivables		–	5	5	–	6	6
Grant receivables		–	4	4	–	4	4
		870	1,584	2,454	897	1,430	2,327
Loss allowance	F4	(132)	(64)	(196)	(112)	(51)	(163)
Financial assets at amortised cost	F4, vi	738	1,520	2,258	785	1,379	2,164
Prepayments	vii	53	44	97	47	47	94
Employee defined benefit asset		10	*	10	17	*	17
Advances to suppliers		–	105	105	–	134	134
Tax recoverable		10	5	15	6	4	10
		811	1,674	2,485	855	1,564	2,419

i. Trade receivables include subsidies on energy production received by renewables companies in China. As of the date of the report, receipts of certain of these receivables are waiting for the final verification results from the regulators.

ii. The Group has service concession agreements with the local governments and governing agencies through its subsidiaries. The agreements in Singapore are for supply of treated water and agreements in Myanmar and Bangladesh are for supply of electricity.

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% (2022: 3.6% to 8.5%).

iii. Deposits include cash collateral placed on deposits in margin accounts.

iv. Sundry receivables represent mainly GST receivables, loan receivables and miscellaneous receivables.

v. Unbilled receivables represent revenue accrued for sale of utilities commodities and services.

vi. Trade and other receivables of S$409 million (2022: S$839 million) have been pledged to secure loan facilities. Included in the pledged amount is S$348 million (2022: S$372 million) that relates to underlying assets of the service concession arrangements.

vii. Prepayments are charged to profit or loss on a straight-line basis over the service 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$34 million (2022: S$38 million).
- Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of tank; and
- Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

		December 31, 2023			December 31, 2022		
(S$ million)	Note	Non-current	Current	Total	Non-current	Current	Total
Company							
Trade receivables		–	21	21	–	24	24
Amounts due from related parties	G4	–	30	30	–	40	40
Deposits		–	2	2	–	2	2
Unbilled receivables	i	–	51	51	–	46	46
Recoverables		–	3	3	–	1	1
Sundry receivables		–	1	1	–	–	–
Grant receivables		–	4	4	–	4	4
		–	112	112	–	117	117
Loss allowance	F4	–	(1)	(1)	–	(2)	(2)
Financial assets at amortised cost	F4	–	111	111	–	115	115
Prepayments	ii	*	4	4	1	4	5
Advance to suppliers		–	2	2	–	*	*
		*	117	117	1	119	120

i. Included in the Company's unbilled receivables are amounts of S$34 million (2022: S$26 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, spares, and environmental attributes 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.

Environmental attributes (EA) include renewable energy certificates and renewable obligation certificates. They are held for sale in the ordinary course of business and / or are self-generated. The recognition of the self-generated EA as inventory will be only at the completion of the certification process when these certificates become a resource controlled by the generating entity.

b. Development Properties

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes land and construction costs, 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.

(S$ million)	Group December 31, 2023	Group December 31, 2022	Company December 31, 2023	Company December 31, 2022
Raw materials and consumables	120	134	3	5
Finished goods	30	24	5	7
Environmental attributes	2	2	–	–
	152	160	8	12
Allowance for inventory obsolescence	(19)	(26)	(1)	(3)
	133	134	7	9
Properties under development	2	3	–	–
	135	137	7	9

S$26 million (2022: S$25 million) of the Group's inventories were pledged to secure loan facilities.

Amounts recognised in profit or loss

(S$ million)	Note	Group 2023	Group 2022
Inventories recognised as an expense in cost of sales		263	102
Write-back of allowance for inventory obsolescence	B4a	(7)	*

E3. Trade and Other Payables

Trade and other payables mainly consist of amounts the Group owes to its suppliers. They also include taxes and social security amounts payable relating to the Group's workforce.

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.

(S$ million)	Note	Group December 31, 2023	Group December 31, 2022	Company December 31, 2023	Company December 31, 2022
Current liabilities					
Trade payables		300	163	4	4
Advance payments from customers		28	33	*	*
Amounts due to related parties	G4	19	57	151	6
Accrued capital and operating expenditure	i	715	804	132	132
Deposits		31	43	*	*
Accrued interest payable		32	29	–	–
Other creditors	ii	268	360	2	2
Deferred grants		1	*	–	*
Deferred consideration		103	75	–	–
Contingent consideration		133	151	–	–
		1,630	1,715	289	144
Non-current liabilities					
Deferred grants	iii	19	3	–	–
Amounts due to related parties	G4	–	–	1,370	1,358
Other long-term payables	iv	58	43	20	19
Deferred income		36	38	2	2
Contingent consideration		1	3	–	–
Retirement benefit obligation		7	6	–	–
		121	93	1,392	1,379

i. Included in the Group's and Company's accrued operating expenses are amounts of S$46 million and S$26 million (2022: $53 million, and S$36 million) due to related companies respectively.

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. 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.

Notes to the Financial Statements

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

E4. Cash and Cash Equivalents

Accounting policies

Cash and cash equivalents which comprise cash balances and bank deposits are classified as financial assets measured at amortised 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 loans and 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.

	Group		Company	
(S$ million)	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Fixed deposits with banks	242	398	–	–
Cash and bank balances	525	856	288	239
Cash and cash equivalents in the balance sheets	767	1,254	288	239
Restricted bank balances	(35)	(8)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	732	1,246	288	239
Cash and cash equivalents inclusive of placement with:				
– A subsidiary	–	–	286	237
– A related corporation	25	137	2	2

Fixed deposits with banks of the Group earn interest at rates ranging from 0.20% to 7.25% (2022: 0.25% to 6.40%) per annum.

Included in the Group's cash and cash equivalents is an amount of S$84 million (2022: S$156 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 optimised its assets portfolio, monitored its risk exposures, and ensured that the Group is not over-leveraged.

F1. Market Risk

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

The Group has implemented the Integrated Assurance Framework (IAF) which is based on a multi-level lines 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 applied to assess the risks and adequacy and effectiveness of 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 risk management and governance.

Financial Risk Management Objectives and Policies

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

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

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

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

F1. Market Risk *(cont'd)*

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 floating interest rates.

Based on the variable rate net debt position (both issued and hedged) at 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 rate of 1% would have decreased the Group's profit before tax (PBT) by S$16 million (2022: decreased by S$18 million) and have no impact to equity (2022: increased by S$5 million). At Company level, PBT would have decreased by S$11 million (2022: decreased by S$10 million) without any impact to equity (2022: 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 investment hedges in its subsidiaries in China (2022: UK and China) based on its risk management policy is summarised as follows:

	Group							
(S$ million)	SGD	USD	EURO	GBP	RMB	INR	BDT#	Others^
2023								
Financial assets								
Cash and cash equivalents	39	132	1	*	4	68	56	1
Loan to an associate	–	–	–	55	–	–	–	–
Trade and other receivables	13	438	5	12	986	–	107	1
DPN receivable	–	–	–	–	–	1,816	–	–
Other financial assets	–	46	–	–	–	–	–	–
	52	616	6	67	990	1,884	163	2
Financial liabilities								
Trade and other payables	47	405	7	389	2	–	86	1
Loans and borrowings	–	105	102	*	–	–	–	76
Lease liabilities	4	–	–	–	–	–	1	–
	51	510	109	389	2	–	87	77
Net financial assets / (liabilities)	1	106	(103)	(322)	988	1,884	76	(75)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	(244)	–	–	(3)	–	–	(166)
Less: Cross currency swap / Foreign exchange forward contracts	22	252	106	377	2	–	–	242
Net currency exposure	23	114	3	55	987	1,884	76	1
2022								
Financial assets								
Cash and cash equivalents	47	66	1	*	1	–	16	*
Loan to an associate	–	–	–	58	–	–	–	–
Trade and other receivables	16	470	1	1	895	–	36	1
Other financial assets	–	53	–	–	–	–	–	1
	63	589	2	59	896	–	52	2
Financial liabilities								
Trade and other payables	45	409	3	228	9	–	23	1
Loans and borrowings	–	30	100	–	–	–	–	83
Lease liabilities	4	–	–	–	–	–	*	*
	49	439	103	228	9	–	23	84
Net financial assets / (liabilities)	14	150	(101)	(169)	887	–	29	(82)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	(184)	(6)	–	(9)	–	–	–
Less: Cross currency swap / Foreign exchange forward contracts	49	273	106	220	9	–	–	83
Net currency exposure	63	239	(1)	51	887	–	29	1

2022 amounts have been re-presented as exposure to BDT became significant to the Group in 2023.

^ Predominantly Japanese Yen.

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:

(S$ million)	Company USD
2023	
Financial assets	
Cash and cash equivalents	3
Trade and other receivables	5
	8
Financial liabilities	
Trade and other payables	10
Net financial liabilities	(2)
Net currency exposure	(2)
2022	
Financial assets	
Cash and cash equivalents	11
Trade and other receivables	18
	29
Financial liabilities	
Trade and other payables	18
Net financial assets	11
Net currency exposure	11

Sensitivity Analysis

A 10% strengthening of the following currencies against the functional currencies of the Group and Company at 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, ignoring any impact of firm commitments in foreign currencies and with no further foreign exchange risk management action taken.

	Group				Company	
	Equity		Profit before tax		Profit before tax	
(S$ million)	2023	2022	2023	2022	2023	2022
SGD	2	4	*	1	–	–
USD	23	20	8	19	*	1
EURO	–	*	*	*	*	–
GBP	5	–	*	(1)	*	–
RMB	–	–	2	2	*	–
INR	–	–	188	–	–	–
BDT#	–	–	8	3	–	–
JPY	14	–	*	*	–	–

2022 amounts have been re-presented as exposure to BDT become significant to the Group in 2023.

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 price risk from mutual funds and equity securities designated 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$9 million, respectively (2022: increased by S$5 million and S$7 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 (CFDs).

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

The Group designates 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. 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 hedges.

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:

	Group	
(S$ million)	2023	2022
Equity	7	11

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.

F2. Hedges

The Group uses derivative instruments (derivatives) (as disclosed in Note H1) to hedge financial 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)

Notes to the Financial Statements

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

F2. Hedges *(cont'd)*

Accounting policies

Derivatives are carried on balance sheet at fair value. Movements in price of the underlying variables, which causes the value of contract to fluctuate, are reflected in the fair value of 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 subject to fair value through profit or loss.

Fair value gains and losses attributable to economic hedges are recognised in statement of profit or loss while recognition of fair value gains and losses of those attributable to accounting hedges depends on the nature of 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 fair value of the underlying item relating to the hedged risks are recognised in profit or loss. The effective portion of changes in fair value of derivatives designated as cash flow hedges are recognised in 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 any 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 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 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. 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:

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

The Group designates only the change in fair value of the spot element of forward exchange contract for funding purposes as the hedging instrument in a cash flow hedging relationship. The change in fair value of the forward element of 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

The financial markets have undergone a fundamental reform of major interest rate benchmarks where interbank offered rates (IBORs) have ceased publication and the IBORs have been replaced with alternative nearly risk-free rates, herein known as the IBOR reform.

As of December 31, 2023, the Group has completed the transition of its loan facilities and hedges affected by the IBOR reform where exposures in GBP LIBOR were transitioned to SONIA, SGD SOR to SORA and USD LIBOR to SOFR.

Cash Flow Hedges

Key estimates and judgements

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

As of December 31, 2023, the Group has completed the transition of its hedged items and hedging instruments affected by the IBOR reform where exposures in GBP LIBOR were transitioned to SONIA, SGD SOR to SORA and USD LIBOR to SOFR with cash flows that are matched. As such, the Group shall continue to apply hedge accounting on these transactions.

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

At December 31, 2023, the Group held the following instruments to hedge exposures to fluctuations in foreign currencies, interest rates and commodity prices:

			Maturity		
(S$ million)	Rate ($)	Interest rate (%)	Within 1 year	Between 1 and 5 years	More than 5 years
2023					
Foreign currency risk					
Forward foreign exchange contracts (Buy / Sell)					
– USD / SGD	1.30–1.42	–	182	103	–
– CNH / SGD	0.20	–	176	–	–
– JPY / SGD	91.28–99.04	–	76	102	–
Forex swap contracts (Buy / Sell)					
– CNH / SGD	0.19	–	–	19	–
– USD / SGD	1.35	–	19	–	–
Interest rate risk					
Interest rate swap (IRS)					
– Float-to-fixed	–	1.05 – 3.33	698	579	159
Foreign currency and interest rate risk					
Cross currency swaps					
– EUR / SGD	–	3.99	–	99	–
Commodity risk					
Fuel oil swaps					
– Fuel oil swap ($ per MT)	375.00–619.50	–	544	158	–
– Fuel oil swap ($ per BBL)	72.30–87.23	–	462	143	–

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

F2. Hedges *(cont'd)*

Cash Flow Hedges *(cont'd)*

(S$ million)	Rate ($)	Interest rate (%)	Maturity: Within 1 year	Maturity: Between 1 and 5 years	Maturity: More than 5 years
2022					
Foreign currency risk					
Forward foreign exchange contracts (Buy / Sell)					
– SGD / USD	0.70–0.75	–	49	–	–
– USD / SGD	1.33–1.42	–	258	56	–
– EUR / SGD	1.43	–	6	–	–
Interest rate risk					
Interest rate swap (IRS)					
– Float-to-fixed	–	1.05–2.92	105	1,176	168
Foreign currency and interest rate risk					
Cross currency swaps					
– EUR / SGD	1.80	–	–	99	–
– Float-to-fixed (USD / VND)	23,085–23,185	9.08–10.24	4	13	–
Commodity risk					
Fuel oil swaps					
– Fuel oil swap ($ per MT)	253.00–641.00	–	265	29	–
– Fuel oil swap ($ per BBL)	51.28–93.92	–	88	–	–
– Fuel oil swap ($ per MMBTU)	9.30–67.50	–	209	–	–
Electricity futures market contracts	289.85–326.00	–	4	–	–

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

(S$ million)	Cash flow hedge reserve for continuing hedges 2023	Cash flow hedge reserve for continuing hedges 2022
Foreign currency risk		
Highly probable purchases	(14)	(5)
Highly probable equity injection	*	(1)
Payments	*	1
Interest rate risk		
Variable rate borrowings	28	42
Other financial liabilities	5	16
Foreign currency and interest rate risk		
Fixed rate borrowings	*	7
Commodity risk		
Highly probable purchases	*	(16)
Fuel oil price	*	24

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

	Foreign currency risk: Forward foreign exchange contracts / Forex swap contracts	Interest rate risk: Interest rate swaps	Foreign currency risk and interest rate risk: Cross currency swaps	Commodity risk: Fuel oil swaps	Commodity risk: Electricity futures market contracts	Total
2023						
Nominal amount – S$ million	677	1,436	99	1,307	–	3,519
Quantity	–	–	–	1,234,794 MT and 5,781,287 BBL	–	1,234,794 MT and 5,781,287 BBL
Carrying amount – S$ million						
Other financial assets	*	38	4	40	–	82
Other financial liabilities	17	–	1	40	–	58
Fair value increase / (decrease) – S$ million						
Hedging instruments	(15)	(34)	(2)	(5)	–	(56)
Hedged items	15	34	2	5	–	56
Hedge ineffectiveness	*	–	–	–	–	*
Reconciliation of hedging reserve – S$ million						
Changes in fair value	(15)	(34)	(2)	(5)	–	(56)
Amounts reclassified to profit or loss:						
– Turnover	–	–	–	(2)	1	(1)
– Cost of goods sold	2	–	–	(4)	–	(2)
Amount reclassified to cost of investment in a subsidiary	1	–	–	–	–	1
						(58)
Transfer of reserve						5
Tax on above items						11
Change in hedging reserve						(42)
Share of other comprehensive income of associates and joint ventures						(6)
Movement during the year						**(48)**

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

F2. Hedges *(cont'd)*

Cash Flow Hedges *(cont'd)*

	Foreign currency risk	Interest rate risk	Foreign currency risk and interest rate risk	Commodity risk		
	Forward foreign exchange contracts / Cash	Interest rate swaps	Cross currency swaps	Fuel oil swaps	Electricity futures market contracts	Total
2022						
Nominal amount – S$ million	369	1,449	116	591	4	2,529
Quantity	–	–	–	486,404 MT, 739,123 BBL, and 4,830,000 MMBTU	–	486,404 MT, 739,123 BBL, and 4,830,000 MMBTU
Carrying amount – S$ million						
Other financial assets	1	73	4	24	1	103
Other financial liabilities	5	–	*	78	–	83
Fair value increase / (decrease) – S$ million						
Hedging instruments	(2)	106	2	201	11	318
Hedged items	2	(106)	(2)	(201)	(11)	(318)
Hedge ineffectiveness	*	–	–	–	–	*
Reconciliation of hedging reserve – S$ million						
Changes in fair value	(2)	106	2	201	11	318
Amounts reclassified to profit or loss:						
– Turnover	–	–	–	8	19	27
– Cost of goods sold	(3)	–	–	(251)	–	(254)
– Other operating income	–	–	–	(114)	–	(114)
Amount reclassified to cost of investment in a subsidiary	*	–	–	–	–	*
						(23)
Tax on above items						9
Change in hedging reserve						(14)
Share of other comprehensive income of associates and joint ventures						63
Movement during the year						**49**

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

(S$ million)	Cash flow hedge reserve 2023	2022
Balance at January 1	93	48
Movement during the year		
Changes in fair value:		
– Foreign currency risk	(15)	(2)
– Interest rate risk	(34)	106
– Foreign currency and interest rate risk	(2)	2
– Commodity risk	(5)	212
Amount reclassified to profit or loss:		
– Foreign currency risk	2	(3)
– Commodity risk	(5)	(338)
Amount reclassified to cost of investment in a subsidiary	1	*
Tax on movements on reserves during the year	11	9
Transfer of reserve	5	–
Share of other comprehensive income of associates and joint ventures	(6)	63
	(48)	49
Share of non-controlling interests	*	(4)
Balance at December 31	45	93

Net Investment Hedges

The Group's investments in its China (2022: UK and China) subsidiaries are hedged by CNH / SGD (2022: GBP / SGD and CNH / SGD) forward foreign exchange contracts (hedging instrument) respectively, which mitigate the currency risks arising from the subsidiaries' net assets. The carrying amounts of the hedging instruments of S$9 million (2022: S$23 million) and S$Nil (2022: S$12 million) are included in other financial assets and other financial liabilities respectively.

The notional amount of the contracts is S$195 million (2022: S$323 million). During the financial year, net hedging loss of S$35 million (2022: hedging loss of S$51 million) was recognised in other comprehensive income. As at December 31, 2023, the balance of foreign currency translation reserve for continuing hedges is a loss of S$101 million (2022: loss of S$20 million).

F3. Liquidity Risk

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

Maturity Profile of the Group's and 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) that are designated as cash flow hedges are expected to impact profit or loss within 1 year to 5 years and upon disposal, should it arise, of its investment in subsidiaries.

Approximately S$1,300 million (2022: S$1,100 million) of loans and borrowings are due within 12 months. The Group has at least S$1,900 million (2022: S$2,400 million) in committed credit facilities with final maturity dates beyond 2024 that can be drawn down.

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 Company's Financial Liabilities *(cont'd)*

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

(S$ million)	Carrying amount	Contractual cash flow	Cash flows: Less than 1 year	Cash flows: Between 1 and 5 years	Cash flows: Over 5 years
Group					
2023					
Derivatives					
Derivative financial liabilities	83				
– inflow		736	539	197	–
– outflow		(821)	(604)	(217)	–
Derivative financial assets	(96)				
– inflow		797	643	154	–
– outflow		(701)	(574)	(127)	–
Non-derivative financial liabilities					
Trade and other payables[1]	1,593	(1,595)	(1,565)	(30)	–
Lease liabilities	310	(491)	(31)	(121)	(339)
Loans and borrowings	7,254	(8,693)	(1,565)	(3,988)	(3,140)
	9,144	(10,768)	(3,157)	(4,132)	(3,479)
2022					
Derivatives					
Derivative financial liabilities	122				
– inflow		555	426	129	–
– outflow		(683)	(528)	(155)	–
Derivative financial assets	(132)				
– inflow		293	132	161	–
– outflow		(169)	(58)	(111)	–
Non-derivative financial liabilities					
Trade and other payables[1]	1,671	(1,672)	(1,654)	(17)	(1)
Lease liabilities	287	(427)	(29)	(91)	(307)
Loans and borrowings	7,070	(8,593)	(1,205)	(2,809)	(4,579)
	9,018	(10,696)	(2,916)	(2,893)	(4,887)

[1] Excludes advance payments, deferred income, Goods and Services Tax and employee benefits

(S$ million)	Carrying amount	Contractual cash flow	Cash flows: Less than 1 year	Cash flows: Between 1 and 5 years	Cash flows: Over 5 years
Company					
2023					
Non-derivative financial liabilities					
Trade and other payables[1]	1,678	(1,911)	(363)	(1,548)	–
Lease liabilities	115	(174)	(15)	(32)	(127)
	1,793	(2,085)	(378)	(1,580)	(127)
2022					
Non-derivative financial liabilities					
Trade and other payables[1]	1,520	(1,599)	(210)	(1,389)	–
Lease liabilities	117	(179)	(14)	(32)	(133)
	1,637	(1,778)	(224)	(1,421)	(133)

[1] Excludes advance payments, deferred income, 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 profit or loss and fair value of the related hedging instruments:

(S$ million)	Carrying amount	Contractual cash flow	Cash flows: Less than 1 year	Cash flows: Between 1 and 5 years	Cash flows: Over 5 years
Group					
2023					
Derivative financial liabilities	58				
– inflow		462	265	197	–
– outflow		(520)	(303)	(217)	–
Derivative financial assets	(83)				
– inflow		199	65	134	–
– outflow		(116)	(7)	(109)	–
	(25)	25	20	5	–
2022					
Derivative financial liabilities	83				
– inflow		212	166	46	–
– outflow		(295)	(244)	(51)	–
Derivative financial assets	(103)				
– inflow		271	106	165	–
– outflow		(169)	(58)	(111)	–
	(20)	19	(30)	49	–

Notes to the Financial Statements

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

F4. Credit Risk

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

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

Accounting policies

The Group applies the simplified approach to provide ECL on trade and unbilled receivables as well as 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. When credit risk has increased significantly since initial recognition, loss allowance is measured at lifetime 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 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 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 profit or loss.

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

The Group and Company have issued financial guarantees to certain banks in respect of credit facilities on behalf of the obligors (see Note C5(c)). These guarantees are subject to the impairment assessment under SFRS(I) 9.

The Group has assessed that the obligors have strong financial capacities to meet the contractual cash flow obligation in the near future and hence, does not expect significant credit losses from their guarantees. The Group's assessment is based on qualitative and quantitative factors that are indicative of the risk of default (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections, if available, and applying experienced credit judgment).

The Company has not recognised any ECL provision as the Company believes the subsidiaries have sufficient resources to fulfil its obligations and the Company does not consider it probable that a claim will be made against the Company under the guarantee.

ECL assessment for customers with credit ratings (or equivalent)

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

(S$ million)	Equivalent to external credit rating	Credit impaired	Gross carrying amount	Loss allowance	Net carrying amount
Group					
2023					
Receivables measured at lifetime ECL					
Trade and other receivables and contract assets					
– Industrial	AAA – B-	No	585	(6)	579
– Government	AAA – BB	No	331	(1)	330
– Retail	BBB+ – B-	No	18	(2)	16
– Others	BBB – B+	No	4	(1)	3
Service concession and related trade receivables (Note ii)	CC	No	347	(131)	216
			1,285	(141)	1,144
Receivables measured at 12-month ECL					
Service concession and related trade receivables	AAA – B+	No	667	(5)	662
Total			**1,952**	**(146)**	**1,806**
2022					
Receivables measured at lifetime ECL					
Trade and other receivables and contract assets					
– Industrial	BBB – B	No	582	(7)	575
– Government	AAA – BB	No	287	*	287
– Retail	A+ – B-	No	17	(2)	15
– Others	A+ – A-	No	5	*	5
Service concession and related trade receivables (Note ii)	CC	No	359	(110)	249
			1,250	(119)	1,131
Receivables measured at 12-month ECL					
Service concession and related trade receivables	AAA – BB-	No	634	(4)	630
Total			**1,884**	**(123)**	**1,761**
Company					
2023					
Receivables measured at lifetime ECL					
Trade and other receivables					
– Industrial	BB+ – BBB-	No	40	(1)	39
– Government	AAA	No	4	–	4
– Others	AAA	No	*	–	*
			44	**(1)**	**43**
2022					
Receivables measured at lifetime ECL					
Trade and other receivables					
– Industrial	BB+ – B-	No	45	(1)	44
– Government	AAA	No	4	–	4
			49	**(1)**	**48**

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) *(cont'd)*

i. As at December 31, 2023, 84% (2022: 84%) of service concession receivables relate to two major customers of the Group.

ii. In 2023, the economic situation in Myanmar has not improved and there has been escalating civil unrest and conflict in the country. The Group has assessed the potential risks that may cause severe and extended impact on the plant operations with the increased civil unrest and attacks observed in Myingyan and nearby towns. The Group has concluded that the credit risk has further increased and an additional S$23 million ECL has been provided.

In 2022, lifetime ECL was applied on the service concession receivables of Sembcorp Myingyan Power Company (SMPC) and a provision was made although there is no default on payment, as the Group has determined that the credit risk on the service concession receivables for SMPC has increased significantly, taking into consideration forward-looking information on the risk of foreign currency shortages, a weakening economy and Myanmar being categorised as a high-risk jurisdiction by the Financial Action Task Force, with increased risk of economic and financial sanctions.

iii. Other than (ii) above, there were no trade and other receivables and contract assets with significant increase in credit risk since initial recognition. There were also no credit impaired receivables at balance sheet date.

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:

(S$ million)	Credit impaired	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Group					
2023					
Not past due	No	3.4%	87	(3)	84
Past due 0 to 3 months	No	2.9%	34	(1)	33
Past due 3 to 6 months	No	4.8%	21	(1)	20
Past due 6 to 12 months	No	37.5%	8	(3)	5
More than 1 year	Yes	77.8%	36	(28)	8
Total			186	(36)	150
2022					
Not past due	No	2.3%	88	(2)	86
Past due 0 to 3 months	No	2.7%	37	(1)	36
Past due 3 to 6 months	No	3.3%	30	(1)	29
Past due 6 to 12 months	No	16.7%	6	(1)	5
More than 1 year	Yes	82.6%	23	(19)	4
Total			184	(24)	160

(S$ million)	Credit impaired	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Company					
2023					
Not past due	No	1.1%	95	(1)	94
Past due 0 to 3 months	No	–	12	–	12
Past due 3 to 6 months	No	–	1	–	1
Past due 6 to 12 months	No	–	2	–	2
More than 1 year	No	–	2	–	2
Total			112	(1)	111
2022					
Not past due	No	2.2%	92	(2)	90
Past due 0 to 3 months	No	–	20	–	20
Past due 3 to 6 months	No	–	*	–	*
Past due 6 to 12 months	No	–	2	–	2
More than 1 year	No	–	3	–	3
Total			117	(2)	115

For the remaining financial assets at amortised cost amounting to S$330 million (2022: S$288 million) which include deposits in margin accounts, long-term fixed deposits with financial institutions, convertible loan, dividends receivables and GST receivables, the Group considered the risk that a credit loss may occur, and recognised a loss allowance of S$14 million (2022: S$16 million).

Movements in loss allowances

		2023			2022		
(S$ million)	Note	12-month ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Total
Group							
Balance at January 1		4	159	163	11	66	77
Currency translation difference		*	(3)	(3)	*	(7)	(7)
Impairment loss recognised		1	23	24	*	113	113
Allowance written back		–	(4)	(4)	–	(16)	(16)
Acquisition of subsidiaries		–	18	18	–	–	–
Transfer to assets held for sale		–	–	–	–	(3)	(3)
Loss allowance utilised		–	(2)	(2)	–	(1)	(1)
Transfer to lifetime ECL		–	–	–	(7)	7	–
Balance at December 31	E1	5	191	196	4	159	163
Company							
Balance at January 1		–	2	2	–	1	1
Impairment loss recognised		–	*	*	–	1	1
Loss allowance utilised		–	(1)	(1)	–	–	–
Balance at December 31	E1	–	1	1	–	2	2

Notes to the Financial Statements

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

F5. Financial Instruments

Accounting policies

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

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

Securities

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

Derivatives

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

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 and electricity futures is accounted for based on difference between the contractual strike price with the counterparty and the current forward market price.
4. CFDs are accounted for based on the difference between the contracted price entered into with the counterparty and the reference price. The fair value of the CFDs would need to be adjusted to reflect the illiquidity. However, there have been minimal trades made in the electricity future market. There is also no fixed quantity stated in the agreement. As such, the fair value of the CFDs cannot be measured reliably. 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, which 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.

a. Fair Value Hierarchy

Financial assets and financial liabilities carried at fair value

	Fair value measurement			
(S$ million)	Level 1	Level 2	Level 3	Total
Group				
At December 31, 2023				
Financial assets at FVOCI	–	–	46	46
DPN receivable	–	–	1,816	1,816
Other financial assets at FVTPL	63	–	31	94
Derivative financial assets	–	96	–	96
	63	96	1,893	2,052
Financial liabilities at FVTPL	–	(1)	(133)	(134)
Derivative financial liabilities	–	(83)	–	(83)
	–	(84)	(133)	(217)
	63	12	1,760	1,835
At December 31, 2022				
Financial assets at FVOCI	–	–	53	53
Financial assets at FVTPL	37	–	32	69
Derivative financial assets	–	132	–	132
	37	132	85	254
Financial liabilities at FVTPL	–	(3)	(151)	(154)
Derivative financial liabilities	–	(122)	–	(122)
	–	(125)	(151)	(276)
	37	7	(66)	(22)

There have been no transfers between the different levels of the fair value hierarchy at December 31, 2023 and December 31, 2022.

Level 3 fair values

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

	Group			
(S$ million)	Financial assets at FVOCI	DPN receivable	Other financial assets at FVTPL	Financial liabilities at FVTPL
Balance at January 1, 2023	53	–	32	(151)
Addition	–	2,038	5	–
Translation adjustment	–	–	–	6
Net change in fair value	(7)	133	(6)	–
(Receipt) / Payment	–	(355)	–	12
Balance at December 31, 2023	46	1,816	31	(133)
Balance at January 1, 2022	53	–	28	–
Addition	–	–	10	(141)
Translation adjustment	–	–	–	9
Net change in fair value	*	–	(4)	(19)
Disposal	–	–	(2)	–
Balance at December 31, 2022	53	–	32	(151)

Notes to the Financial Statements

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

F5. Financial Instruments *(cont'd)*

a. Fair Value Hierarchy *(cont'd)*

Financial assets and financial liabilities carried at fair value *(cont'd)*

Level 3 fair values (cont'd)

Level 3 financial assets at FVOCI includes unquoted equity shares. The fair value of the unquoted equity shares is determined by reference to the investment's adjusted 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.

The DPN receivable was recognised in January 2023 at the completion of the sale of SEIL. DPN is measured at fair value based on the contractual terms of the sale (Note H1).

Level 3 other financial assets at FVTPL includes unquoted funds. The fair value of the unquoted funds is based on the latest available unaudited net asset values of the underlying funds provided by the administrator of those funds on the basis that their net asset values approximate their fair value at balance sheet date. The key unobservable inputs include net asset value for fund investments and / or recent transaction price among investors. The estimated fair value would increase / decrease if the net asset values for fund investments were higher / lower, or if the recent transaction prices were higher / lower.

Financial liabilities at FVTPL in Level 3 relate to the contingent consideration on acquisition of HYNE in 2022. In determining the fair value of the contingent consideration, the Group has applied judgement in evaluating the probability and timing of fulfilment, taking into consideration past experiences and changes to market, economic or legal environment in China.

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 whose carrying amounts measured at amortised cost approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

	Fair value measurement			
(S$ million)	Level 1	Level 2	Level 3	Total
Group				
At December 31, 2023				
Investment properties	–	–	204	204
Associate	113	–	–	113
Service concession receivables	–	1,756	–	1,756
Non-current loans and borrowings	–	(5,887)	–	(5,887)
At December 31, 2022				
Investment properties	–	–	187	187
Associate	88	–	–	88
Service concession receivables	–	1,644	–	1,644
Non-current loans and borrowings	–	(5,776)	–	(5,776)
Company				
At December 31, 2022				
Amounts due to related parties	–	(1,356)	–	(1,356)

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 the following:

(S$ million)	Financial assets at amortised cost	Other financial liabilities	Total carrying amount	Fair value
Group				
At December 31, 2023				
Service concession receivables	843	–	843	1,756
Non-current loans and borrowings	–	(5,973)	(5,973)	(5,887)
At December 31, 2022				
Service concession receivables	897	–	897	1,644
Non-current loans and borrowings	–	(5,974)	(5,974)	(5,776)
Company				
At December 31, 2022				
Amounts due to related parties	–	(1,358)	(1,358)	(1,356)

Notes to the Financial Statements

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.

During the year, the Group made three significant acquisitions, requiring the purchase price to be allocated to the fair value of the identifiable assets (including intangible assets) acquired and liabilities assumed.

Judgement is required in determining the classification of the acquisitions as asset acquisitions or business combinations. There is judgement and inherent uncertainty involved in the valuation of the assets and liabilities as well as settlement of any existing litigations between the parties.

The Group has used provisional amounts of purchase price allocation for the accounting of these acquisitions and has a one-year measurement period from the acquisition date to complete the accounting for the acquisitions. Fair value adjustments may arise on the completion of respective final purchase price allocations due to the estimation uncertainty involved.

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

	Company	
(S$ million)	December 31, 2023	December 31, 2022
At cost and carrying value:		
Unquoted equity shares	2,215	2,016
Preference shares	288	288
Share-based payments reserve	(5)	5
	2,498	2,309

During the year, the Company has increased its investment into Sembcorp Environment Pte Ltd's share capital, to fund its acquisition of the energy-from-waste plant from Sembcorp Cogen Pte Ltd as part of the Group's re-organisation.

Subsidiaries

Details of key subsidiaries of the Group are as follows:

		Effective equity held by the Group	
Name of key subsidiary	Country of incorporation	2023 %	2022 %
Sembcorp Utilities Pte Ltd (SCU)[1]	Singapore	100.00	100.00
Sembcorp Cogen Pte Ltd[1]	Singapore	100.00	100.00
Sembcorp Gas Pte Ltd[1]	Singapore	100.00	100.00
Sembcorp Power Pte Ltd[1]	Singapore	100.00	100.00
Sembcorp Environment Pte. Ltd.[1]	Singapore	100.00	100.00
SembWaste Pte Ltd[1]	Singapore	100.00	100.00
Sembcorp Development Ltd[1]	Singapore	100.00	100.00
Singapore Technologies Industrial Corp Ltd[1]	Singapore	100.00	100.00
Vietnam Singapore Industrial Park Pte Ltd[1]	Singapore	96.59	96.59
Sembcorp Utilities (UK) Limited[2]	United Kingdom	100.00	100.00
Sembcorp Energy UK Limited[2]	United Kingdom	100.00	100.00
Nanjing Riverside Quay Co., Ltd[2]	China	100.00	100.00
Sembcorp Myingyan Power Company Limited[2]	Myanmar	100.00	100.00
Sembcorp North-West Power Company Ltd.[2]	Bangladesh	71.00	71.00
Green Infra Wind Energy Limited[3,4]	India	100.00	100.00
Vector Green Energy Private Limited[3]	India	100.00	100.00
Sembcorp Energy (Shanghai) Holding Co., Ltd (SESH)[2]	China	100.00	100.00
Sembcorp Huiyang New Energy (Shenzhen) Co., Ltd[2]	China	98.00	98.00

[1] Audited by KPMG LLP, Singapore
[2] Audited by member firms of KPMG International
[3] Audited by PricewaterhouseCoopers, India
[4] During the year, Sembcorp Green Infra Limited (SGIL) has amalgamated into GIWEL and is now known as GIWEL

G2. Non-controlling Interests

There are no subsidiaries with material NCI for financial year ended December 31, 2023 and December 31, 2022.

G3. 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.

Notes to the Financial Statements

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

G3. Associates and Joint Ventures *(cont'd)*

(S$ million)	Note	Group December 31, 2023	Group December 31, 2022
Associates and joint ventures	i	2,630	2,526
Loan to associate	ii	55	58
		2,685	2,584
Less: Allowance for impairment		(289)	(297)
	a, b	2,396	2,287

i. During the year, Beijing Energy Sembcorp (Hainan) International Renewables Co., Ltd (BESH), the Group's 49%-owned joint venture, acquired the entire interest in three solar projects with an equity consideration of S$102 million.

ii. The loan to an associate is unsecured, bears interest at 8.5% per annum and has no fixed terms of repayment. The settlement of the amount is neither planned nor likely to occur in the foreseeable future and hence the loan is recognised within investment in associate. Allowance for impairment on this loan is insignificant.

iii. In 2023, the Group received dividends of S$189 million (2022: S$93 million) from its investments in associates and joint ventures.

iv. The carrying value includes goodwill on acquisition as follows:

(S$ million)	Group 2023	Group 2022
Balance at January 1	2	*
Addition	–	4
Impairment	–	(2)
Balance at December 31	2	2

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 2023 %	Effective equity held by the Group 2022 %
Gas and Related Services				
Sembcorp Salalah Power and Water Company SAOG[1]	Generation of electric energy	Oman	40.00	40.00
Renewables				
SDIC New Energy Investment Co., Ltd[2]	Project investment; investment management; technology development, transfer, training and promotion; technical, economic and trade consultation and services; and renewable power generation	China	35.11	35.11
Hunan Xingling New Energy Co., Ltd.[3]	Renewable power generation, power transmission and distribution businesses	China	45.30	45.30
Integrated Urban Solutions				
Sino-Singapore Nanjing Eco Hi-tech Island Development Co., Ltd[4]	First-grade land development including building infrastructure and public amenities	China	21.50	21.50

[1] Audited by member firms of KPMG International
[2] Audited by BDO China Shu Lun Pan Certified Public Accountant LLP
[3] Audited by Baker Tilly Certified Public Accountants Co., Ltd, China
[4] Audited by Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, China

There is one (2022: one) individual associate that is considered to be material to the Group as at December 31, 2023. Summarised financial information of the associates is presented as follows:

(S$ million)	SDIC New Energy Investment Co., Ltd 2023	SDIC New Energy Investment Co., Ltd 2022
Revenue	413	353
Profit for the year	127	123
Other comprehensive income	–	–
Total comprehensive income	127	123
Attributable to non-controlling interests	4	4
Attributable to investee's shareholders	123	119

(S$ million)	SDIC New Energy Investment Co., Ltd December 31, 2023	SDIC New Energy Investment Co., Ltd December 31, 2022
Non-current assets	2,673	1,971
Current assets	641	755
Non-current liabilities	(1,448)	(1,281)
Current liabilities	(559)	(504)
Net assets	1,307	941
Attributable to non-controlling interests	24	24
Attributable to investee's shareholders	1,283	917

Notes to the Financial Statements

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

G3. Associates and Joint Ventures *(cont'd)*

a. Associates *(cont'd)*

(S$ million)	SDIC New Energy Investment Co., Ltd	Individually immaterial associates	Total
Group's interest in net assets of investees at January 1, 2023	389	731	1,120
Group's share of:			
Profit from continuing operations	43	59	102
Other comprehensive income	–	(3)	(3)
Total comprehensive income	43	56	99
Dividends received during the year	–	(23)	(23)
Translation during the year	(18)	(23)	(41)
Addition during the year, net of disposal	36	11	47
Carrying amount of interest in investees at December 31, 2023	450	752	1,202
Group's interest in net assets of investees at January 1, 2022	–	516	516
Group's share of:			
Profit from continuing operations	38	39	77
Other comprehensive income	–	35	35
Total comprehensive income	38	74	112
Dividends received during the year	–	(11)	(11)
Translation during the year	(33)	(49)	(82)
Addition during the year, net of disposal	384	201	585
Carrying amount of interest in investees at December 31, 2022	389	731	1,120

The fair value of the equity interest of a listed associate amounted to S$113 million (2022: S$88 million) based on the last transacted market price on the last transaction day of the year.

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 2023 %	Effective equity held by the Group 2022 %
Gas and Related Services				
Shanghai Cao Jing Co-generation Co. Ltd[1]	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[2]	Development, possession, operation and maintenance of production, power generation and water desalination projects	United Arab Emirates	40.00	40.00
Renewables				
Guohua AES (Huanghua) Wind Power Co., Ltd (HH)[3]	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. (VSIP)[4]	Development of industrial parks, residential areas and commercial areas for sale and lease	Vietnam	49.26	49.26

1 Audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company
2 Audited by Deloitte & Touche (M.E.)
3 Audited by Baker Tilly Certified Public Accountants Co., Ltd, China
4 Audited by member firms of KPMG International

As at December 31, 2023, HH is directly held by SESH, previously held through Sembcorp Huanghua Wind Power Co Pte Ltd, a wholly owned subsidiary of SCU.

Notes to the Financial Statements

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

G3. Associates and Joint Ventures *(cont'd)*

b. Joint Ventures *(cont'd)*

The Group has two (2022: 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 joint ventures is presented as follows:

(S$ million)	Vietnam Singapore Industrial Park JV Co., Ltd. 2023	2022	Guohua AES (Huanghua) Wind Power Co., Ltd. 2023	2022
Revenue	447	523	120	117
Profit for the year[1]	98	131	49	40
Other comprehensive income	(37)	(37)	6	–
Total comprehensive income	61	94	55	40
Attributable to non-controlling interests	7	10	–	–
Attributable to investee's shareholders	54	84	55	40

[1] Includes depreciation and amortisation from VSIP and HH of S$13 million and S$40 million (2022: S$13 million and S$43 million), finance income of S$13 million and S$1 million (2022: S$14 million and S$1 million), finance cost of S$15 million and S$8 million (2022: S$13 million and S$12 million) and income tax expense of S$26 million and S$12 million (2022: S$33 million and S$9 million), respectively.

(S$ million)	Vietnam Singapore Industrial Park JV Co., Ltd. December 31, 2023	December 31, 2022	Guohua AES (Huanghua) Wind Power Co., Ltd. December 31, 2023	December 31, 2022
Non-current assets	237	239	527	587
Current assets[1]	1,705	1,184	171	241
Non-current liabilities[2]	(727)	(261)	(185)	(267)
Current liabilities[3]	(453)	(351)	(115)	(119)
Net assets	762	811	398	442
Attributable to non-controlling interests	124	117	–	–
Attributable to investee's shareholders	638	694	398	442

[1] Includes cash and cash equivalents from VSIP of S$407 million (2022: S$374 million) and HH of S$16 million (2022: S$111 million).

[2] Includes non-current financial liabilities (excluding trade and other payables and provisions) from VSIP of S$640 million (2022: S$173 million) and HH of S$185 million (2022: S$267 million).

[3] Includes current financial liabilities (excluding trade and other payables and provisions) from VSIP of S$204 million (2022: S$145 million) and HH of S$65 million (2022: S$66 million).

In 2023, VSIP's higher current assets and non-current liabilities included loan drawdown to fund the construction of the industrial park.

(S$ million)	Vietnam Singapore Industrial Park JV Co., Ltd.	Guohua AES (Huanghua) Wind Power Co., Ltd	Individually immaterial joint ventures	Total
Group's interest in net assets of investees at January 1, 2023	354	213	600	1,167
Group's share of:				
Profit from continuing operations	45	24	95	164
Other comprehensive income	–	3	2	5
Total comprehensive income	45	27	97	169
Dividends received during the year	(57)	(36)	(73)	(166)
Translation during the year	(17)	(5)	(13)	(35)
Elimination of unrealised profit	(2)	–	–	(2)
Addition during the year, net of disposal and impairment	–	–	105	105
Capital reduction during the year	–	–	(44)	(44)
Carrying amount of interest in investees at December 31, 2023	323	199	672	1,194
Group's interest in net assets of investees at January 1, 2022	311	237	536	1,084
Group's share of:				
Profit from continuing operations	62	20	89	171
Other comprehensive income	–	–	29	29
Total comprehensive income	62	20	118	200
Dividends received during the year	–	(22)	(60)	(82)
Translation during the year	(19)	(22)	(33)	(74)
Addition during the year, net of disposal and impairment	–	–	39	39
Carrying amount of interest in investees at December 31, 2022	354	213	600	1,167

i. The Group's share of the capital commitments of the joint ventures at the balance sheet date amounted to S$80 million (2022: S$83 million).

ii. The Group's interest in joint ventures with total carrying amount of S$118 million (2022: S$124 million) as at balance sheet date has been pledged to banks to secure credit facilities granted to the joint venture entities.

iii. The impairment in 2022 pertained to an investment in UK. The amount mainly related to project expenses incurred by the company.

iv. The Group has fully impaired the carrying value of S$212 million interest in Chongqing Songzao Sembcorp Electric Power Co., Ltd (CSZ) in 2021. Post impairment, the Group no longer equity accounts the results of CSZ as the Group's cumulative share of losses exceeds its interests in CSZ. As at December 31, 2023, the Group's share of the unrecognised losses of CSZ was S$11 million (2022: S$22 million).

v. During the year, proceeds from the capital reduction of a joint venture in China was settled against an amount due to joint venture of S$44 million (Note G4).

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

G4. Related Party Information

a. Amounts Due from Related Parties

(S$ million)	Note	Associates December 31, 2023	Associates December 31, 2022	Joint ventures December 31, 2023	Joint ventures December 31, 2022	Related companies December 31, 2023	Related companies December 31, 2022	Total December 31, 2023	Total December 31, 2022
Group									
Trade		5	7	1	1	59	60	65	68
Non-trade		2	2	5	5	4	3	11	10
Dividends		–	2	37	9	–	–	37	11
Loans		*	*	1	1	–	–	1	1
	E1	7	11	44	16	63	63	114	90
Loss allowance		(1)	(1)	(10)	(10)	(1)	(1)	(12)	(12)
		6	10	34	6	62	62	102	78
Amount due within 1 year		(6)	(10)	(31)	(3)	(62)	(62)	(99)	(75)
Amount due more than 1 year		–	–	3	3	–	–	3	3

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

In 2023 and 2022, loss allowance mainly pertained to a dividend receivable from a joint venture which was impaired (see G3(b)(iv)).

(S$ million)	Note	Subsidiaries December 31, 2023	Subsidiaries December 31, 2022
Company			
Current:			
– Trade		30	40
	E1	30	40

b. Amounts Due to Related Parties

(S$ million)	Note	Holding company December 31, 2023	Holding company December 31, 2022	Associates December 31, 2023	Associates December 31, 2022	Joint ventures December 31, 2023	Joint ventures December 31, 2022	Related companies December 31, 2023	Related companies December 31, 2022	NCI December 31, 2023	NCI December 31, 2022	Total December 31, 2023	Total December 31, 2022
Group													
Current:													
– Trade		–	*	*	*	*	*	5	6	–	–	5	6
– Non-trade		–	–	*	*	6	45	7	6	1	–	14	51
	E3	–	*	*	*	6	45	12	12	1	–	19	57

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

In 2022, amount due to joint ventures included advance received for a capital reduction exercise of a joint venture in China. The capital reduction exercise was completed in 2023 (Note G3).

Notes to the Financial Statements

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

G4. Related Party Information *(cont'd)*

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

(S$ million)	Note	Subsidiaries December 31, 2023	Subsidiaries December 31, 2022
Company			
Current:			
– Trade		*	*
– Non-trade		6	6
– Loans		145	–
	E3	151	6
Non-current:			
– Loans	E3	1,370	1,358
		1,521	1,364

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

The loans from a related party of S$1,515 million (2022: S$1,358 million) bear interest rates ranging from 3.72% to 4.90% (2022: 1.36% to 5.81%) 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 December 31, 2023	Outstanding balances December 31, 2022	Transactions 2023	Transactions 2022
Related Corporations				
Sales	59	60	543	357
Purchases including rental	5	6	378	392
Finance income	4	3	12	5
Finance expense	7	6	27	20
Associates and Joint Ventures				
Sales	6	8	47	42
Purchases including rental	*	–	20	–
Finance income	4	1	5	5
Payment on behalf	–	–	3	4
Loans due from	1	1	–	–

d. Compensation of Key Management Personnel

The Group considers the Directors of the Company (including the Group President & CEO of the Company) and other personnel who have the authority and responsibility for planning, directing and controlling the activities of the Group to be key management personnel in accordance with SFRS(I) 1-24 Related Party Disclosures.

The compensation of the six (2022: eight) key management personnel is included in the table below:

(S$ million)	Group 2023	Group 2022
Directors		
Directors' fees paid / payable	2	2
Key Management Personnel		
Short-term employee benefits[1]	15	15
Employer's contributions to defined contribution plans	*	*
Share-based compensation expenses	13	23

[1] Short-term employee benefits comprise of base salary, bonus and other benefits, excluding the fair value of shares vested during the year

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.

G5. Acquisition of Subsidiaries

Acquisition of Significant Subsidiaries

2023

On January 11, 2023, the Group completed the acquisition of a 100% interest in Vector Green, which consists of a portfolio of solar and wind assets. On December 6, 2023 and December 28, 2023, the Group completed the acquisition of a 100% interest in Qinzhou Yuanneng Wind Power Co., Ltd (Qinzhou Yuanneng) and Binyang County Santai Energy Technology Co., Ltd (Binyang Santai) (collectively China subsidiaries) respectively. These acquisitions will support the Group in achieving its 2028 target of attaining 25GW gross installed capacity in renewable energy, aligning with its transition from brown to green.

Vector Green

Vector Green contributed turnover of S$89 million and profit of S$18 million to the Group's results. As the completion date was in January 2023, management estimated that the change in contribution to turnover and profit for the year would not have been material if the acquisition was completed on January 1, 2023.

China subsidiaries

The China subsidiaries contributed turnover of S$5 million and profit of S$3 million to the Group's results. As the projects only achieved commercial operation in 4Q2023, management estimated that the contribution to turnover and profit for the year would not have been material should the acquisition be completed on January 1, 2023.

Notes to the Financial Statements

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

G5. Acquisition of Subsidiaries *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

2023 *(cont'd)*

(S$ million)	Note	Vector Green (Note (i))	China Subsidiaries (Note (i))	Total
Purchase consideration				
Cash paid		450	112	562
Deferred Consideration	ii	–	35	35
Consideration transferred for the businesses		450	147	597
Effect on cash flows of the Group				
Cash paid		450	112	562
Less: Cash and cash equivalents in subsidiaries acquired		(49)	(11)	(60)
Cash outflow on acquisition		401	101	502
Identifiable assets acquired and liabilities assumed				
Property, plant and equipment		470	319	789
Intangible assets		164	90	254
Trade and other receivables		72	33	105
Other investments and derivative assets		57	–	57
Deferred tax assets		2	–	2
Cash and cash equivalents		49	11	60
Total assets		814	453	1,267
Trade and other payables		36	13	49
Deferred tax liabilities		65	27	92
Lease liabilities		7	4	11
Borrowings		354	262	616
Total liabilities		462	306	768
Identifiable net assets acquired		352	147	499
Add: Goodwill acquired		98	*	98
Consideration transferred for the businesses		450	147	597

The China subsidiaries' identifiable assets acquired, and liabilities assumed are inclusive of fair value adjustments, determined on provisional basis as of December 31, 2023.

i. Measurement of fair values

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

Assets acquired	Valuation technique	Key assumptions
Property, plant and equipment	Vector Green Depreciated replacement cost method	Vector Green Estimate of current cost for asset with a similar nature of asset having similar service potential, capacity and function
	China Subsidiaries Replacement cost method	China Subsidiaries Replacement cost derived from a markup on comparable companies' average gross margin
Intangible assets	Multi-period excess earnings method	Cash flows attributed to the power purchase agreements from date of acquisition to the end of the useful life of the respective generation plants of each project
		Remaining average contract tenure of 18 years for Vector Green and permits tenure of 20 years for the China subsidiaries
		Discount rate of 11.48% and 8.5% for Vector Green and the China subsidiaries respectively

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

c. Acquisition-related costs amounting to S$2 million have been excluded from the consideration transferred and have been recognised within general & administrative expenses in profit or loss.

ii. The deferred consideration is payable on the fulfilment of the completion procedures and is expected to be paid within 2024. This amount was presented within trade and other payables in the balance sheet as at December 31, 2023.

Notes to the Financial Statements

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

G5. Acquisition of Subsidiaries *(cont'd)*

Acquisition of Significant Subsidiaries *(cont'd)*

2022

On June 1, 2022, the Group acquired a 98% equity stake in HYNE, which consists of a portfolio of operational wind and solar photovoltaic assets. The acquisition will enable the Group to scale its renewables capacity towards meeting its targets by 2025, as part of the brown to green transformation.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(S$ million)	Note	2022
Purchase consideration		
Cash paid		445
Deferred consideration	i	78
Contingent consideration	ii	157
Consideration transferred for the businesses		680
Effect on cash flows of the Group		
Cash paid		445
Less: Cash and cash equivalents in subsidiaries acquired		(95)
Cash outflow on acquisition		350
		At fair value
Identifiable assets acquired and liabilities assumed[1]		
Property, plant and equipment	D1	932
Intangible assets	D3	415
Deferred tax assets		*
Trade and other receivables	iv	434
Cash and cash equivalents		95
Total assets		1,876
Trade and other payables		168
Borrowings		881
Lease liabilities		11
Current tax payable		3
Deferred tax liabilities		104
Total liabilities		1,167
Total net identifiable assets		709
Less: Non-controlling interest measured on proportionate basis		(62)
Add: Goodwill acquired	D3	33
Consideration transferred for the businesses		680

[1] The above fair values of identifiable assets acquired, and liabilities assumed have been determined on provisional basis as of December 31, 2022. Estimation of the fair values was subject to the outcome of the nationwide audit on the subsidy. As of June 30, 2023 (i.e. end of one-year provisional period), there was no update to the outcome of the subsidy audit and the fair values are deemed finalised. Prior to the end of the provisional one-year period from the date of acquisition of HYNE (June 1, 2022), the consideration of the acquisition has decreased by S$3 million, with a corresponding reduction in goodwill by S$3 million.

i. The deferred consideration is payable at the earlier of obtaining the necessary subsidy financing for certain assets or two years from the acquisition date and was presented within trade and other payables in the balance sheet as at December 31, 2022.

ii. The contingent consideration arrangement was for payment of a defined quantum upon obtaining the necessary operating permits, securing subsidy financing and admission into the National Subsidy Catalog for certain projects within an agreed period.

The contingent consideration was presented within trade and other payables in the balance sheet as at December 31, 2022.

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

Assets acquired	Valuation technique	Key assumptions
Property, plant and equipment	Depreciated replacement cost method	Accounting useful life approximate the economic useful life of the property, plant and equipment
Intangible assets	Multi-period excess earnings method	Cash flows attributed to the power generation permits from June 1, 2022, to the end of the useful life of the respective generation plants of each project
		Remaining permits tenure of 23 to 25 years
		Discount rate of 8.2%

The assets acquired and liabilities assumed are determined on provisional basis and are subject to the outcome of a nationwide audit on the subsidy mentioned in (ii).

iv. Included in trade and other receivables are receivables which pertained mainly to the renewable energy subsidy tariff due from the Chinese authorities.

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

vi. Acquisition-related costs amounting to S$2 million have been excluded from the consideration transferred and have been recognised within general & administrative expenses in profit or loss.

vii. HYNE contributed turnover of S$86 million and profit of S$18 million to the Group's results for the period from June 1, 2022 to December 31, 2022.

If the acquisition had occurred on January 1, 2022, management estimated that the consolidated turnover and profit for the full year ended December 31, 2022, would have increased from S$7,825 million to S$7,904 million and from S$871 million to S$900 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, 2022.

Notes to the Financial Statements

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

G6. Discontinued Operation and Disposal Group 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. The assets are not depreciated or amortised while they are classified as held for sale.

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).

Key estimates and judgements

The assessment on whether the Group has lost control of a subsidiary takes into consideration the terms of the sales, including the transaction structure. Judgements are applied in determining if there is a loss of control or influence of the subsidiary. Factors considered in the assessment for disposal during the year are described in the note.

The Group will continue to reassess whether it has control over the entity when relevant facts and circumstances change to such an extent that there is a change in one or more of the three elements of control or the overall relationship between the Group and the entity per SFRS(I) 10.

At December 31, 2022, SEIL was classified as a disposal group held for sale and as a discontinued operation. The sale of SEIL was completed on January 19, 2023. SEIL's 2023 results prior to the completion of the sale on January 19, 2023 were not taken in. This does not have a material impact on the profit for the year.

Loss of control

Post divestment of the Group's 100% equity stake in SEIL, the Group has indirect exposure to SEIL's operational and financial risks as a lender by virtue of the DPN issued to the Purchaser, extension of the corporate guarantees on an arm's length basis to certain SEIL's existing lenders and the provision of non-exclusive technical service to SEIL. Judgements were applied in determining the loss of control in SEIL based on the terms of the sale. The factors being considered include:

i. The Group does not have any voting rights, board representatives or decision-making authority in SEIL's operational and financial matters.

ii. Affirmative, negative and information covenants common in commercial project finance arrangements, were included as the terms of the DPN to ensure full recoverability of the DPN amount. Such rights are typical of project finance agreements and are not exclusive to the Group. They do not confer any power to direct SEIL's activities for any variable returns, similar to those of SEIL's then existing project finance loans.

iii. The corporate guarantee extended to SEIL's lenders was required as part of the consents from lenders for the change in shareholder of SEIL, under the terms of SEIL's then existing project finance arrangements. The Group charges a corporate guarantees fee at an arm's length basis to compensate for the risks assumed and is not a mechanism to extract returns from SEIL.

iv. The Group has also entered into Technical Service Agreement (TSA) to facilitate a smooth transition of the change in ownership in SEIL for the Purchaser. The Purchaser may request for advice from time to time so that it can run SEIL's operations reliably and efficiently, safeguarding the interest of SEIL's stakeholders, namely the power distribution customers, end users, employees, lenders, and the Indian Power system. The TSA can be terminated by either party with 30 days' notice in writing in accordance with the terms of the agreement.

The fees charged for TSA are at market rate on an arm's length basis, based on the scope as decided and requested by the Purchaser and SEIL, and not in accordance with the performance achieved by SEIL. The TSA is also not a mechanism to extract returns from SEIL, and the TSA fees are not linked to SEIL's returns and are not material relative to the earnings of SEIL.

v. The Group derives interest income as its return under the DPN. The interest rate is at 1.8% per annum plus benchmark rate equal to 10-year Indian government bond minus GHG emission intensity reduction incentive. As a lender under the DPN, the Group has no power nor significant influence over SEIL to affect the amounts of its return from SEIL. Like any other non-recourse project finance lender, the Group's recoverability of the DPN principal is subject to the downside risk of SEIL's ability to generate cashflow to repay the DPN principal.

Loss on disposal

The financial effects arising from the divestment of the discontinued operation are as follows:

(S$ million)	Group 2023
Net assets as at December 31, 2022 derecognised	1,938
Less: Realisation of currency translation, capital and other reserves upon disposal	133
Less: Transaction costs	42
Loss on disposal	(78)
Consideration received	2,035
Add: Stamp duties and tax	3
Less: DPN receivable	(2,038)
Net cash inflow	–

The loss on disposal of S$78 million was after realisation of an accumulated currency translation loss recognised in the foreign currency translation reserve of S$423 million and a gain in capital reserve and other reserves of S$290 million. Before realisation of these reserves, the sale was a gain of S$55 million.

i. Result of the discontinued operation

(S$ million)	Group 2022
Turnover	1,570
EBITDA	379
Depreciation and amortisation	(89)
Other non-cash expenses	(1)
Finance income	17
Finance cost	(134)
Profit before tax	172
Tax expense	(28)
Profit from discontinued operation, net of tax	**144**
Basic earnings per share – cents	8.08
Diluted earnings per share – cents	7.91

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

Notes to the Financial Statements

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

G6. Discontinued Operation and Disposal Group Held For Sale *(cont'd)*

ii. Cash flows of the discontinued operation

(S$ million)	Group 2022
Net cash from operating activities	256
Net cash from investing activities	42
Net cash used in financing activities	(299)
Net decrease in cash and cash equivalents	(1)

iii. Assets and liabilities of disposal group classified as held for sale

(S$ million)	Carrying amount at December 31, 2022
Assets held for sale	
Property, plant and equipment	2,406
Other financial assets	58
Trade and other receivables	719
Intangible assets	76
Inventories	137
Cash and cash equivalents	36
	3,432
Liabilities held for sale	
Trade and other payables	270
Lease liabilities	*
Provisions	2
Deferred tax liabilities	50
Borrowings	1,172
	1,494
Excess of assets over liabilities held for sale	1,938

H. Other Disclosures

H1. DPN Receivable, Other Investments and Derivatives

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 income and 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 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. DPN Receivable, Other Investments and Derivatives *(cont'd)*

Key estimates and judgements

The fair value of the DPN has assumed that the Group will receive interest payments in accordance with a pre-agreed interest rate and principal repayment according to SEIL's cash distribution waterfall as agreed in the DPN agreement. The Group has performed a discounted cashflow using the forecasted distributable reserves available from SEIL, considering secured cash flows from various power purchase agreements and unsecured cash flows from contract renewals and/or new contracts. A discount rate is applied to the DPN to reflect the cash flow risks associated with the forecasted distributed dividends from SEIL and credit default risk of the Purchaser.

An increase in ten basis points on the discount rate would have reduced the fair value by S$10 million. Conversely, a ten basis points decrease would have increased the fair value by S$10 million. Judgements and estimates 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.

		Assets		Liabilities	
(S$ million)	Note	Current	Non-current	Current	Non-current
2023					
DPN receivable	i	–	1,816		
Other Investments and Derivatives					
At FVOCI:					
– Equity shares		–	46		
At FVTPL:					
– Mutual funds	ii	63	31	–	–
– Cross currency swaps		–	2	25	–
– Interest rate swaps		–	*	–	–
– Forward foreign exchange contracts		2	–	*	–
– Foreign exchange swap contracts		1	–	*	–
		66	33	25	–
Hedge of net investment in foreign operations:					
– Foreign exchange swap contracts		–	1	–	–
– Forward foreign exchange contracts		8	–	–	–
		8	1	–	–
Cash flow hedges:					
– Forward foreign exchange contracts		*	–	9	8
– Fuel oil swaps		29	11	29	11
– Interest rate swaps		11	27	–	–
– Cross currency swaps		–	4	–	1
		40	42	38	20
At amortised cost:					
– Long-term fixed deposits		–	3		
– Redeemable preference shares		–	7		
		–	10		
Total		114	132	63	20

		Assets		Liabilities	
(S$ million)	Note	Current	Non-current	Current	Non-current
2022					
At FVOCI:					
– Equity shares		–	53		
At FVTPL:					
– Mutual funds	ii	37	32	–	–
– Cross currency swaps		1	3	–	16
– Interest rate swaps		–	*	–	2
– Forward foreign exchange contracts		*	–	–	–
– Foreign exchange swap contracts		–	–	8	–
– Other derivatives		2	–	1	*
		40	35	9	18
Hedge of net investment in foreign operations:					
– Forward foreign exchange contracts		23	–	11	1
Cash flow hedges:					
– Forward foreign exchange contracts		1	–	4	1
– Fuel oil swaps		24	*	75	3
– Interest rate swaps		–	73	–	–
– Cross currency swaps		–	4	–	*
– Electricity futures		1	–	–	–
		26	77	79	4
At amortised cost:					
– Long-term fixed deposits		–	17		
– Equity shares		–	1		
		–	18		
Total		89	183	99	23

i. The DPN receivable represents the consideration of the sale of SEIL. The DPN bears interest at a rate per annum equal to 1.8% plus a benchmark rate equal to the Indian government 10-year bond yield spot rate, minus a greenhouse gas emissions intensity reduction incentive rate. It is initially measured at fair value at the date of the sale, based on the contractual terms of the sale. Subsequent changes in fair value are recognised in profit or loss as DPN income in non-operating income or expense (Note B4).

   The balance as at December 31, 2023, of S$1,816 million included a fair value gain of S$133 million for the year, net of receipts of S$355 million consisting of principal and interest repayment.

ii. Included in mutual funds are amounts of S$19 million (2022: S$35 million) pledged to secure loan facilities.

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 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:

(S$ million)	Note	Claims (i)	Restoration costs (ii)	Remediation of legacy sites (iii)	Others (iv)	Total
Group						
2023						
Balance at January 1		2	69	20	13	104
Translation adjustments		*	1	1	*	2
Provisions made during the year		4	19	–	25	48
Provisions reversed during the year		*	*	(2)	(2)	(4)
Provisions utilised during the year		–	(2)	(7)	(1)	(10)
Unwind of accretion on restoration costs	C6	–	2	–	–	2
Balance at December 31		6	89	12	35	142
Provisions due:						
– within 1 year		6	45	11	15	77
– after 1 year but within 5 years		–	3	1	20	24
– after 5 years		–	41	–	–	41
		6	89	12	35	142

(S$ million)	Note	Claims (i)	Restoration costs (ii)	Remediation of legacy sites (iii)	Others (iv)	Total
2022						
Balance at January 1		8	43	32	21	104
Translation adjustments		*	(1)	(3)	(1)	(5)
Provisions made during the year		*	34	3	4	41
Provisions reversed during the year		(5)	(6)	(6)	(4)	(21)
Provisions utilised during the year		(1)	(3)	(6)	(5)	(15)
Transferred to liabilities held for sale	G6	–	–	–	(2)	(2)
Unwind of accretion on restoration costs	C6	–	2	–	–	2
Balance at December 31		2	69	20	13	104
Provisions due:						
– within 1 year		2	23	13	4	42
– after 1 year but within 5 years		–	2	7	9	18
– after 5 years		–	44	–	–	44
		2	69	20	13	104

(S$ million)	Claims (i)	Restoration costs (ii)	Others (iv)	Total
Company				
2023				
Balance at January 1	*	41	–	41
Provisions made during the year	1	10	–	11
Provisions reversed during the year	–	–	–	–
Provisions utilised during the year	–	*	–	*
Balance at December 31	1	51	–	52
Provisions due:				
– within 1 year	1	34	–	35
– after 5 years	–	17	–	17
	1	51	–	52
2022				
Balance at January 1	4	26	1	31
Provisions made during the year	–	22	–	22
Provisions reversed during the year	(4)	(6)	(1)	(11)
Provisions utilised during the year	–	(1)	–	(1)
Balance at December 31	*	41	–	41
Provisions due:				
– within 1 year	*	17	–	17
– after 5 years	–	24	–	24
	*	41	–	41

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.

Notes to the Financial Statements

H. Other Disclosures *(cont'd)*

H2. Provisions *(cont'd)*

iii. This relates to remediation obligations of certain legacy sites in the 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. Performance Guarantees

Group

As at December 31, 2023, the Group has provided performance guarantee to external parties amounting to S$2 million (December 31, 2022: S$264 million, mainly for the disposal group). The Group does not consider it probable that a claim will be made against the Group under these guarantees, as such there were no liabilities recognised.

Company

The Company has provided performance guarantees of S$80 million (2022: S$159 million) to a subsidiary, Sembcorp Cogen Pte Ltd (SembCogen) for two long-term agreements entered in Year 2010 for the purchase of a total of 20 BBtud (2022: 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).

These agreements have a start date on May 7, 2013 and September 1, 2015 respectively, and have a term of 10 years and SembCogen has an option to extend the term by two successive periods of five years each, subject to fulfilment of conditions set in the agreements. As the contract which expired in May 2023 was not renewed, the Company's obligations under this contract have been discharged.

The Company believes that the subsidiary has sufficient resources to fulfil its contractual obligations and does not consider it probable that a claim will be made against the Company under these guarantees, as such there were no liabilities recognised.

H4. Subsequent Events

On February 13, 2024, the Group announced the completion of the acquisition of a 100% interest of the share capital in two special purpose vehicles (SPVs) of Leap Green Energy Private Limited. The SPVs own 228MW of operational wind assets in Madhya Pradesh, Maharashtra and Rajasthan, India. The equity consideration was INR4.4 billion (approximately S$71 million).

H5. 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, 2024:

Applicable to 2024 financial statements

Amendments to:

- *SFRS(I) 16: Lease Liability in a Sale and Leaseback*
- *SFRS(I) 1-7 Statement of Cash Flows and SFRS(I) 7 Financial Instruments Disclosures: Supplier Finance Arrangements*

Applicable to 2025 financial statements

- *Amendments to SFRS(I) 1-21: Lack of Exchangeability*

Mandatory effective date deferred

- *Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)*

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group does not expect significant impact on the financial statements upon the adoption of these new SFRS(I)s.

I. Supplementary Information

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 FY2023, the 5% Group's consolidated NTA as at December 31, 2022 was S$163 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 2023, the Company obtained approval for such shareholders' mandate.

Transactions under shareholders' mandate

(S$ 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) 2023
Sale of Goods and Services		
Singapore Telecommunications Ltd and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	1,803.9
Singapore Technologies Telemedia Pte Ltd and its Associates		1,241.8
Mapletree Investments Pte Ltd and its Associates		2.1
PSA International Pte Ltd and its Associates		5.3
Olam International Ltd and its Associates		4.2
SATS Ltd and its Associates		0.2
Seatrium Ltd and its Associates		1.7
CapitaLand Investment Limited and its Associates		6.3
Singapore Power Limited and its Associates		2.5
Singapore Technologies Engineering Ltd and its Associates		0.6
		3,068.6
Purchase of Goods and Services		
Singapore Power Limited and its Associates	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	17.4
SMRT Corporation Ltd and its Associates		0.1
Singapore Telecommunications Ltd and its Associates		0.9
Singapore Technologies Engineering Ltd and its Associates		7.0
Surbana-Jurong Private Limited and its Associates		4.6
Starhub Ltd and its Associates		1.0
Pavilion Energy Pte. Ltd. and its Associates		355.3
Temasek Holdings (Private) Limited and its Associates		0.2
		386.5
Treasury Transactions		
Subscription to S$350 million 4.6% fixed rate notes due 2030 notes issued by Sembcorp Financial Services on March 15, 2023		
Clifford Capital Pte Ltd	Associate of Temasek Holdings (Private) Limited, the controlling shareholder of the Company	99.2
Yap Chee Keong	Director	0.3
		99.5
Total		**3,554.6**

There are no 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).

Notes to the Financial Statements

I. Supplementary Information *(cont'd)*

I2. List of Properties

Urban

Description	Type	Land tenure	Gross floor area (sq m)	Group's effective interest	Status
China					
Industrial & Business Properties					
1. International Water Hub, Nanjing	Office & exhibition centre	Leasehold 50 years from 2015	36,489[1]	100%	Completed development
2. Jiangdao Intelligent Cube, Nanjing	Office & business park	Leasehold 50 years from 2012	72,273	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	506,105	45.4%	Completed development
5. Wuxi-Singapore Industrial Park	Built-to-specs factories	Leasehold 50 years from 2011	118,202	45.4%	Completed development
6. Wuxi-Singapore Industrial Park	Office & amenities	Leasehold 50 years from 1996	10,491	45.4%	Completed development
7. Wuxi-Singapore Industrial Park	Office	Leasehold 50 years from 1999	4,423	45.4%	Completed development
8. Wuxi-Life Science Park	Ready-built factories	Leasehold 50 years from 2022	78,000	45.4%	Completed development
Commercial & Residential Properties					
1. Jiangdao Xin Tiandi, Nanjing	Retail	Leasehold 40 years from 2012	66,274	21.5%	Completed development
2. Jiangdao Hua Ting, Nanjing	Residential	Leasehold 70 years from 2012	7,661	21.5%	Completed development
3. Modena by Fraser, Wuxi New District	Service apartment	Leasehold 40 years from 2008	11,056	45.4%	Completed development
4. Chengdu Innovation & Technology Centre	Office & retail	Leasehold 40 years from 2022	65,930	50.0%	Under development
Indonesia					
Industrial & Business Properties					
1. Kendal Industrial Park, Central Java	Ready-built factories	Leasehold 30 years from 2015	1,836	49.0%	Completed development
Vietnam					
Industrial & Business Properties					
1. Sembcorp Logistics Park Quang Ngai	Warehouses	Leasehold 60 years from 2022	33,600	52.5%	Under development
2. Sembcorp Logistics Park Nghe An	Warehouses	Leasehold 43 years from 2022	39,290	52.5%	Under development

[1] Gross floor area excludes carpark and basement area

Description	Type	Land tenure	Net lettable / saleable area (sq m)	Group's effective interest	Status
Vietnam					
Industrial & Business Properties					
3. VSIP Binh Duong I	Ready-built factories	Leasehold 50 years from 1996	57,813	49.3%	Completed development
4. VSIP Binh Duong II	Ready-built factories	Leasehold 50 years from 2005	25,016	49.3%	Completed development
5. VSIP Binh Duong II-A	Ready-built factories	Leasehold 50 years from 2008	85,008	49.3%	Completed development
6. VSIP Nghe An	Ready-built factories	Leasehold 50 years from 2015	8,810	49.3%	Completed development
7. VSIP Binh Duong – Hai Phong Branch	Ready-built factories	Leasehold 50 years from 2008	30,051	49.3%	Completed development
8. VSIP Bac Ninh	Ready-built factories	Leasehold 50 years from 2007	37,826	46.5%	Completed development
9. VSIP Bac Ninh Flatted Factory	Flatted factory	Leasehold 50 years from 2007	15,583	46.5%	Completed development
10. Sembcorp Logistics Park Hai Phong Phase I	Warehouses	Leasehold 44 years from 2014	15,000	52.5%	Completed development
11. Sembcorp Logistics Park Hai Phong Phase II	Warehouses	Leasehold 43 years from 2016	14,279	52.5%	Completed development
12. Sembcorp Logistics Park Hai Phong Phase III	Warehouses	Leasehold 40 years from 2018	13,200	52.5%	Completed development
13. Sembcorp Logistics Park Hai Duong	Warehouses	Leasehold 38 years from 2020	13,176	52.5%	Completed development
Commercial & Residential Properties					
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 2015	3,062	49.3%	Completed development
3. VSIP Hai Phong	Retail	Leasehold 50 years from 2008	233	46.5%	Completed development
4. Hai Phong Gateway	Retail	Leasehold 50 years from 2008	674	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	1,677	49.3%	Completed development
7. Sun Casa Central I, Binh Duong	Residential & shophouses	Leasehold 50 years from 2009	7,999	49.3%	Completed development
8. Sun Casa Central II, Binh Duong	Residential & shophouses	Leasehold 50 years from 2009	54,321	49.3%	Under development
9. The Habitat Binh Duong Phase II	Residential & retail	Leasehold 45 years from 2018	518	51.6%	Completed development
10. The Habitat Binh Duong Phase III	Residential & retail	Leasehold 44 years from 2019	60,583	51.6%	Under development

Corporate and Others

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