FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

We are pleased to submit this annual report to the members of Sembcorp Marine Ltd (the "Company" and including its subsidiaries, the "Group") together with the audited financial statements for the financial year ended 31 December 2020.

In our opinion:

(a) the financial statements set out on pages 100 to 207 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 31 December 2020, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act"), 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 ("the Board") 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:

Tan Sri Mohd Hassan Marican	Chairman
Wong Weng Sun	President and CEO
Eric Ang Teik Lim	
Bob Tan Beng Hai	
Gina Lee-Wan	
William Tan Seng Koon	
Patrick Daniel	
Tan Wah Yeow	
Koh Chiap Khiong	

DIRECTORS' INTERESTS

According to the register kept by the Company, 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 its related corporations are as follows:

Name of director and corporation in which interests are held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2021	At beginning of the year	At end of the year	At 21/01/2021
Tan Sri Mohd Hassan Marican							
Sembcorp Marine Ltd	Ordinary shares (Note 1)	466,500	5,076,926	5,076,926	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests are held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2021	At beginning of the year	At end of the year	At 21/01/2021
Wong Weng Sun							
Sembcorp Marine Ltd	Ordinary shares	3,686,812	22,786,940	22,786,940	–	–	–
	Conditional award of 550,000 performance shares to be delivered after 2019 (Note 2a)	Up to 825,000	–	–	–	–	–
	Conditional award of 481,000 performance shares to be delivered after 2020 (Note 2b)	Up to 721,500	Up to 721,500	Up to 721,500	–	–	–
	Conditional award of 191,000 restricted shares to be delivered after 2017 (Note 3a)	9,550	–	–	–	–	–
	Conditional award of 181,000 restricted shares to be delivered after 2018 (Note 3b)	19,307	9,654	9,654	–	–	–
	Conditional award of 233,000 restricted shares to be delivered after 2018 (Note 4)	46,600	23,300	23,300	–	–	–

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

DIRECTORS' INTERESTS (CONT'D)

Name of director and corporation in which interests are held	Description of interests	Shareholdings registered in the name of director, spouse, children or nominees			Other shareholdings in which the director is deemed to have an interest		
		At beginning of the year	At end of the year	At 21/01/2021	At beginning of the year	At end of the year	At 21/01/2021
Eric Ang Teik Lim							
Sembcorp Marine Ltd	Ordinary shares	–	49,110	49,110	–	–	–
Bob Tan Beng Hai							
Sembcorp Marine Ltd	Ordinary shares	135,600	1,450,200	1,450,200	–	–	–
Gina Lee-Wan							
Sembcorp Marine Ltd	Ordinary shares	100,100	1,032,000	1,032,000	–	–	–
William Tan Seng Koon							
Sembcorp Marine Ltd	Ordinary shares	54,700	897,600	897,600	–	–	–
Patrick Daniel							
Sembcorp Marine Ltd	Ordinary shares	19,500	555,000	555,000	–	–	–
Tan Wah Yeow							
Sembcorp Marine Ltd	Ordinary shares	1,000	426,600	426,600	–	–	–
Koh Chiap Khiong							
Sembcorp Marine Ltd	Ordinary shares (Note 5)	148,700	5,110,070	5,110,070	–	–	–

Note 1: The shares are held in the name of Citibank Nominees Singapore Pte Ltd.

Note 2: The actual number to be delivered will depend on the achievement of set targets over a 3-year period as indicated below. Achievement of targets below threshold level will mean no performance shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional performance shares awarded could be delivered.

(a) Period from 2017 to 2019*
(b) Period from 2018 to 2020

* For this period, no shares earned based on achievement factor at the end of the prescribed performance period, the conditional awards covering the period has thus lapsed.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

DIRECTORS' INTERESTS (CONT'D)

Note 3: The actual number to be delivered will depend on the achievement of set targets at the end of 2-year performance period as indicated below. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered.

(a) Period from 2016 to 2017*
(b) Period from 2017 to 2018**

* For this period, 9,550 shares (the final release of 1/3 of the 28,650 shares) were vested under the award on 29 June 2020. The 1st and 2nd release of 9,550 shares each have been vested on 28 March 2018 and 29 March 2019 respectively.

** For this period, 9,653 shares (2nd release of 1/3 of the 28,960 shares) were vested under the award on 29 June 2020 and the remaining 9,654 shares will be vested in year 2021. The 1st release of 9,653 shares has been vested on 15 October 2019.

Note 4: The actual number to be delivered will depend on the achievement of set targets over one financial year performance period from 1 January 2018 to 31 December 2018. Achievement of targets below threshold level will mean no restricted shares will be delivered, while achievement up to 150% will mean up to 1.5 times the number of conditional restricted shares awarded could be delivered. For this period, 23,300 shares (2nd release of 1/3 of the 69,900 shares) were vested under the award on 29 June 2020 and the remaining 23,300 shares will be vested in year 2021. The 1st release of 23,300 shares has been vested on 15 October 2019.

Note 5: The shares are held in the name of Citibank Nominees Pte Ltd and DBS Nominees Pte Ltd.

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.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2021.

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 28(a) and 39(b) 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 is a member, or with a company in which he has a substantial financial interest.

SHARE-BASED INCENTIVE PLANS

Following the expiry of the Company's 2010 Performance Share Plan ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010"), the Company's 2020 Performance Share Plan ("SCM PSP 2020") and Restricted Share Plan ("SCM RSP 2020") (collectively, the "2020 Share Plans") were approved and adopted by the shareholders at the annual general meeting of the Company ("AGM") held on 20 May 2020.

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

Eric Ang Teik Lim	Chairman
Tan Sri Mohd Hassan Marican	
William Tan Seng Koon	
Patrick Daniel	

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

SHARE-BASED INCENTIVE PLANS (CONT'D)

The SCM RSP 2020 is the incentive scheme for directors and employees of the Group whereas the SCM PSP 2020 is aimed primarily at key executives of the Group.

The 2020 Share Plans have substantially the same terms as the 2010 Share Plans, save for the introduction of the new malus and clawback rights, the reduction in the limit on the number of shares which may be delivered pursuant to awards granted under the new share plans, amendments to take into account the changes to relevant legislation and the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"), and changes to streamline and rationalise certain other provisions.

Malus and Clawback Rights. The grant of each award, each release of shares, and each payment in lieu of shares which would otherwise have been released to the participant under the new share plans is subject to, and conditional upon, the Company's malus and clawback rights provided in the new share plans. Under these provisions, if certain exceptional circumstances occur in relation to a participant, the Committee can cancel all or part of any award to the extent not yet released, and exercise the right of clawback ("Clawback Right") in respect of shares which were released ("Released Shares") within the clawback period ("Clawback Period"), which is six years prior to the date on which the Committee makes the determination to exercise the Clawback Right ("Clawback Determination Date").

Number of Shares. The total number of shares which may be delivered pursuant to awards granted under the new share plans on any date, when added to the total number of new shares allotted and issued and/or to be allotted and issued, issued shares (including treasury shares) delivered and/or to be delivered, and shares released and/or to be released in the form of cash in lieu of shares, pursuant to awards granted under the new share plans, shall not exceed 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) on the date preceding the date of the relevant award. In contrast, the previous share plans provided for a maximum limit of 7% of the Company's issued shares (excluding treasury shares) on the date preceding the date of the relevant award. The Company is of the view that the reduced maximum limit of 5% will provide the Company with adequate means and flexibility to grant awards as incentive tools in a meaningful and effective manner to encourage staff retention and to align participants' interests more closely with those of shareholders.

The 2020 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2020 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The SCM RSP 2020 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2020 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2020 and the SCM PSP 2020 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2020 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2020 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2020 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The 2020 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2020 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2020 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associates over which the Company has operational control.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

SHARE-BASED INCENTIVE PLANS (CONT'D)

A participant's awards under the 2020 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2020 Share Plans is as follows:

(a) Performance Share Plan

Under the SCM PSP 2020, the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A specific number of performance shares shall be awarded at the end of the three-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset.

Award granted in 2020 onwards

In 2020, following the review of the performance targets, the performance levels will be calibrated based on Return on Invested Capital, Total Shareholder Return and Revenue Realised. For awards granted in 2020 and onwards, both market-based and non-market-based performance conditions are taken into account.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Performance shares to be delivered will range between 0% to 150% of the conditional performance shares awarded.

To create alignment between senior management and other employees at the time of vesting, both SCM PSP 2020 and SCM RSP 2020 have in place a plan trigger. Under this trigger mechanism, the performance shares for the performance period 2020 to 2022 will be vested to the senior management participants only if the threshold targets of restricted shares are met in at least two out of three of the performance period 2020 to 2022 subject to the achievement of the performance conditions for the respective performance periods.

However, in 2020, no performances shares were awarded to senior management.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Performance Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

The details of the movement of the performance shares of the Company awarded during the year are as follows:

		Movements during the year			
Performance Shares participants	**At 1 January**	**Conditional performance shares awarded**	**Conditional performance shares lapsed**	**Performance shares lapsed arising from targets not met**	**At 31 December**
2020					
Director of the Company					
Wong Weng Sun	1,031,000	–	–	(550,000)	481,000
Key executives of the Group	1,587,000	–	–	(900,000)	687,000
	2,618,000	–	–	(1,450,000)	1,168,000
2019					
Director of the Company					
Wong Weng Sun	1,669,000	–	–	(638,000)	1,031,000
Key executives of the Group	2,419,000	–	–	(832,000)	1,587,000
	4,088,000	–	–	(1,470,000)	2,618,000

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

SHARE-BASED INCENTIVE PLANS (CONT'D)

(a) Performance Share Plan (cont'd)

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2017 to 2019 (2019: performance period 2016 to 2018), there were no (2019: nil) performance shares released.

In 2020, there were 1,450,000 (2019: 1,470,000) performance shares that lapsed for under-achievement of the performance targets for the performance period 2017 to 2019 (2019: performance period 2016 to 2018).

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at 31 December 2020, was 1,168,000 (2019: 2,618,000). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 1,752,000 (2019: 3,927,000) performance shares.

(b) Restricted Share Plan

Award granted in 2020 onwards

Under the Restricted Share Plan, the awards granted conditional on performance targets will be set based on corporate objectives at the start of the one-year performance qualifying period. Previously, the performance criteria for the SCM RSP 2010 were calibrated based on Earnings before Interest and Taxes. SCM RSP 2020 will be calibrated based on Earnings before Interest and Taxes and Return of Capital Employed.

A minimum threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 150% of the conditional restricted shares awarded.

The senior management and managerial participants of the Group will be awarded restricted shares under the SCM RSP 2020, while the non-managerial participants of the Group will receive their awards in an equivalent cash value. This cash-settled notional restricted shares award for non-managerial participants is known as the Sembcorp Marine Challenge Bonus.

A specific number of restricted shares shall be awarded at the end of the respective performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting period of three years after the performance period, during which one-third of the awarded shares are released each year to managerial participants. Non-managerial participants will receive the equivalent in cash at the end of the respective performance cycle, with no further vesting conditions.

However, in 2020, no restricted shares were awarded to employees.

Senior management participants are required to hold a minimum percentage of the shares released to them under the Restricted Share Plan to maintain a beneficial ownership stake in the Group, for the duration of their employment or tenure with the Group. A maximum cap is set based on a multiple of the individual participant's annual base salary. Any excess can be sold off, but in the event of a shortfall, they have a two calendar year period to meet the minimum percentage requirement.

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 SCM RSP 2020.

From 2011, non-executive directors were not awarded any shares except as part of their directors' fees (except for Mr Wong Weng Sun, who is the President & CEO, and who does not receive any directors' fees). In 2020 and 2019, the awards granted consisted of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. Non-executive directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer; any excess may be sold as desired. A non-executive director can dispose of all of his shares one year after leaving the Board.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

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 SGX-ST over the 14 trading days from (and including) the day on which the shares are first quoted ex-dividend after the AGM (or, if the resolution to approve the final dividend is not approved, over the 14 trading days immediately following the date of the AGM). The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.

The details of the movement of the restricted shares of the Company awarded during the year are as follows:

		Movements during the year				
Restricted Shares participants	**At 1 January**	**Conditional restricted shares awarded**	**Restricted shares lapsed arising from targets not met**	**Conditional restricted shares released**	**Conditional restricted shares lapsed**	**At 31 December**
2020						
Directors of the Company						
Tan Sri Mohd Hassan Marican	–	263,100	–	(263,100)	–	–
Wong Weng Sun	75,457	–	–	(42,503)	–	32,954
Bob Tan Beng Hai	–	106,100	–	(106,100)	–	–
Gina Lee-Wan	–	71,900	–	(71,900)	–	–
William Tan Seng Koon	–	94,900	–	(94,900)	–	–
Patrick Daniel	–	73,000	–	(73,000)	–	–
Tan Wah Yeow	–	70,100	–	(70,100)	–	–
Former director of the Company	–	78,700	–	(78,700)	–	–
Other executives	2,297,518	–	–	(1,250,142)	(124,294)	923,082
	2,372,975	757,800	–	(2,050,445)	(124,294)	956,036
2019						
Directors of the Company						
Tan Sri Mohd Hassan Marican	–	95,000	–	(95,000)	–	–
Wong Weng Sun	439,475	–	(315,140)	(48,878)	–	75,457
Bob Tan Beng Hai	–	44,200	–	(44,200)	–	–
Gina Lee-Wan	–	30,300	–	(30,300)	–	–
William Tan Seng Koon	–	37,800	–	(37,800)	–	–
Patrick Daniel	–	19,500	–	(19,500)	–	–
Tan Wah Yeow	–	1,000	–	(1,000)	–	–
Ron Foo Siang Guan	–	33,500	–	(33,500)	–	–
Other executives	15,177,252	–	(10,844,781)	(1,579,928)	(455,025)	2,297,518
	15,616,727	261,300	(11,159,921)	(1,890,106)	(455,025)	2,372,975

With the Committee's approval on the achievement factor for the achievement of the performance targets for the performance period 2018, a total of 685,840 (2019: 759,914) restricted shares were released.

For awards in relation to the performance period 2017 to 2018, a total of 334,502 (2019: 377,226) restricted shares were released. For awards in relation to the performance period 2016 to 2017, a total of 272,303 (2019: 312,823) restricted shares were released. In 2019, a total of 178,843 restricted shares were released for awards in relation to the performance period 2015 to 2016.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

SHARE-BASED INCENTIVE PLANS (CONT'D)

(b) Restricted Share Plan (cont'd)

In 2020, there were 757,800 (2019: 261,300) restricted shares released to non-executive directors.

The restricted shares were either released via the issuance of treasury shares or the issuance of new shares.

In 2019, there were 5,338,217 restricted shares that lapsed for under-achievement of the performance targets for the performance period 2018 and a total of 5,821,704 restricted shares that lapsed for under-achievement of the performance targets for the performance period 2017 to 2018.

The total number of restricted shares outstanding, including awards achieved but not released, as at 31 December 2020, was 956,036 (2019: 2,372,975).

Sembcorp Marine Challenge Bonus

In 2020 and 2019, there were no notional restricted shares awarded for the Sembcorp Marine Challenge Bonus.

(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 5% 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 statement are:

Tan Wah Yeow	Chairman
Koh Chiap Khiong	
Patrick Daniel	
William Tan Seng Koon	

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, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee performs the functions specified in Section 201B of the Act, the Listing Manual, 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;
- financial statements of the Group (including results announcements) prior to submission to the Board;
- interested person transactions (as defined in Chapter 9 of the Listing Manual);
- internal audit plans and internal audit reports; and
- whistle-blowers' disclosures.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

AUDIT COMMITTEE (CONT'D)

The Audit Committee has full access to the 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, KPMG LLP and has recommended to the Board that KPMG LLP be nominated for re-appointment as the auditors of the Company at the forthcoming AGM of the Company.

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

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept the re-appointment.

On behalf of the Board

Tan Sri Mohd Hassan Marican
Chairman

Wong Weng Sun
Director

Singapore
3 March 2021

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Sembcorp Marine Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the consolidated income statement, 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 a summary of significant accounting policies as set out on pages 100 to 207.

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 Singapore Companies Act, Chapter 50 (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 consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated 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, right-of-use assets and intangible assets (the "shipyard assets")
(Refer to Notes 4, 5, 13 and 44 to the financial statements: Property, plant and equipment of $4,114,919,000, Right-of-use assets of $251,016,000 and Intangible assets of $220,999,000)

Impairment assessment of investments in subsidiaries
(Refer to Note 7 to the financial statements: Investments in subsidiaries of $3,586,155,000)

Recoverability of the deferred tax assets
(Refer to Note 14 to the financial statements: Deferred tax assets of $117,283,000)

Risk:

The Group's shipyard assets were subject to impairment test by management owing to the continued difficult market conditions impacting the offshore and marine sector. The ongoing and evolving COVID-19 pandemic, together with the adverse impacts on global economies and the shipyard business, have also heightened the estimation uncertainties around timing of recovery. Although the Group expects the industry to have an improved momentum in 2021 compared to 2020 if the present trajectory of a gradual economic recovery continues without further disruptions wrought by COVID-19, it remains premature to predict a sustainable strong recovery.

The Group's largest yard assets and facilities are (i) the integrated yards, which include the individual yard locations in Singapore, the sub-contracting yards in Indonesia and the United Kingdom (the Singapore cash generating unit) and (ii) the yard in Brazil (the Brazil cash generating unit). Such shipyard assets are measured at cost less accumulated depreciation and impairment loss. An impairment loss exists when the recoverable amount of the shipyard assets is less than the net carrying amount. The recoverable amount is defined as the higher of the asset's fair value less costs of disposal, and value in use. As the fair values of these shipyard assets are not readily determinable, the Group measures the recoverable amount based on value in use, using the discounted cash flow technique.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
SEMBCORP MARINE LTD

The determination of the recoverable amounts of these cash generating units involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the forecast order book and project margins. The forecast order book includes a diversified portfolio of long-term contracts whose contract pricing takes into account prevailing market conditions and the outlook of the oil and gas and renewable energy industries, while the project margins estimated considers projected costs to fulfil the forecasted order book, both of which are inherently subject to estimation uncertainties. Changes in the key assumptions applied such as project margins, discount rates, and long term growth rates, and changes in the timing and quantum of new orders, can have a significant impact on the recoverable amount. As disclosed in Note 44(d) to the financial statements, the recoverable amounts are more sensitive to the assumptions relating to project margins and changes in the timing and quantum of new orders.

As global players in the world's energy system transform and pivot in favour of cleaner energy, and build the appropriate energy infrastructure, the Group is expecting the Singapore cash generating unit to support this energy transition with its proprietary offshore, marine and energy solutions. As this pivot to cleaner energy and energy infrastructure is still in its early stage, the Singapore cash generating unit has thus far limited track record in contract awards in this area. In addition, while the energy market transition towards cleaner and renewable energy is expected to present significant business opportunities, this may also attract new industry players which will result in increased competition to the Group.

The Brazil cash generating unit has been operational although the yard facility is not yet fully completed. As there is limited track record of historical contract awards and performance, the Group has factored in the long term fundamentals of the oil and gas sector in Brazil to project the future order book. Accordingly, the future order book considers the projected capital expenditure of state-owned and international oil majors covering exploration and production projects that could lead to new build orders, regulations governing local content requirements, as well as forecast movements in oil prices in the foreseeable future projected by industry analysts. The long-term returns of the Brazil cash generating unit can also be significantly impacted by political risk.

In determining the timing and the amount of new orders included in the forecasts for both cash generating units, the Group has applied judgement in determining the potential outcome of active tenders it participated in by evaluating its competitors, the status and stage of development of the tenders and the Group's competitive edge.

The forecasts used to assess the valuation of the Company's investments in subsidiaries and the recoverability of the Group's deferred tax assets are similarly subject to the risks noted in the impairment assessments of the Group's shipyard assets.

The outcome of the impairment assessments performed by the Group on the shipyard assets and the Company's investments in subsidiaries shows that the recoverable amounts are in excess of the net carrying amounts, and the deferred tax assets are recoverable.

Our response:

We assessed the Group's process for identifying and reviewing the cash generating units subject to impairment testing.

We, including our valuation specialists to the extent appropriate, reviewed the key assumptions supporting the value-in-use calculations to arrive at the recoverable amounts of these cash generating units. We compared the forecast order book to firm commitments secured from customers, management approved budgets, prevailing industry trends, and industry analysts' reports on the growth potential in the demand for cleaner energy and energy infrastructure solutions. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium. We compared the forecasted project margins to historical results to assess their viability. We assessed the reasonableness of the long term growth rates by comparing the rates to market observable data on forecasted inflation rates and energy consumption rates.

We checked the forecasted order book against management's guideline for orders evaluation, and enquired on the basis for management's conclusion.

We also reviewed available qualitative information from industry analysts, and for the Brazil cash generating unit, the projected capital expenditure by oil majors supporting the projection of orders, and regulations on local content requirements. We assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the cash generating units.

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Our findings:

The Group has a process for identifying and reviewing the cash generating units for impairment testing. The impairment assessments have incorporated the known relevant considerations as at the reporting date.

In view of the limited track record of contract awards of the Singapore cash generating unit in the cleaner energy and energy infrastructure area thus far, and the limited track record of historical contract awards and performance for the Brazil cash generating unit, the determination of the timing and quantum of new orders at forecasted project margins involves a high degree of judgement and is subject to significant estimation uncertainties. Actual results are likely to be different from the forecasted financial information since anticipated events frequently do not occur as expected and the variation could be material. Unfavourable changes to any of these assumptions could lead to lower operating cash inflows and material impairment outcomes which might in turn adversely affect the financial position and performances of the Group.

We found the disclosures describing the inherent degree of estimation uncertainties and the sensitivity of the assumptions applied to be appropriate.

Recognition of revenue from construction contracts with customers and related provisions
(Refer to Notes 27 and 44 to the financial statements: Turnover of $1,510,280,000)

Risk:

One of the Group's significant revenue streams is derived from long-term construction contracts.

In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether these contracts comprise one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time, are areas requiring critical judgement by the Group.

The Group accounts for revenue recognised over time from long-term construction contracts based on percentage of completion method, which involves estimation uncertainties around the stage of physical activities completed.

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic, with governments taking stringent steps to contain and delay the spread of the virus. The ongoing and evolving COVID-19 pandemic, together with the adverse impacts on global economies and the shipyard business, have heightened the estimation uncertainties associated with these contract revenues, and project costs and related provisions on the Group's outstanding projects.

Further, with the continued difficult market conditions impacting the offshore and marine sector, significant judgement is involved in evaluating collectability of the contract consideration and recoverability of trade receivables and contract balances in relation to contracts with customers.

Our response:

We reviewed the Group's estimation process (including the approval of project budget, monitoring of project costs and activities, and management's review of project's stage of completion and milestones achieved with customers) used in determining the amounts of revenue recognised in the financial statements and the budgeted costs for projects.

We reviewed and challenged management's assessment of the outstanding projects' estimated costs to complete and the reasonableness of provisions for onerous contracts, where needed.

We reviewed the terms and conditions of contracts, including contract modifications, discussed with management, to assess if management's identification of performance obligations and timing of revenue recognition is fair.

We reviewed the contractual terms and work status of the projects, along with discussions with management and checked that contract revenue was recognised according to the percentage of completion of each project measured by the stage of completion of physical activities.

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We reviewed the credit review assessment prepared by management for customers with significant new contracts, and we analysed current on-going negotiations and settlements of significant contracts subject to modifications, to identify if the collectability of contract consideration is probable.

We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving revenue recognition in relation to long-term construction contracts with customers.

Our findings:

The Group has a process to determine the amounts of revenue recognised in the financial statements, the outstanding projects' estimated costs to complete and the reasonableness of provisions for onerous contracts.

We found the basis for identification of performance obligations and timing of satisfaction of performance obligations to be fair.

We found that the measurement of percentage of completion used by the Group for revenue recognition appropriately reflects the status and progress of the projects; and revenue was recognised when collectability of the amounts was assessed by management to be probable.

We found management's assessment of estimated costs to complete projects, and provisions for onerous contracts to be fair.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Recoverability of trade receivables and contract balances in relation to contracts with customers
(Refer to Notes 10, 12, 16 and 44 to the financial statements: Trade receivables of $1,508,447,000, Contract assets of $1,551,913,000 and Contract costs of $52,703,000)

Risk:

The Group has significant trade receivables, contract assets and contract costs in relation to contracts with customers. These include trade receivables balances with certain customers on deferred payment schemes, which provide the customers with credit terms of more than twelve months from the year end date, and where interest is charged on these outstanding balances.

In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances on expected credit losses on financial assets and contract assets. The determination of the loss allowances requires significant judgement and estimates to determine whether the financial asset is credit impaired, and the best estimate of the ultimate realisation of the amounts receivable from customers and contract assets from customer contracts.

Under SFRS(I) 15 *Revenue from Contracts with Customers*, contract costs are recognised up to amounts the Group expects to recover. Accordingly, judgement is required in assessing whether the customers will be able to fulfil their contractual obligations in regard to their purchase of the assets.

The assumptions about the risk of default and expected loss rates on these receivables and contract balances are highly judgemental. With the COVID-19 pandemic impacting many businesses globally including the Group's customers, any expected credit loss recognised could be subjected to significant changes recorded in profit or loss in future periods.

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Our response:

We reviewed the Group's estimation process used in determining the amounts of loss allowance recognised on expected credit losses on trade receivables and contract assets.

We reviewed the significant inputs to management's assessment of the amounts of loss allowance recognised on expected credit losses on trade receivables and contract assets, and considered the reasonableness of the inputs by reference to the recent credit review assessments prepared by management.

We reviewed the re-forecast of each significant contract and enquired with management on any current on-going negotiations that may impair the recoverability of significant receivables and contract balances.

We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving recoverability of receivables and contract balances in relation to contracts with customers.

Our findings:

The Group has a process to assess credit risk and to determine the amounts of loss allowance to recognise on expected credit losses on trade receivables and contract assets.

The judgements applied by management around the recovery of receivables and contract balances were fair under the facts and circumstances currently available to the Group.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

Provision for restoration costs for Tanjong Kling Yard
(Refer to Note 22 to the financial statements: Provision for restoration costs of $145,848,000)

Risk:

The Group is scheduled to return the leasehold land at Tanjong Kling after restoration to the Singapore Government by 2025.

An additional provision of $58,570,000 had been made during the year based on management's judgement and estimate of the extent of work and costs required.

As at the reporting date, the Group remains in discussion with the Singapore Government on the extent of work required for the restoration of the leasehold land. Depending on the outcome of the Group's discussion with the Singapore Government, the provision required may vary significantly from the amount recorded.

Our response:

We enquired with management on the plans for restoration and reviewed the significant inputs to management's assessment of the provision required.

We enquired with management on the status of discussion with the Singapore Government.

We assessed the adequacy of disclosures in describing the areas of judgement and estimation uncertainties involving the provision for restoration costs.

Our findings:

The judgements applied by management around the provision for restoration costs were fair under the facts and circumstances currently available to the Group.

We found the disclosures in describing the areas of judgement and inherent degree of estimation uncertainties involved, to be appropriate.

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Liquidity risk management
(Refer to Note 2.1 to the financial statements)

Risk:

The Group's financial statements are prepared on a going concern basis.

As at 31 December 2020, the Group is in a net current liability position of $259.4 million, mainly due to certain bank loans being due in 2021. The current economic uncertainties in the offshore and marine sector and government imposed measures due to the COVID-19 pandemic, and the continued challenging market conditions for the sector may pose a risk to the Group in its ability to generate sufficient operating cash flows to meet short term needs.

The Group is working on refinancing and re-profiling its current loans due with longer term maturities. The Group also has unutilised loan facilities to address short term liquidity needs.

Our response:

We evaluated management's assessment of the use of going concern basis of accounting based on the sources of liquidity and funding available to the Group.

We evaluated the cash flow forecasts prepared by management for the next 12 months from the reporting date, and assessed if these forecasts are reasonable.

We challenged the appropriateness of the key assumptions used by management in the cash flow forecasts.

We reviewed the financial statements for adequacy of disclosures on liquidity management.

Our findings:

We found management's assessment of the use of going concern basis of accounting in the preparation of the financial statements to be appropriate. Adequate disclosure has also been set out in Note 2.1 to the financial statements.

Litigation, claims and other contingencies (Refer to Note 41 to the financial statements)

Update in relation to Brazil (Refer to Note 48 to the financial statements)

Risk:

The Group is subject to operational, business and political risks in certain countries in which it operates. These risks could give rise to litigation, claims and other contingencies (collectively, the "contingencies") which could have a significant financial impact if the potential exposures were to materialise. Ad-hoc Committees, if formed for any specific purpose, may conduct independent investigations on allegations that have potential impact on the business and the Group's financial statements, and recommend decisions as considered appropriate in connection with the independent investigations.

The determination by management of whether, and how much, to provide and/or disclose for such contingencies is highly judgemental.

Update in relation to Brazil

In 2019 and 2020, the Company has made announcements in relation to ongoing investigations related to "Operacao Lava Jato" (Operation Car Wash) in Brazil.

These investigations involved allegations in Brazil of illegal payments made by Mr Guilherme Esteves De Jesus ("GDJ"), who is connected to the consultant engaged by the subsidiaries of the Company, and alleged acts of money laundering and corruption performed by GDJ and Mr Martin Cheah Kok Choon, former president of Estaleiro Jurong Aracruz Ltda, a subsidiary of the Company.

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Since 2015, the Company had formed a Special Committee to conduct independent investigations on the allegations for potential impact on the business and the Group's financial statements, and recommend decisions as considered appropriate in connection with the independent investigations.

As at the date of the financial statements, investigations are still ongoing and the directors of the Company have determined that it is premature to predict the eventual outcome of this matter.

Our response:

We assessed the Group's process for identifying and monitoring significant adverse developments arising from contingencies and where appropriate, legal, regulatory and political developments. We have also reviewed the terms of reference of the Special Committee formed.

We evaluated management's assessment of the likely outcome and potential exposures arising from all significant contingencies and allegations subject to on-going investigations; and considered the requirements for any provision and related disclosures. Our work included:

- Holding discussions with management, the Group's legal counsel, the Audit Committee and the Special Committee, and reviewing relevant documents;
- Assessment of the progress of all significant contingencies, including reviewing the Group's public announcements;
- Consideration of any evidence of legal disputes which we were made aware;
- Obtaining independent legal confirmation letters from and discussing with the Group's external lawyers to confirm the fact patterns which we have been advised;
- Inquiries with the Company's external legal counsel, together with our specialists, to understand the scope, approach and status of the investigations, and to confirm the fact patterns which we have been advised; and
- Assessed the adequacy of disclosures in the financial statements in respect of this matter.

Our findings:

We found that the Group has a process for identifying and monitoring potential exposures arising from legal, regulatory and political developments as well as determination of the appropriate measurement and/or disclosures of such contingencies in the Group's financial statements.

From our audit procedures performed and representations obtained from management and the Special Committee, we found the disclosures on contingencies in respect of this matter to be appropriate.

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 sections prior to the date of this auditors' report:

- Chairman and CEO's Joint Report
- Group Financial Review
- Operations Review
- Directors' Statement

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The other sections in the annual report, as listed below, are expected to be made available to us after that date:

- 2020 Highlights
- Our Integrated Global Platform
- Significant Events, Awards and Accolades
- Board of Directors
- Senior Management
- Corporate Structure
- Corporate Directory
- Shareholders' Information
- Investor Relations
- Corporate Governance
- Risk Management
- Compliance
- Our Sustainability
- Supplementary Information
- Major Properties

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 when it becomes available 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 other information, 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.

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- 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 Ang Fung Fung.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
3 March 2021

BALANCE SHEETS

AS AT 31 DECEMBER 2020

	Note	Group 31 December 2020 $'000	Group 31 December 2019 $'000	Company 31 December 2020 $'000	Company 31 December 2019 $'000
Non-current assets					
Property, plant and equipment	4	4,114,919	4,250,971	5,720	11,287
Right-of-use assets	5	251,016	253,304	2,543	3,556
Investment properties	6	–	–	47,182	47,695
Investments in subsidiaries	7	–	–	3,586,155	1,786,269
Interests in associates and joint ventures	8	15,423	14,887	–	–
Other financial assets	9	4,570	11,342	–	–
Trade and other receivables	10	1,105,551	1,087,631	127,700	29,396
Intangible assets	13	220,999	246,341	122	122
Deferred tax assets	14	117,283	29,195	16,559	3,382
		5,829,761	5,893,671	3,785,981	1,881,707
Current assets					
Inventories	15	94,361	113,108	–	–
Trade and other receivables	10	618,103	483,300	31,719	208,442
Contract costs	16	52,703	88,640	–	–
Contract assets	12	1,551,913	1,462,340	–	–
Tax recoverable		17,117	11,658	–	–
Assets held for sale	17	–	985	–	–
Other financial assets	9	33,840	15,820	–	–
Cash and cash equivalents	18	772,426	389,250	499,024	40,233
		3,140,463	2,565,101	530,743	248,675
Total assets		8,970,224	8,458,772	4,316,724	2,130,382
Current liabilities					
Trade and other payables	19	1,052,269	1,341,010	20,614	32,020
Contract liabilities	21	154,288	60,186	–	–
Provisions	22	38,005	16,433	–	–
Other financial liabilities	23	4,742	7,703	–	–
Current tax payable		7,056	3,758	12,227	12,328
Interest-bearing borrowings	24	2,121,394	1,421,620	50,000	50,000
Lease liabilities	5	22,100	23,978	9,073	6,907
		3,399,854	2,874,688	91,914	101,255
Net current (liabilities)/assets		(259,391)	(309,587)	438,829	147,420
Non-current liabilities					
Deferred tax liabilities	14	26,852	28,989	–	–
Provisions	22	142,800	106,821	85,498	26,759
Other financial liabilities	23	722	2,204	–	–
Interest-bearing borrowings	24	1,428,400	1,479,172	–	–
Subordinated loan	24	–	1,500,000	–	–
Lease liabilities	5	269,467	254,120	51,773	38,678
Other long-term payables	19	5,982	6,000	4,002	4,002
		1,874,223	3,377,306	141,273	69,439
Total liabilities		5,274,077	6,251,994	233,187	170,694
Net assets		3,696,147	2,206,778	4,083,537	1,959,688
Equity attributable to owners of the Company					
Share capital	25	2,575,374	486,217	2,575,374	486,217
Other reserves	26	(57,555)	(44,996)	(22,861)	(22,223)
Revenue reserve		1,149,577	1,732,087	1,531,024	1,495,694
		3,667,396	2,173,308	4,083,537	1,959,688
Non-controlling interests	34	28,751	33,470	–	–
Total equity		3,696,147	2,206,778	4,083,537	1,959,688

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

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 $'000	Group 2019 $'000
Turnover	27	1,510,280	2,882,560
Cost of sales		(2,000,743)	(2,974,378)
Gross loss		(490,463)	(91,818)
Other operating income		146,136	44,879
Other operating expenses		(143,931)	(6,325)
General and administrative expenses		(93,287)	(85,526)
Operating loss	28	(581,545)	(138,790)
Finance income	29	51,625	93,275
Finance costs	29	(141,802)	(130,027)
Non-operating income	30	501	185
Share of results of associates and joint ventures, net of tax	31	513	(1,603)
Loss before tax		(670,708)	(176,960)
Tax credit	32	83,500	36,773
Loss for the year		(587,208)	(140,187)
Loss attributable to:			
Owners of the Company		(582,510)	(137,174)
Non-controlling interests	34	(4,698)	(3,013)
Loss for the year		(587,208)	(140,187)
Earnings per share (cents)	35		
Basic		(10.88)	(6.32)*
Diluted		(10.88)	(6.32)*

* With the completion of the issuance of rights shares on 11 September 2020, prior year comparatives for earnings per share were restated per SFRS(I)1-33 through retrospective application of a bonus factor to the weighted average number of shares. The bonus factor is derived from the division of fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 $'000	Group 2019 $'000
Loss for the year		(587,208)	(140,187)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(4,814)	(12,823)
Net change in fair value of cash flow hedges		(15,761)	12,783
Net change in fair value of cash flow hedges transferred to profit or loss		8,719	(5,749)
Realisation of reserve upon disposal of subsidiaries		–	(539)
Other comprehensive income for the year, net of tax	33	(11,856)	(6,328)
Total comprehensive income for the year		(599,064)	(146,515)
Total comprehensive income attributable to:			
Owners of the Company		(594,431)	(143,312)
Non-controlling interests	34	(4,633)	(3,203)
Total comprehensive income for the year		(599,064)	(146,515)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company									
	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group										
At 31 December 2019	486,217	(771)	(1,683)	(27,455)	(24,519)	9,432	1,732,087	2,173,308	33,470	2,206,778
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(582,510)	(582,510)	(4,698)	(587,208)
Other comprehensive income										
Foreign currency translation differences for foreign operations	–	–	–	(4,879)	–	–	–	(4,879)	65	(4,814)
Net change in fair value of cash flow hedges	–	–	–	–	–	(15,761)	–	(15,761)	–	(15,761)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	8,719	–	8,719	–	8,719
Total other comprehensive income for the year	–	–	–	(4,879)	–	(7,042)	–	(11,921)	65	(11,856)
Total comprehensive income for the year	–	–	–	(4,879)	–	(7,042)	(582,510)	(594,431)	(4,633)	(599,064)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Issue of new shares	2,570	–	–	–	(2,104)	–	–	466	17	483
Rights issue (Note 25)	2,086,587	–	–	–	–	–	–	2,086,587	–	2,086,587
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(103)	(103)
Share-based payments	–	–	–	–	1,466	–	–	1,466	–	1,466
Total contributions by and distributions to owners of the Company	2,089,157	–	–	–	(638)	–	–	2,088,519	(86)	2,088,433
At 31 December 2020	2,575,374	(771)	(1,683)	(32,334)	(25,157)	2,390	1,149,577	3,667,396	28,751	3,696,147

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company									
	Share capital $'000	Reserve for own shares $'000	Capital reserves $'000	Currency translation reserve $'000	Share-based payments reserve $'000	Hedging reserve $'000	Revenue reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group										
At 31 December 2018										
As previously stated	484,288	(2,151)	(13,011)	(13,577)	(24,686)	2,398	1,878,423	2,311,684	36,751	2,348,435
Adjustment on initial application of SFRS(I) 16, net of tax (Note 46)	–	–	–	–	–	–	980	980	–	980
Adjusted balance at 1 January 2019	484,288	(2,151)	(13,011)	(13,577)	(24,686)	2,398	1,879,403	2,312,664	36,751	2,349,415
Total comprehensive income for the year										
Loss for the year	–	–	–	–	–	–	(137,174)	(137,174)	(3,013)	(140,187)
Other comprehensive income										
Foreign currency translation differences for foreign operations	–	–	–	(12,788)	–	–	–	(12,788)	(35)	(12,823)
Net change in fair value of cash flow hedges	–	–	–	–	–	12,783	–	12,783	–	12,783
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	(5,749)	–	(5,749)	–	(5,749)
Realisation of reserves upon disposal of subsidiaries	–	–	11,328	(149)	(480)	–	(11,083)	(384)	(155)	(539)
Realisation of reserves upon disposal of a joint venture	–	–	–	(941)	–	–	941	–	–	–
Total other comprehensive income for the year	–	–	11,328	(13,878)	(480)	7,034	(10,142)	(6,138)	(190)	(6,328)
Total comprehensive income for the year	–	–	11,328	(13,878)	(480)	7,034	(147,316)	(143,312)	(3,203)	(146,515)
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Issue of new shares	1,929	–	–	–	(1,929)	–	–	–	–	–
Treasury shares transferred to employees	–	1,380	–	–	(896)	–	–	484	–	484
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(78)	(78)
Share-based payments	–	–	–	–	3,472	–	–	3,472	–	3,472
Total contributions by and distributions to owners of the Company	1,929	1,380	–	–	647	–	–	3,956	(78)	3,878
At 31 December 2019	486,217	(771)	(1,683)	(27,455)	(24,519)	9,432	1,732,087	2,173,308	33,470	2,206,778

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Group	
	2020 $'000	2019 $'000
Cash flows from operating activities		
Loss for the year	(587,208)	(140,187)
Adjustments for:		
Finance income	(51,625)	(93,275)
Finance costs	141,802	130,027
Depreciation of property, plant and equipment, and right-of-use assets	173,800	214,938
Amortisation of intangible assets	27,929	27,530
Share of results of associates and joint ventures, net of tax	(513)	1,603
(Gain)/loss on disposal of property, plant and equipment, net	(947)	2,428
Loss on termination of lease liabilities	2	–
Gain on disposal of a joint venture	–	(185)
Gain on disposal of asset held for sale	(501)	–
Negative goodwill (Note 38)	–	(4,999)
Changes in fair value of financial instruments	(19,764)	(2,619)
Impairment losses on property, plant and equipment	48,989	541
Impairment losses on right-of-use assets	74,191	–
Share-based payment expenses	1,461	2,268
Property, plant and equipment written off	43	3,042
Inventories written down/(back), net	34,179	(651)
Allowance for/(write-back of) doubtful debts and bad debts, net	9,020	(338)
Tax credit	(83,500)	(36,773)
Operating (loss)/profit before working capital changes	(232,642)	103,350
Changes in working capital:		
Inventories	(15,432)	(32,286)
Contract costs	35,937	190,539
Contract assets	(89,573)	(463,674)
Contract liabilities	94,102	(79,545)
Trade and other receivables	(119,253)	272,328
Trade and other payables	(261,980)	(245,898)
Cash used in operations	(588,841)	(255,186)
Interest income received	9,135	68,555
Interest paid	(162,309)	(108,192)
Tax paid	(7,876)	(1,346)
Net cash used in operating activities	(749,891)	(296,169)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Group	
	2020 **$'000**	**2019** **$'000**
Cash flows from investing activities		
Purchase of property, plant and equipment (Note (a))	(89,220)	(316,270)
Proceeds from sale of property, plant and equipment	2,025	1,919
Proceeds from disposal of asset held for sale	1,467	–
Proceeds from disposal of a joint venture	–	55
Purchase of intangible assets	(2,411)	–
Dividend received from associate	–	160
Dividend received from joint venture	–	2,404
Net cash used in investing activities	(88,139)	(311,732)
Cash flows from financing activities		
Proceeds from borrowings	2,397,351	2,732,839
Repayment of borrowings (Note (b))	(1,736,533)	(2,547,941)
Proceeds from rights issue, net (Note (b))	586,587	–
Payment of lease liabilities	(21,704)	(20,732)
Payment on termination of lease liabilities	(50)	–
Dividends paid to non-controlling interests of subsidiaries	(103)	(78)
Capital contribution by non-controlling interests of subsidiaries	17	–
Net cash generated from financing activities	1,225,565	164,088
Net increase/(decrease) in cash and cash equivalents	387,535	(443,813)
Cash and cash equivalents at beginning of the year	389,250	837,173
Effect of exchange rate changes on balances held in foreign currencies	(4,359)	(4,110)
Cash and cash equivalents at end of the year (Note 18)	772,426	389,250

Significant non-cash transactions

(a) In prior year, the Group acquired property, plant and equipment with an aggregate cost of $364,407,000, of which $47,483,000 was settled non-cash via an offset of payables to Pacific Workboats Pte Ltd ("PWPL") for the acquisition and dividends receivable from PWPL.

(b) During the year, the repayment of the subordinated loan of $1,500,000,000 was settled non-cash via offset against proceeds due from Sembcorp Industries Ltd relating to its subscription for rights shares of $1,500,000,000.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 3 March 2021.

1 DOMICILE AND ACTIVITIES

Sembcorp Marine Ltd (the "Company") is a company incorporated in the Republic of Singapore and has its registered office at 80 Tuas South Boulevard, Singapore 637051.

Following a demerger exercise via a distribution in specie of Sembcorp Industries Ltd's ("SCI") stake in the Company on 11 September 2020, the Company no longer considers SCI and Temasek Holdings (Private) Limited its immediate and ultimate holding companies respectively (Note 25).

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

The principal activities of the Company are the provision of management services and investment holding. The principal activities of the subsidiaries, associates and joint ventures are stated in Note 45.

2 BASIS OF PREPARATION

2.1 Going concern basis of accounting

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its debt obligations as and when they fall due within the next twelve months.

The outbreak of the COVID-19 pandemic and the measures adopted by the Singapore government to mitigate the pandemic's spread have impacted the Group. When the Singapore government imposed its COVID-19 "circuit breaker" measures during the financial year, in particular movement restrictions that disallowed migrant workers from leaving their dormitories for work, there was a substantial reduction in the Group's operating yard workforce (including sub-contractors). The Group's Singapore yards had to stand down and discontinue production activities, resulting in significant delays to projects execution. Such production activities gradually resumed from July 2020. This has negatively impacted the Group's financial performance for the year and also its liquidity position.

As at 31 December 2020, the Group recorded net current liabilities of $259,391,000 (2019: $309,587,000), and incurred a loss of $587,208,000 (2019: $140,187,000) and negative operating cash flows of $749,891,000 (2019: $296,169,000) for the year ended 31 December 2020. The Group is in talks with lenders to refinance and re-profile current loans with longer term maturities. The Group has adequate loan facilities to refinance current borrowings as they fall due.

There is uncertainty over how the future development of the COVID-19 pandemic will impact the Group's business including customers' demand for its products. The appropriateness of the going concern basis of accounting is dependent on the continued availability of borrowings or alternative sources of capital or liquidity to meet its financial obligations as they fall due.

Management of the Group is confident that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2 BASIS OF PREPARATION (CONT'D)

2.2 Statement of compliance

The financial statements are prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)s) and International Financial Reporting Standards (IFRSs). SFRS(I)s are issued by the Accounting Standards Council, which comprise standards and interpretations that are equivalent to IFRSs issued by the International Accounting Standards Board. All references to SFRS(I)s and IFRSs are subsequently referred to as SFRS(I)s in these financial statements unless otherwise specified.

Changes to significant accounting policies are described in Note 46.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand ($'000), unless otherwise stated.

2.5 Use of estimates and judgements

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. 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 significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is discussed in Note 44.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in Note 46, which addresses changes in accounting policies.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Acquisitions from 1 January 2017

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Deferred consideration comprises obligations to pay specific amounts at future dates. Deferred consideration is recognised and measured at fair value at the acquisition date and included in the consideration transferred. The unwinding of any interest element of deferred consideration is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

Acquisitions from 1 January 2017 (cont'd)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Acquisitions prior to 1 January 2010

All business combinations are accounted for using the purchase method. Under the purchase method, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. 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.

(ii) Non-controlling interests

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I).

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 in their own capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

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

Prior to 1 January 2010, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(iii) Subsidiaries

Subsidiaries are those entities that are 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

(iv) Loss of control

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

(v) Associates

Associates are those entities in which the Group has significant influence, but not 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.

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

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(vi) Joint ventures

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.

Joint ventures are accounted for using the equity method of accounting from the date that joint control commences until the date that joint control ceases.

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 available, the share of results is arrived at from unaudited management financial statements made up mainly to the end of the accounting year to 31 December.

(vii) Transactions eliminated on consolidation

All intra-group balances, transactions, and unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(viii) Accounting for subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are measured in the Company's balance sheet at cost less accumulated impairment losses.

3.2 Foreign currencies

(i) Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. At each reporting date:

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

Foreign currency differences arising from the settlement or from translation of monetary items are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (cont'd)

(i) Foreign currency transactions and balances (cont'd)

Foreign currency differences arising on retranslation are recognised directly in profit or loss, except for the following differences which are recognised in other comprehensive income arising on the retranslation of:

- Equity instruments designated at fair value through other comprehensive income (FVOCI);
- A financial liability designated as a hedge of 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.

(ii) Foreign operations

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

- Assets and liabilities are translated at exchange rates ruling at the date of the balance sheet;
- Revenues and expenses are translated at average exchange rates; and
- All resulting foreign currency differences are taken to the foreign currency translation reserve in other comprehensive income.

Goodwill (except those relating to acquisitions of foreign operations prior to 1 January 2004) and fair value adjustments arising from the acquisition of foreign operations are translated to the presentation currency for consolidation at the rates of exchange ruling at the balance sheet date. Goodwill arising from the acquisition of foreign operations prior to 1 January 2004 are translated at foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(iii) Net investment in a foreign operation

Foreign currency 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 differences are reclassified to the foreign currency translation reserve in the consolidated statement of comprehensive income and are released to the consolidated income statement upon disposal of the investment as part of the gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment

(i) Owned assets

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Cost may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment is recognised in the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its costs can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised as an expense when incurred.

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

(iii) Disposals

Gains or losses arising from the retirement or disposal of property, plant and equipment 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.

(iv) Finance lease assets

Finance leases are those leasing agreements with terms of which the Group assumes substantially all the risks and rewards of ownership. Property, plant and equipment acquired by way of such leases is capitalised at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the economic useful life of the asset and the lease term.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(v) Provision for restoration costs

A provision is recognised for the costs expected to be incurred to dismantle, remove and restore the asset upon expiry of the lease agreement. The estimated costs form part of the cost of the property, plant and equipment and are depreciated over the useful life of the asset.

(vi) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

Leasehold land	Lease period of 3 to 60 years
Buildings	3 to 50 years
Quays and dry docks	6 to 60 years
Marine vessels	7 to 31 years
Cranes and floating docks	3 to 30 years
Plant, machinery and tools	3 to 30 years
Motor vehicles	3 to 10 years
Furniture and office equipment	3 to 10 years
Utilities and fittings	10 to 30 years
Computer equipment	1 to 5 years

The assets' depreciation methods, useful lives and residual values, if not insignificant, are reviewed annually and adjusted if appropriate.

No depreciation is provided on freehold land or construction-in-progress.

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

3.4 Investment properties

Investment properties are properties held for long-term rental yields or for capital appreciation, or both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. This includes properties that are held as right-of-use assets, as well as properties that are owned by the Group.

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 45 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed, if not insignificant, annually, and adjusted if appropriate. No depreciation is provided on the freehold land.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Investment properties (cont'd)

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.

For properties held as right-of-use assets, refer to Note 3.21 for initial and subsequent measurement of cost.

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

3.5 Intangible assets

(i) Goodwill

Goodwill 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, negative goodwill is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures, respectively. An impairment loss on such investments is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investments.

Goodwill is tested for impairment on an annual basis in accordance with Note 3.12.

(ii) Intellectual property rights

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets (cont'd)

(iii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials and direct labour that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(v) Amortisation

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Financial assets

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, in the case of financial asset not carried at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets (cont'd)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in 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.

Financial assets at FVTPL

All other financial assets not classified as 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 at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held because this best reflects the way the business is managed and information is provided to Management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Group's Management;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of disposals of investments in prior periods, the reasons for such disposals and its expectations about future activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing and amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. For derivatives designated as hedging instruments, see Note 9.

Financial assets at amortised cost

The assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial assets (cont'd)

(iii) Derecognition

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

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

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand. Bank overdrafts are shown within interest-bearing borrowings in current liabilities on the balance sheet.

3.7 Impairment of financial assets and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost; and
- contract assets (as defined in SFRS(I) 15).

Loss allowance of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected credit life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified Approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General Approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without due costs or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and forward-looking information.

If the credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of loss allowance for ECLs in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets and contract assets (cont'd)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3.8 Derivatives

Derivatives are used to manage exposures to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivatives are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured at fair value and any changes in its fair value are recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant changes in the fair value depends on the nature of the item being hedged as described in Note 3.9.

3.9 Hedging activities

At inception or upon reassessment of the arrangement, the Group documents, at the inception of the transaction, the relationship between the hedging instruments and hedged items, together with the methods that will be used to assess the effectiveness of the hedge relationship as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, the economic relationship between the hedged item and the hedging instrument, including whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

(i) Fair value hedges

Where a derivative hedges the changes in fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also measured at fair value in respect of the risk being hedged, with any changes recognised in profit or loss.

(ii) Cash flow hedges

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised directly in other comprehensive income and presented in the hedging reserve in equity. The ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Hedging activities (cont'd)

(ii) Cash flow hedges (cont'd)

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the amendments to its effectiveness assessment of the hedging relationship when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

3.10 Inventories

Inventories consist mainly of steel and other materials used for ship and rig repair, building and conversion and are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Government grants

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

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.12 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of cash generating units) and then, to reduce the carrying amount of the other assets in the cash generating unit (group of cash generating units) on a *pro rata* basis.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and as and when indicators of impairment occur.

(i) Calculation of recoverable amount

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units 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. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or balance sheet date. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment of non-financial assets (cont'd)

(ii) Reversals of impairment (cont'd)

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or joint venture may be impaired.

3.13 Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially 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. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

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.

Financial assets and liabilities are offset and the net amount presented in the balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3.14 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the prepayment will lead to, for example, a reduction in future payment or a cash refund.

(ii) Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Long-term employee benefits are reported in "other long-term payables".

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related employment service is provided.

The amount expected to be paid is accrued when the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Staff retirement benefits

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

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

(v) Equity and equity-related compensation benefits

Performance Share Plan

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 fair value of the compensation cost is measured at grant date and amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. In estimating the fair value of the compensation cost, market-based performance conditions are taken into account. From 2014 onwards, awards granted have both market-based and non-market-based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates, irrespective of whether this performance condition is satisfied.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(v) Equity and equity-related compensation benefits (cont'd)

Restricted Share Plan

Similar to the Performance Share Plan, 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 fair value of the compensation cost is measured at grant date and are then amortised over the service period to which the performance criteria relates and the period during which the employees become unconditionally entitled to the shares. Awards granted have non-market based performance conditions. The compensation cost is charged to profit or loss with a corresponding increase in equity on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance period relates.

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

The share-based payments reserve relating to the restricted 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.

(vi) Cash-related compensation benefits

Sembcorp Marine Challenge Bonus

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the share price of the Company. The Group recognises a provision when contractually obliged to pay or where there is a past practice that has created a constructive obligation to pay.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.16 Tax expense

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

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures 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.

The measurement of deferred tax reflects the consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 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.

Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

When treasury shares are cancelled, the cost of treasury shares is deducted against the share capital account, if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company, if the shares are purchased out of profits of the Company.

When treasury shares are subsequently sold or reissued pursuant to the Share-based Incentive Plans, the cost of the treasury shares is reversed from the reserve for own shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related tax, is recognised as a change in equity of the Company. No gain or loss is recognised in profit or loss.

3.18 Dividends

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

3.19 Revenue

(i) Contract revenue

The Group builds specialised assets for customers through fixed price contracts. Contracts relating to services for ship and rig repair, building, conversion and overhaul represents a single performance obligation ("PO"), due to the inter-dependence of services provided in these contracts.

Revenue is recognised when the control over the specialised asset has been transferred to the customer and performance obligations are fulfilled. At contract inception, the Group assesses whether the Group transfers control of the asset over time or at a point in time by determining if its performance creates an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date for ship and rig building and conversion, or where the Group's performance creates or enhances an asset that the customer controls as the asset is being created or enhanced for ship and rig repairs and overhaul.

The specialised asset has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised asset. The stage of completion is typically assessed by reference to surveys of work performed (output method), which is commensurate with the pattern of transfer of control to the customer.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed specialised asset is delivered to the customers and the customers have accepted it in accordance with the contract. On signing of the contract, customers are usually required to make an advance payment that is non-refundable if the contract is cancelled. The advance payment is presented as contract liability. No financing component has been recognised on these advance payments as the payment terms are for reasons other than financing. Where extended payment terms are granted to customers, interest is charged and recognised as finance income.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Revenue (cont'd)

(i) Contract revenue (cont'd)

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, the Group recognises a financing component using a discount rate that reflects this as a separate financing transaction with the customer at contract inception. If the period between transfer and payment is one year or less, the Group elects the practical expedient not to adjust for significant financing component.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Certain contracts include standard warranty terms as guarantee on the performance of the asset. The warranty is recognised as a provision, based on estimated claims made from historical data, from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

The Group accounts for modifications to the scope and price of a contract as separate contracts if the modification adds 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 combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modifications as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of modification.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments received, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the payments received exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Revenue (cont'd)

(ii) Income on goods sold and services rendered

Revenue from goods sold and services rendered in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. Revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO on the basis of the relative stand-alone selling prices of the promised goods or services and excludes goods and services or other sales taxes. Trade discounts or variable considerations are allocated to one or more, but not all, of the POs if they relate specifically to those POs.

Transaction price is the amount of consideration in the contract to which the Group expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue may be recognised at a point in time or over time following the satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of the PO.

(iii) Charter hire and rental income

Charter hire and rental income receivable under operating leases 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 the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.20 Dividend and finance income

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

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

3.21 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Leases (cont'd)

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(i) The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated from the commencement date over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of the assets are determined on the same basis as those of property, plant and equipment. In addition, the assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liabilities.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group determines the lessee's incremental borrowing rate by making certain adjustments to its interest rates on its issued notes to reflect the terms of the lease and security over the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and payments of penalties for early termination unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Leases (cont'd)

(i) The Group as lessee (cont'd)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

COVID-19-related rent concessions

The Group has applied *COVID-19-Related Rent Concessions – Amendment to SFRS(I) 16*. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is $106,000.

(ii) The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases in profit or loss on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3.22 Finance costs

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.24 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's President & CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

3.25 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts and treated as contingent liabilities until such time as they become probable that the Company will be required to make a payment under the guarantee. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.26 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

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

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.27 Assets held for sale

Non-current assets are classified as assets held for sale and measured at the lower of carrying amount and fair value less costs to sell if they are expected to be recovered principally through a sale transaction rather than through continuing use.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings							
	Freehold $'000	Leasehold $'000	Construction-in-progress[1] $'000	Docks and quays $'000	Marine vessels[2] $'000	Plant, machinery and tools $'000	Others[3] $'000	Total $'000
Group								
Cost								
Balance at 1 January 2019	236,489	979,648	1,066,576	1,517,166	283,622	1,505,912	169,699	5,759,112
Adjustment on initial application of SFRS(I) 16	–	(62,878)	(4,210)	(41,545)	–	–	(2,328)	(110,961)
Adjusted balance at 1 January 2019	236,489	916,770	1,062,366	1,475,621	283,622	1,505,912	167,371	5,648,151
Translation adjustments	(3,468)	(1,926)	(8,043)	(4,817)	(3,091)	(3,290)	(356)	(24,991)
Additions	46	1,498	295,316	561	47,517	9,536	9,933	364,407
Reclassifications	84,734	167,124	(401,398)	92,765	–	41,495	15,280	–
Disposals	–	(3,740)	–	–	(1,263)	(7,941)	(964)	(13,908)
Transfer to assets held for sale	(2,054)	–	–	–	–	(224)	(88)	(2,366)
Balance at 31 December 2019	315,747	1,079,726	948,241	1,564,130	326,785	1,545,488	191,176	5,971,293
Balance at 1 January 2020	315,747	1,079,726	948,241	1,564,130	326,785	1,545,488	191,176	5,971,293
Translation adjustments	(4,733)	(2,043)	(7,931)	(5,135)	(3,050)	(3,210)	(324)	(26,426)
Additions	–	413	80,762	–	–	1,543	2,343	85,061
Reclassifications	25,354	9,934	(259,748)	6,610	(21,157)	230,620	8,387	–
Disposals	(1,349)	(599)	–	–	(1,131)	(506)	(329)	(3,914)
Balance at 31 December 2020	335,019	1,087,431	761,324	1,565,605	301,447	1,773,935	201,253	6,026,014

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and buildings							
	Freehold $'000	Leasehold $'000	Construction-in-progress[1] $'000	Docks and quays $'000	Marine vessels[2] $'000	Plant, machinery and tools $'000	Others[3] $'000	Total $'000
Group								
Accumulated depreciation and impairment losses								
Balance at 1 January 2019	17,199	330,074	–	312,690	76,545	718,446	124,901	1,579,855
Adjustment on initial application of SFRS(I) 16	–	(15,276)	–	(21,332)	–	1,287	(683)	(36,004)
Adjusted balance at 1 January 2019	17,199	314,798	–	291,358	76,545	719,733	124,218	1,543,851
Translation adjustments	(218)	(860)	–	(351)	(735)	(829)	(248)	(3,241)
Depreciation for the year	5,405	36,026	–	66,509	10,179	54,755	14,197	187,071
Reclassifications	24	(26)	–	–	–	2	–	–
Disposals	–	(810)	–	–	(492)	(4,280)	(937)	(6,519)
Impairment losses	541	–	–	–	–	–	–	541
Transfer to assets held for sale	(1,069)	–	–	–	–	(224)	(88)	(1,381)
Balance at 31 December 2019	21,882	349,128	–	357,516	85,497	769,157	137,142	1,720,322
Balance at 1 January 2020	21,882	349,128	–	357,516	85,497	769,157	137,142	1,720,322
Translation adjustments	(500)	(1,101)	–	(625)	(2,525)	(1,141)	(211)	(6,103)
Depreciation for the year	7,453	25,379	–	31,261	10,189	62,248	14,150	150,680
Reclassifications	–	–	–	–	(335)	335	–	–
Disposals	(579)	(559)	–	–	(929)	(417)	(309)	(2,793)
Impairment losses	–	–	–	–	48,989	–	–	48,989
Balance at 31 December 2020	28,256	372,847	–	388,152	140,886	830,182	150,772	1,911,095
Carrying amounts								
At 1 January 2019	219,290	649,574	1,066,576	1,204,476	207,077	787,466	44,798	4,179,257
At 31 December 2019	293,865	730,598	948,241	1,206,614	241,288	776,331	54,034	4,250,971
At 31 December 2020	306,763	714,584	761,324	1,177,453	160,561	943,753	50,481	4,114,919

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Docks $'000	Plant, machinery and tools $'000	Others[(3)] $'000	Total $'000
Company				
Cost				
Balance at 1 January 2019	160,505	2,240	39,158	201,903
Adjustment on initial application of SFRS(I) 16	(25,900)	–	(2,328)	(28,228)
Adjusted balance at 1 January 2019	134,605	2,240	36,830	173,675
Additions	–	–	675	675
Balance at 31 December 2019	134,605	2,240	37,505	174,350
Balance at 1 January 2020	134,605	2,240	37,505	174,350
Additions	–	–	90	90
Balance at 31 December 2020	134,605	2,240	37,595	174,440
Accumulated depreciation				
Balance at 1 January 2019	120,785	1,904	21,226	143,915
Adjustment on initial application of SFRS(I) 16	(20,148)	–	(683)	(20,831)
Adjusted balance at 1 January 2019	100,637	1,904	20,543	123,084
Depreciation for the year	33,968	330	5,681	39,979
Balance at 31 December 2019	134,605	2,234	26,224	163,063
Balance at 1 January 2020	134,605	2,234	26,224	163,063
Depreciation for the year	–	1	5,656	5,657
Balance at 31 December 2020	134,605	2,235	31,880	168,720
Carrying amounts				
At 1 January 2019	39,720	336	17,932	57,988
At 31 December 2019	–	6	11,281	11,287
At 31 December 2020	–	5	5,715	5,720

The property, plant and equipment comprise mainly shipyard assets attributable to the "rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash generating units in Singapore and Brazil. These property, plant and equipment, together with right-of-use assets and certain intangible assets, were tested for impairment and described in Note 44.

(1) During the year, interest charge of $28,510,000 (2019: $45,912,000) was capitalised as construction-in-progress.

(2) Due to the increasingly challenging and competitive market environment, worsened by the impact from the COVID-19 pandemic, management assessed that there were indicators of impairment for the vessel in the current year. As the Group expects to recover the value of the accommodation vessel through continuing use on a charter basis, the Group used the discounted cash flow projections to determine the recoverable amount. The cash flows projection considered different outcomes that took into account the expected renewal rates based on prevailing and foreseeable market conditions. The renewal rates (taking into consideration prevailing rates) have been adjusted downwards, assuming a certain level of discount from the contractual rates under the last long term charter contract, but factored a 2% inflationary adjustment till the end of the economic useful life of the vessel. The assumed operating cost is based on approved budget and adjusted for inflation at 2% per annum throughout the cash flow periods. The average utilisation rate is assumed to deteriorate from 95% (in 2019) to 85% throughout the cash flow periods; and the terminal value is based on expected scrap value at the end of the economic useful life of the vessel. These cash flows are then discounted using the pre-tax weighted average cost of capital determined to be at 9.13% (2019: 10.78%). Based on the Group's assessment of the recoverable amount of the marine vessel of $129,716,000 (2019: $267,006,000) using a range of probability-weighted possible outcomes in current year, an impairment loss of $48,989,000 (2019: $nil) was recognised in the current year's profit or loss. The above assumptions are inherently judgemental. The forecasted charter rates and utilisation assumed in the value in use is subject to estimation uncertainties. A further 5% decrease in charter rate and utilisation rate throughout the cash flow periods from the weighted outcomes would lead to additional impairment of $15,175,000 and $16,789,000 respectively.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Change in estimates

In 2019, the Group revised its estimate for the useful life of a marine vessel from 25 years to 31 years after conducting an operational review of its useful life. The effect of these changes on depreciation expense in current and future periods on assets currently held is as follows:

	2019 $'000	2020 $'000	2021 $'000	2022 $'000	2023 $'000	Later $'000
Group						
(Decrease)/increase in depreciation expense and (increase)/decrease in profit before tax	(1,059)	(2,117)	(2,117)	(2,117)	(2,117)	9,527

5 RIGHT-OF-USE ASSETS AND LEASES

As a lessee

The Group leases many assets including land and buildings and tugboats. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets	Land and buildings[1] $'000	Marine vessels[2] $'000	Others[3] $'000	Total $'000
Group				
Balance at 1 January 2019	203,513	55,144	1,728	260,385
Translation adjustments	(547)	–	(1)	(548)
Additions during the year	18,444	–	3,230	21,674
Depreciation charge for the year	(23,568)	(3,453)	(846)	(27,867)
Provision	(340)	–	–	(340)
Balance at 31 December 2019	197,502	51,691	4,111	253,304
Balance at 1 January 2020	197,502	51,691	4,111	253,304
Translation adjustments	(252)	–	–	(252)
Additions during the year	94,287	1,648	–	95,935
Depreciation charge for the year	(18,364)	(3,613)	(1,143)	(23,120)
Termination of lease	(660)	–	–	(660)
Impairment losses	(74,191)	–	–	(74,191)
Balance at 31 December 2020	198,322	49,726	2,968	251,016

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

5 RIGHT-OF-USE ASSETS AND LEASES (CONT'D)

	Others[3] $'000	Total $'000
Company		
Balance at 1 January 2019	1,645	1,645
Additions during the year	2,658	2,658
Depreciation charge for the year	(747)	(747)
Balance at 31 December 2019	3,556	3,556
Balance at 1 January 2020	3,556	3,556
Depreciation charge for the year	(1,013)	(1,013)
Balance at 31 December 2020	2,543	2,543

(1) The leases for land and buildings typically run for a period of 1 to 30 years with options to renew the lease for an additional period of the same duration after the end of the contract term. The Group had determined that it is reasonably certain to exercise the extension option for certain leases.

(2) The Group leases tugboats with lease terms of 8 years, and options to purchase the asset at the end of the lease term. The Group had determined that it is reasonably certain to exercise the purchase option.

(3) Others comprise furniture and office equipment.

During the year, right-of-use assets included additional provision for restoration costs amounting to $69,842,000 (2019: $1,659,000) (Note 22).

As part of the Group's transformation and yard consolidation strategy, the Group is scheduled to restore the yard at Tanjong Kling Road ("Tanjong Kling Yard") and return the land to the Singapore Government by 2025. Accordingly, an impairment loss of $74,191,000 (2019: $nil) was recognised as the lease is determined to be onerous once the restoration works commence.

	2020 $'000	2019 $'000
Group		
Amounts recognised in profit or loss		
Interest on lease liabilities	16,410	9,382
Expenses relating to short-term leases	2,223	3,471
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	987	1,317
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	26,985	25,859

Extension options

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The extension options held are exercisable by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $21,072,000 (2019: $16,844,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

5 RIGHT-OF-USE ASSETS AND LEASES (CONT'D)

As a lessor

The Group leases out its marine vessel and has classified these leases as operating leases, because they do not transfer substantially all the risk and rewards incidental to the ownership of the vessel.

The table below sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2020 $'000	2019 $'000
Within 1 year	2,601	5,883

6 INVESTMENT PROPERTIES

	Owned assets $'000	Company Right-of-use assets $'000	Total $'000
Cost			
Balance at 1 January 2019	60,669	78,609	139,278
Additions	–	–	–
Balance at 31 December 2019	60,669	78,609	139,278
Additions	–	82,771	82,771
Balance at 31 December 2020	60,669	161,380	222,049
Accumulated depreciation			
Balance at 1 January 2019	46,929	22,013	68,942
Depreciation for the year	7,707	14,934	22,641
Balance at 31 December 2019	54,636	36,947	91,583
Depreciation for the year	257	8,836	9,093
Impairment losses	–	74,191	74,191
Balance at 31 December 2020	54,893	119,974	174,867
Carrying amounts			
At 1 January 2019	13,740	56,596	70,336
At 31 December 2019	6,033	41,662	47,695
At 31 December 2020	5,776	41,406	47,182

Investment properties comprise owned assets and land leases held as right-of-use assets. The investment properties of the Company are used by the Group in carrying out its principal activities and are reclassified as property, plant and equipment or right-of-use assets at the Group.

As at the reporting date, an impairment loss of $74,191,000 was recognised relating to the yard at Tanjong Kling Road as described in Note 5.

The following amounts are recognised in profit or loss:

	Company 2020 $'000	Company 2019 $'000
Rental income	(14,065)	(66,135)
Operating expenses arising from rental of investment properties	13,668	62,592

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YEAR ENDED 31 DECEMBER 2020

7 INVESTMENTS IN SUBSIDIARIES

	Company 2020 $'000	Company 2019 $'000
Unquoted shares, at cost	3,586,155	1,786,269

Details of the Company's subsidiaries are set out in Note 45. Investments in subsidiaries were tested for impairment and described in Note 44.

8 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	Group 2020 $'000	Group 2019 $'000
Interests in associates	733	695
Less: allowance for impairment loss	(342)	(342)
	391	353
Interests in joint ventures	15,032	14,534
	15,423	14,887

In 2020, the Group did not receive any dividends (2019: received dividends of $49,253,000) from its investments in associates and joint ventures.

Associates

The Group has a number of associates that are individually immaterial to the Group. All are equity accounted. Summarised financial information of associates presented in aggregate, representing the Group's share, is as follows:

	2020 $'000	2019 $'000
Carrying amount	391	353
Profit for the year	38	33
Other comprehensive income	–	–
Total comprehensive income	38	33

Joint ventures

The Group has a number of joint ventures that are individually immaterial to the Group. All are equity accounted. Summarised financial information of joint ventures presented in aggregate, representing the Group's share, is as follows:

	2020 $'000	2019 $'000
Carrying amount	15,032	14,534
Profit/(loss) for the year	475	(1,636)
Other comprehensive income	23	(44)
Total comprehensive income	498	(1,680)

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9 OTHER FINANCIAL ASSETS

	Group 2020 $'000	Group 2019 $'000
(a) Non-current assets		
Financial assets at fair value through other comprehensive income:		
– Unquoted equity shares	2,642	2,642
Cash flow hedges:		
– Forward foreign currency contracts	1,928	7,805
Financial assets at fair value through profit or loss:		
– Forward foreign currency contracts	–	895
	4,570	11,342
(b) Current assets		
Cash flow hedges:		
– Forward foreign currency contracts	14,100	12,832
Financial assets at fair value through profit or loss:		
– Forward foreign currency contracts	19,740	2,988
	33,840	15,820

10 TRADE AND OTHER RECEIVABLES

	Note	2020 Non-current $'000	2020 Current $'000	2020 Total $'000	2019 Non-current $'000	2019 Current $'000	2019 Total $'000
Group							
Trade receivables		1,085,818	422,629	1,508,447	1,059,025	529,359	1,588,384
Amounts due from related parties	11	25,000	4,860	29,860	28,123	5,232	33,355
Staff loans	(a)	–	22	22	–	98	98
GST refundable		–	13,957	13,957	–	17,709	17,709
Interest receivable		–	1	1	–	138	138
Deposits		–	3,709	3,709	–	3,205	3,205
Grant receivables		–	22,800	22,800	–	–	–
Sundry receivables		–	15,526	15,526	–	17,396	17,396
Unbilled receivables		–	12,245	12,245	–	11,581	11,581
Recoverable		–	4,461	4,461	–	13,584	13,584
		1,110,818	500,210	1,611,028	1,087,148	598,302	1,685,450
Loss allowance		(5,267)	(9,902)	(15,169)	–	(156,047)	(156,047)
Financial assets at amortised cost		1,105,551	490,308	1,595,859	1,087,148	442,255	1,529,403
Prepayments and advances		–	127,795	127,795	483	41,045	41,528
		1,105,551	618,103	1,723,654	1,087,631	483,300	1,570,931

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10 TRADE AND OTHER RECEIVABLES (CONT'D)

(a) Staff loans

Staff loans are unsecured and bear interest at 3.0% (2019: 3.0%) per annum.

The impairment losses on trade receivables are as follows:

	2020			2019		
	Gross $'000	Impairment $'000	Total $'000	Gross $'000	Impairment $'000	Total $'000
Group						
Trade receivables	1,508,447	(10,572)	1,497,875	1,588,384	(151,450)	1,436,934

Arising from the settlement agreement which was finalised during the year with the Group's customer who had undergone financial restructuring, the outstanding trade receivables of $145,120,000 had been written off.

	Note	2020			2019		
		Non-current $'000	Current $'000	Total $'000	Non-current $'000	Current $'000	Total $'000
Company							
Amounts due from related parties	11	127,700	20,327	148,027	29,396	194,436	223,832
GST refundable		–	19	19	–	–	–
Sundry deposits		–	1	1	–	–	–
Grant receivables		–	1,341	1,341	–	–	–
Sundry receivables		–	9,753	9,753	–	11,029	11,029
Financial assets at amortised cost		127,700	31,441	159,141	29,396	205,465	234,861
Prepayments and advances		–	278	278	–	2,977	2,977
		127,700	31,719	159,419	29,396	208,442	237,838

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11 AMOUNTS DUE FROM RELATED PARTIES

	Note	Associates and joint ventures 2020 $'000	Associates and joint ventures 2019 $'000	Related companies 2020 $'000	Related companies 2019 $'000	Total 2020 $'000	Total 2019 $'000
Group							
Amounts due from:							
– Trade	(a)	194	510	69	125	263	635
– Loans and advances	(c)	25,000	28,123	–	–	25,000	28,123
		25,194	28,633	69	125	25,263	28,758
Amount due within 1 year	10	(194)	(510)	(69)	(125)	(263)	(635)
	10	25,000	28,123	–	–	25,000	28,123

	Note	Subsidiaries 2020 $'000	Subsidiaries 2019 $'000	Associates and joint ventures 2020 $'000	Associates and joint ventures 2019 $'000	Related companies 2020 $'000	Related companies 2019 $'000	Total 2020 $'000	Total 2019 $'000
Company									
Amounts due from:									
– Trade	(a)	7,015	137,376	21	10	8	8	7,044	137,394
– Non-trade	(b)	13,283	57,042	–	–	–	–	13,283	57,042
– Loans and advances	(c)	127,700	29,396	–	–	–	–	127,700	29,396
		147,998	223,814	21	10	8	8	148,027	223,832
Amount due within 1 year	10	(20,298)	(194,418)	(21)	(10)	(8)	(8)	(20,327)	(194,436)
	10	127,700	29,396	–	–	–	–	127,700	29,396

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

(b) The non-trade amounts due from related parties comprise mainly payments made on their behalf which are unsecured, repayable on demand and interest-free.

(c) At the Group and Company level, the loans and advances to related parties are unsecured and interest-free, except for $25,000,000 (2019: $28,123,000) of loan to a joint venture that bears interest rates ranging from 0.18% to 1.53% (2019: 1.66% to 1.91%) per annum. The loans and advances to related parties are repayable on demand, and settlement of loans and advances to these related parties is neither planned nor likely to occur in the foreseeable future.

The impairment losses on amounts due from associates and joint ventures are as follows:

	2020 Gross $'000	2020 Impairment $'000	2020 Total $'000	2019 Gross $'000	2019 Impairment $'000	2019 Total $'000
Group						
Amounts due from associates and joint ventures	29,791	(4,597)	25,194	33,230	(4,597)	28,633

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12 CONTRACT ASSETS

	Group 2020 $'000	Group 2019 $'000
Contract assets	1,552,526	1,462,340
Loss allowance	(613)	–
	1,551,913	1,462,340

The contract assets mainly relate to the Group's rights to consideration for work completed but not yet billed at reporting date on the long-term contracts for ship and rig building, conversion and repair. The contract assets are transferred to trade receivables when the rights become unconditional. Significant changes in the contract assets balances during the year are as follows:

	2020 $'000	2019 $'000
Transfer from contract assets recognised at the beginning of the year to receivables	(458,200)	(710,569)
Recognition of revenue, net of recognised in receivables	548,273	1,174,215
Impairment loss on contract assets	613	–

13 INTANGIBLE ASSETS

	Note	Goodwill $'000	Club memberships $'000	Intellectual property rights $'000	Designs under development $'000	Total $'000
Group						
Cost						
Balance at 1 January 2019		13,722	590	283,184	–	297,496
Translation adjustments		(37)	–	(295)	–	(332)
Additions		–	–	9,004	–	9,004
Reclassification	(a)	–	–	–	49,511	49,511
Acquisition of subsidiary and intellectual property rights	38	852	–	5,829	–	6,681
Balance at 31 December 2019		14,537	590	297,722	49,511	362,360
Balance at 1 January 2020		14,537	590	297,722	49,511	362,360
Translation adjustments		(38)	–	49	–	11
Additions		–	–	–	2,589	2,589
Balance at 31 December 2020		14,499	590	297,771	52,100	364,960
Accumulated amortisation and impairment losses						
Balance at 1 January 2019		2,563	468	85,531	–	88,562
Translation adjustments		(4)	–	(69)	–	(73)
Amortisation for the year		–	–	27,530	–	27,530
Balance at 31 December 2019		2,559	468	112,992	–	116,019
Balance at 1 January 2020		2,559	468	112,992	–	116,019
Translation adjustments		(5)	–	18	–	13
Amortisation for the year		–	–	27,929	–	27,929
Balance at 31 December 2020		2,554	468	140,939	–	143,961
Carrying amounts						
At 1 January 2019		11,159	122	197,653	–	208,934
At 31 December 2019		11,978	122	184,730	49,511	246,341
At 31 December 2020		11,945	122	156,832	52,100	220,999

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13 INTANGIBLE ASSETS (CONT'D)

(a) In prior year, engineering designs under development of $49,511,000 was reclassified from contract costs to intangible assets as management had re-assessed that the costs incurred met the criteria for recognition as development costs as these relate to technical knowledge gained from development activities that are not contract specific and will give rise to future economic benefits.

	Club memberships	
	2020 $'000	2019 $'000
Company		
Cost		
Balance at 1 January and 31 December	590	590
Accumulated impairment losses		
Balance at 1 January and 31 December	468	468
Carrying amounts		
At 1 January and 31 December	122	122

Amortisation

The amortisation of intangible assets amounting to $27,929,000 (2019: $27,530,000) is included in cost of sales.

Goodwill

Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments. The aggregate carrying amounts of goodwill allocated to each segment are as follows:

	Group	
	2020 $'000	2019 $'000
Rigs and floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding	10,922	10,955
Others	1,023	1,023
Total	11,945	11,978

Intellectual property rights

Intellectual property rights relate to acquired patents for the Jurong Espadon Drillship, Satellite Services Platform offshore designs, re-deployable modularised LNG and LPG solutions, and geostationary cylindrical hull design.

Impairment test assessment

The goodwill, intellectual property rights and designs under development are attributed to the "rigs and floaters, repairs & upgrades, offshore platforms and specialised shipbuilding" operating segment. Within this operating segment, there are two key cash generating units in Singapore and Brazil subject to impairment test described in Note 44. Such goodwill, intellectual property rights and designs under development are attributed to the Singapore cash generating unit.

14 DEFERRED TAX ASSETS AND LIABILITIES

	At 1 January 2019* $'000	Recognised in profit or loss (Note 32) $'000	Acquisition $'000	Recognised in other comprehensive income (Note 33) $'000	Translation adjustments/ Others $'000	At 31 December 2019 $'000	Recognised in profit or loss (Note 32) $'000	Recognised in other comprehensive income (Note 33) $'000	Translation adjustments/ Others $'000	At 31 December 2020 $'000
Group										
Deferred tax liabilities										
Property, plant and equipment	111,614	(22,829)	–	–	(3)	88,782	(16,055)	–	–	72,727
Other financial assets	1,649	(1)	–	641	–	2,289	–	(1,537)	–	752
Unutilised tax losses, capital and investment allowances	–	15	–	–	–	15	(15)	–	–	–
Intangible assets	35,607	(5,869)	600	–	1,034	31,372	(3,621)	–	–	27,751
Provisions	–	613	–	–	–	613	247	–	–	860
Other items	10	–	–	–	–	10	1,811	–	(57)	1,764
	148,880	(28,071)	600	641	1,031	123,081	(17,633)	(1,537)	(57)	103,854
Deferred tax assets										
Property, plant and equipment	(3,870)	746	–	–	34	(3,090)	468	–	9	(2,613)
Trade and other receivables	(810)	485	–	–	–	(325)	(1,271)	–	29	(1,567)
Trade and other payables	(13,112)	(4,056)	–	–	–	(17,168)	(10,216)	–	3	(27,381)
Unutilised tax losses, capital and investment allowances	(84,691)	(1,808)	–	–	30	(86,469)	(45,447)	–	229	(131,687)
Provisions	(14,770)	(1,236)	–	–	10	(15,996)	(8,860)	–	(4)	(24,860)
Other financial liabilities	(960)	–	–	960	–	–	–	(136)	–	(136)
Other items	(803)	566	–	(2)	–	(239)	(5,802)	–	–	(6,041)
	(119,016)	(5,303)	–	958	74	(123,287)	(71,128)	(136)	266	(194,285)
Net deferred tax (assets)/liabilities	29,864	(33,374)	600	1,599	1,105	(206)	(88,761)	(1,673)	209	(90,431)
Company										
Deferred tax liabilities										
Property, plant and equipment	9,185	(7,549)	–	–	–	1,636	(788)	–	–	848
Deferred tax assets										
Trade and other payables	(434)	(35)	–	–	–	(469)	(2,403)	–	–	(2,872)
Unutilised tax losses, capital and investment allowances	(340)	340	–	–	–	–	–	–	–	–
Provisions	(3,436)	(1,113)	–	–	–	(4,549)	(9,986)	–	–	(14,535)
	(4,210)	(808)	–	–	–	(5,018)	(12,389)	–	–	(17,407)
Net deferred tax (assets)/liabilities	4,975	(8,357)	–	–	–	(3,382)	(13,177)	–	–	(16,559)

* Included deferred tax assets of $279,000 arising from transitional adjustments on adoption of SFRS(I) 16 on 1 January 2019.

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14 DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax liabilities	26,852	28,989	–	–
Deferred tax assets	(117,283)	(29,195)	(16,559)	(3,382)
	(90,431)	(206)	(16,559)	(3,382)

As at 31 December 2020, a deferred tax liability of $6,042,000 (2019: $9,456,000) for temporary difference of $57,203,000 (2019: $92,847,000) related to investments in subsidiaries was not recognised because the Group can control the timing of reversal of the taxable temporary differences for all subsidiaries and the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax assets have not been recognised by certain subsidiaries in respect of the following items:

	Group	
	2020 $'000	2019 $'000
Deductible temporary differences	263	277
Tax losses	805,115	524,109
Capital allowances	307	458
	805,685	524,844

The deductible temporary differences, the remaining tax losses and the capital allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of the above in accordance with Note 3.16 and under the following circumstances:

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

(b) Where it is uncertain that future taxable profit, subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions, will be available against which certain subsidiaries of the Group can utilise the benefits.

The recognition of deferred tax assets on unutilised tax losses, capital and investment allowances of $45,447,000 (2019: $1,808,000) is presumed on the Group's ability to generate future taxable profits in the foreseeable future.

The Group has relied on its financial forecast for the next 5 years to estimate the future taxable profits against which the deferred tax assets recognised will be utilised. Key drivers of the forecast include the order book and the project margins forecasted. The Group has been in active discussions with customers on the resumption of activities, including final investment decisions on deferred projects. The Group has also been proactively diversifying and expanding into new markets, using its core capabilities in innovative engineering to perform early engineering design for the customers, and actively participating in the greener energy market segments, such as Renewable Energy and Gas Solutions, as well as in the Process Solutions market segment (including FPSOs and FPUs). With the resumption of activities at the yards in the second half of the year, the Group has also experienced an increase in enquiries and orders for repair and upgrade works. Based on the aforementioned, coupled with cost optimisation measures implemented, the Group forecasts it will generate future taxable profits in the foreseeable future.

These forecasts are however subject to significant estimation uncertainty. Information about the sources of estimation uncertainty are disclosed in Note 44(b) and Note 44(d).

NOTES TO THE FINANCIAL STATEMENTS

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15 INVENTORIES

	Group	
	2020 $'000	2019 $'000
Raw materials	93,895	112,813
Finished goods	466	295
	94,361	113,108

In 2020, raw materials and changes in finished goods included as cost of sales amounted to $661,626,000 (2019: $976,871,000). During the year, there was a net write-down of inventories to net realisable value of $34,179,000 (2019: write-back of $651,000) relating to raw materials, included in cost of sales.

16 CONTRACT COSTS

	Group	
	2020 $'000	2019 $'000
Current assets		
Contract costs		
– Fulfilment cost	52,703	88,640

Under SFRS(I) 15, costs incurred relating to ship and rig building that are to be sold upon completion had been capitalised as fulfilment cost for future performance obligations. These costs are expected to be recoverable and are amortised to the profit or loss when the related revenue is recognised. In 2020, $169,849,000 (2019: $559,250,000) was amortised and no impairment loss (2019: $nil) had been recognised.

In prior year, engineering designs under development of $49,511,000 was reclassified from contract costs to intangible assets.

17 ASSETS HELD FOR SALE

		Group	
	Note	2020 $'000	2019 $'000
Property, plant and equipment	(a)	–	985

In 2019, the Group's subsidiary, SES Engineering (M) Sdn Bhd reclassified a workshop in Malaysia from property, plant and equipment to assets held for sale. The sale was completed on 25 February 2020. A gain on disposal of $501,000 was recognised in profit or loss during the year.

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18 CASH AND CASH EQUIVALENTS

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Fixed deposits	(a)	5,747	5,256	–	–
Cash and bank balances	(b)	766,679	383,994	499,024	40,233
Cash and cash equivalents		772,426	389,250	499,024	40,233

(a) Fixed deposits with banks of the Group earn interest at rates ranging from 1.20% to 4.38% (2019: 0.65% to 6.26%) per annum.

(b) Included in the Group's cash and bank balances at the balance sheet date are amounts of $512,605,150 (2019: $48,039,497) placed with a bank under the Group's cash pooling arrangement by the Company. During the year, the cash pooling balances earn interest rates ranging from 0.136% to 1.199% (2019: 1.21% to 1.61%) per annum, which are also the effective interest rates. The remaining bank balances during the year earn interest at floating rates based on daily bank deposit rates of up to 1.55% (2019: up to 2.35%) and up to 0.55% (2019: up to 0.55%) per annum, for the Group and the Company respectively, which are also the effective interest rates.

Included in the Group's cash and bank balances are amounts of $nil (2019: $204,628,000) placed with a related corporation. The Company's cash and bank balances of $nil (2019: $19,948,000) are also placed with a related corporation.

19 TRADE AND OTHER PAYABLES

		Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
(a)	**Current liabilities**					
	Trade and accrued payables[1]		1,000,300	1,268,085	6,258	10,783
	Advance payments from customers		–	463	–	–
	Amounts due to related parties – Trade	20	3,072	5,018	2,081	4,498
			1,003,372	1,273,566	8,339	15,281
	Deposits received		1,759	1,888	–	26
	GST payables		812	550	–	72
	Interest payable[2]		10,340	17,382	134	155
	Other creditors		10,317	13,195	437	474
	Deferred grant income[3]		18,666	–	1,892	–
	Accrued capital expenditure		6,646	8,003	–	–
	Amounts due to related parties – Non-trade	20	357	26,426	9,812	16,012
			48,897	67,444	12,275	16,739
	Total		1,052,269	1,341,010	20,614	32,020
(b)	**Non-current liabilities**					
	Other long-term payables[4]		5,982	6,000	4,002	4,002

(1) Included in the Group's accrued payables are amounts of $11,000,000 (2019: $11,000,000) relating to an assumption of liabilities on behalf of a joint venture.

(2) Included in the Group's interest payable are amounts of $nil (2019: $3,901,000) payable to a related corporation.

(3) The Group has been awarded government grants under the Jobs Support Scheme and Enhanced Wage Credit Scheme, which provide wage support to the Group employees to help the Group retain local employees as part of the COVID-19 Government Relief Measure. Grant income from the Jobs Support Scheme is recognised in profit or loss on a systematic basis over the 17-month period from April 2020 to August 2021 in which the Group recognises the related salary costs.

(4) Other long-term payables include deferred grants and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

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20 AMOUNTS DUE TO RELATED PARTIES

	Note	Immediate holding company 2020 $'000	Immediate holding company 2019 $'000	Associates and joint ventures 2020 $'000	Associates and joint ventures 2019 $'000	Related companies 2020 $'000	Related companies 2019 $'000	Total 2020 $'000	Total 2019 $'000
Group									
Amounts due to:									
– Trade		–	514	1,037	2,022	2,035	2,482	3,072	5,018
– Non-trade		–	–	357	21	–	26,405	357	26,426
	19	–	514	1,394	2,043	2,035	28,887	3,429	31,444

	Note	Immediate holding company 2020 $'000	Immediate holding company 2019 $'000	Subsidiaries 2020 $'000	Subsidiaries 2019 $'000	Related companies 2020 $'000	Related companies 2019 $'000	Total 2020 $'000	Total 2019 $'000
Company									
Amounts due to:									
– Trade		–	514	2,081	3,872	–	112	2,081	4,498
– Non-trade		–	–	9,812	16,012	–	–	9,812	16,012
	19	–	514	11,893	19,884	–	112	11,893	20,510

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

NOTES TO THE FINANCIAL STATEMENTS

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21 CONTRACT LIABILITIES

	Group 2020 $'000	Group 2019 $'000
Current liabilities		
Contract liabilities	154,288	60,186

The contract liabilities primarily relate to the advance consideration received from customers amounting to $109,124,000 (2019: $36,479,000) for which revenue is recognised over time, and $45,164,000 (2019: $23,707,000) for which revenue is recognised at point in time.

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

	2020 $'000	2019 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	(36,432)	(123,987)
Increases due to cash received, excluding amounts recognised as revenue during the year	131,827	44,896

22 PROVISIONS

	Retirement gratuities $'000	Warranty $'000	Restoration costs $'000	Onerous contract $'000	Total $'000
Group					
2020					
Balance at 1 January	1,242	42,104	79,908	–	123,254
Translation adjustments	(34)	(12)	(86)	–	(132)
Provision made during the year	115	3,889	69,842	1,811	75,657
Provision reversed during the year	(97)	(11,548)	(1,676)	–	(13,321)
Provision utilised during the year	(159)	(2,062)	(3,287)	(292)	(5,800)
Unwind of discount on restoration costs	–	–	1,147	–	1,147
Balance at 31 December	1,067	32,371	145,848	1,519	180,805
Provisions due:					
– within 1 year	155	32,371	4,510	969	38,005
– after 1 year but within 5 years	149	–	101,642	550	102,341
– after 5 years	763	–	39,696	–	40,459
	1,067	32,371	145,848	1,519	180,805
2019					
Balance at 1 January	935	57,916	78,885	–	137,736
Translation adjustments	4	53	12	–	69
Provision made during the year	480	8,989	1,659	–	11,128
Provision reversed during the year	–	(23,893)	–	–	(23,893)
Provision utilised during the year	(177)	(961)	(2,203)	–	(3,341)
Unwind of discount on restoration costs	–	–	1,555	–	1,555
Balance at 31 December	1,242	42,104	79,908	–	123,254
Provisions due:					
– within 1 year	151	14,568	1,714	–	16,433
– after 1 year but within 5 years	311	27,536	47,401	–	75,248
– after 5 years	780	–	30,793	–	31,573
	1,242	42,104	79,908	–	123,254

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22 PROVISIONS (CONT'D)

	Restoration costs 2020 $'000	Restoration costs 2019 $'000
Company		
Balance at 1 January	26,759	26,094
Provision made during the year	58,570	–
Unwind of discount	169	665
Balance at 31 December	85,498	26,759
Provisions due:		
– after 1 year but within 5 years	85,498	26,759
– after 5 years	–	–
	85,498	26,759

Warranty

Provision for warranties relate to contracts with contractual warranty terms. The provision for warranty is based on estimates made from historical warranty data associated with similar projects and adjusted by weighting all possible outcomes by their associated probabilities.

The non-current portion of the provision for warranty is for contracts with contractual warranty periods that will lapse within 2 to 3 years from the reporting date.

Restoration costs

Restoration costs relate to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The Group expects to incur the liability upon termination of the leases.

23 OTHER FINANCIAL LIABILITIES

		Group 2020 $'000	Group 2019 $'000
(a)	**Current liabilities**		
	Cash flow hedges:		
	– Forward foreign currency contracts	3,235	2,332
	– Interest rate swaps	819	5,371
	Financial liabilities at fair value through profit or loss:		
	– Forward foreign currency contracts	688	–
		4,742	7,703
(b)	**Non-current liabilities**		
	Cash flow hedges:		
	– Forward foreign currency contracts	–	1,209
	– Interest rate swaps	–	995
	Financial liabilities at fair value through profit or loss:		
	– Forward foreign currency contracts	722	–
		722	2,204

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24 INTEREST-BEARING BORROWINGS AND SUBORDINATED LOAN

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Current liabilities					
Unsecured term loans					
– Floating rate		1,295,746	1,371,620	–	–
– Fixed rate		825,648	50,000	50,000	50,000
		2,121,394	1,421,620	50,000	50,000
Non-current liabilities					
Unsecured term loans	(a)				
– Floating rate		1,103,400	879,172	–	–
– Fixed rate		325,000	600,000	–	–
Subordinated loan	(b)	–	1,500,000	–	–
		1,428,400	2,979,172	–	–
		3,549,794	4,400,792	50,000	50,000

Of the Group's interest-bearing borrowings, $nil (2019: $556,000,000) were borrowed from a related corporation.

Effective interest rates and maturity of liabilities

	Group 2020 %	Group 2019 %
Floating rate loans	1.26 – 4.66	2.33 – 6.43
Fixed rate loans	0.25 – 3.02	2.06 – 5.53
Notes	2.95 – 3.85	2.95 – 3.85

	Group 2020 $'000	Group 2019 $'000
Within 1 year	2,121,394	1,421,620
After 1 year but within 5 years	1,103,400	2,654,172
After 5 years	325,000	325,000
Total borrowings	3,549,794	4,400,792

(a) Unsecured term loans

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

On 18 August 2014, the Company updated its $2,000,000,000 Multicurrency Multi-issuer Debt Issuance Programme (the "Programme") to include perpetual securities as one of the debt instruments under the Programme.

Under the updated Programme, the Company, together with its subsidiaries - Jurong Shipyard Pte Ltd, Sembcorp Marine Repairs and Upgrades Pte Ltd and Sembcorp Marine Offshore Platforms Pte Ltd ("Issuing Subsidiaries"), may from time to time issue notes (the "Notes") and/or perpetual securities (the "Perpetual Securities", and together with the Notes, the "Securities") denominated in Singapore dollars and/or any other currency as the relevant Issuer and the relevant dealer may agree. The obligations in respect of Securities issued by the Issuing Subsidiaries will be unconditionally and irrevocably guaranteed by the Company.

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24 INTEREST-BEARING BORROWINGS AND SUBORDINATED LOAN (CONT'D)

(a) Unsecured term loans (cont'd)

In 2014, Jurong Shipyard Pte Ltd issued the following medium term notes under the Programme:

	Nominal interest rate	Year of issue	Year of maturity	Principal amount $'000
S$ medium term notes	2.95%	2014	2021	275,000
S$ medium term notes	3.85%	2014	2029	325,000
				600,000

As at 31 December 2020, an amount of $nil (2019: $167,500,000) for the medium term notes maturing in 2021 was subscribed by a related corporation.

(b) Subordinated loan

On 21 June 2019, the Company's subsidiary, Sembcorp Marine Financial Services Pte. Ltd., secured a five-year subordinated loan facility from Sembcorp Financial Services Pte. Ltd., a subsidiary of Sembcorp Industries Ltd of $2,000,000,000, of which $1,500,000,000 was drawn down on 8 July 2019 to retire short term borrowings and re-profile the remaining borrowings with longer term maturities.

The details of the loan facility are as follows:

Borrower	:	Sembcorp Marine Financial Services Pte. Ltd.
Guarantor	:	Sembcorp Marine Ltd
Lender	:	Sembcorp Financial Services Pte. Ltd.
Loan amount	:	Facility A: $1,500,000,000 Facility B: $500,000,000
Maturity dates	:	Facility A: 8 July 2024 Facility B: 5 years from drawdown
Interest payment dates	:	Facility A: Payable semi-annually in arrear Facility B: One, three or six months
Interest rate	:	Facility A: Fixed rate @ 3.55% per annum Facility B: SOR + 1.91% per annum
Undertakings	:	Customary undertakings such as negative pledge with agreed carve outs, restrictions in borrowings and dividend payments, while not restricting its ability to conduct its business efficiently

During the year, the Company carried out a recapitalisation via a rights issue exercise. The gross proceeds from the rights issue was $2,092,538,000, of which $1,500,000,000 had been used to settle the outstanding principal under the subordinated loan. The amount was settled through set-off of loan against receivable from Sembcorp Industries Ltd for the rights shares subscribed by it, and the five-year subordinated loan facility lapsed upon completion of the rights issue.

NOTES TO THE FINANCIAL STATEMENTS

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24 INTEREST-BEARING BORROWINGS AND SUBORDINATED LOAN (CONT'D)

(b) Subordinated loan (cont'd)

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

	Interest-bearing borrowings $'000	Lease liabilities $'000	Total $'000
Group			
Balance at 1 January 2020	4,400,792	278,098	4,678,890
Cash flows			
Cash payments	(1,736,533)	(26,985)	(1,763,518)
Cash payments on termination	–	(50)	(50)
Cash proceeds	2,397,351	–	2,397,351
Non-cash items			
Settled by issue of rights shares	(1,500,000)	–	(1,500,000)
Additions	–	25,237	25,237
Capitalised borrowing cost	–	16,410	16,410
Termination	–	(658)	(658)
Foreign exchange movement	(11,816)	(485)	(12,301)
Balance at 31 December 2020	3,549,794	291,567	3,841,361
Balance at 1 January 2019	4,227,445	274,057	4,501,502
Cash flows			
Cash payments	(2,547,941)	(25,859)	(2,573,800)
Cash proceeds	2,732,839	–	2,732,839
Non-cash items			
Additions	–	21,674	21,674
Capitalised borrowing cost	–	9,382	9,382
Foreign exchange movement	(11,551)	(1,156)	(12,707)
Balance at 31 December 2019	4,400,792	278,098	4,678,890

NOTES TO THE FINANCIAL STATEMENTS

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25 SHARE CAPITAL

	Group and Company No. of ordinary shares 2020	2019
Issued and fully paid, with no par value:		
Balance at 1 January	2,090,904,569	2,089,760,107
Restricted shares released	2,050,445	1,144,462
Rights issue	10,462,690,870	–
Balance at 31 December	12,555,645,884	2,090,904,569

The holders of ordinary shares (excluding treasury 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 (excluding treasury shares) rank equally with regard to the Company's residual assets.

The Company did not issue (2019: issued 745,644) treasury shares during the year pursuant to its share based incentive plans (Note 37).

On 11 September 2020, the Company issued 5 rights shares for every 1 existing ordinary share in the capital of the Company at $0.20 per rights share held by the shareholders of the Company. The Company raised gross proceeds of $2,092,538,000 from the rights issue, with SCI subscribing $1,500,000,000 of rights shares from the rights issue which was settled via set off against the $1,500,000,000 outstanding under its subordinated loan extended to the Company.

After the completion of rights issue, SCI distributed its stake in the Company to its shareholders on a *pro rata* basis as dividends, resulting in a demerger of the Company from SCI.

26 OTHER RESERVES

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Distributable					
Reserve for own shares	(a)	(771)	(771)	(771)	(771)
Non-distributable					
Currency translation reserve	(b)	(32,334)	(27,455)	–	–
Share-based payments reserve	(c)	(25,157)	(24,519)	(23,050)	(22,412)
Hedging reserve	(d)	2,390	9,432	–	–
Capital reserves	(e)	(1,683)	(1,683)	960	960
		(57,555)	(44,996)	(22,861)	(22,223)

(a) Reserve for own shares comprises the cost of the Company's shares held by the Company. As at 31 December 2020, the Company holds 416,840 (2019: 416,840) of its own shares as treasury shares.

(b) The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.

(c) Share-based payments reserve comprises the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and performance based restricted shares. The expense for service received is recognised over the performance period and/or vesting period.

(d) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

(e) Capital reserves comprise mainly reserves arising from acquisition and disposals of non-controlling interests that do not result in a change of control.

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27 TURNOVER

Turnover represents sales from the various activities described in Note 1 and Note 45, including the revenue recognised on contracts relating to rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding.

	Group 2020 $'000	Group 2019 $'000
Contract revenue	1,485,290	2,871,362
Charter hire income	22,492	2,224
Services rendered	–	4,441
Sale of goods	2,498	4,533
	1,510,280	2,882,560

(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 and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 43).

	Reportable segments			
	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Total $'000
Primary geographical markets				
2020				
Singapore	228,101	7,111	2,498	237,710
United Kingdom	120,678	–	–	120,678
Norway	207,971	–	–	207,971
France	47,022	–	–	47,022
The Netherlands	8,084	15,381	–	23,465
Brazil	148,484	–	–	148,484
U.S.A.	274,357	–	–	274,357
Other countries	450,593	–	–	450,593
Total	1,485,290	22,492	2,498	1,510,280
2019				
Singapore	160,665	–	8,974	169,639
United Kingdom	175,200	–	–	175,200
Norway	667,640	–	–	667,640
France	350,015	–	–	350,015
The Netherlands	71,396	2,224	–	73,620
Brazil	358,604	–	–	358,604
U.S.A.	823,732	–	–	823,732
Other countries	264,110	–	–	264,110
Total	2,871,362	2,224	8,974	2,882,560

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

27 TURNOVER (CONT'D)

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

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Total $'000
2020				
Major product and service lines				
Ship and rig building or conversion	673,763	–	–	673,763
Repair, maintenance and related services	424,639	–	–	424,639
Offshore platforms	310,067	–	–	310,067
Specialised shipbuilding	55,481	–	–	55,481
Charter hire	–	22,492	–	22,492
Sale of goods	–	–	2,498	2,498
Others	21,340	–	–	21,340
Total	1,485,290	22,492	2,498	1,510,280
Timing of revenue recognition				
Control transferred over time	1,440,072	22,492	–	1,462,564
Control transferred at a point in time	45,218	–	2,498	47,716
Total	1,485,290	22,492	2,498	1,510,280
2019				
Major product and service lines				
Ship and rig building or conversion	2,103,752	–	–	2,103,752
Repair, maintenance and related services	605,431	–	–	605,431
Offshore platforms	130,538	–	–	130,538
Charter hire	–	2,224	–	2,224
Services rendered	–	–	4,441	4,441
Sale of goods	–	–	4,533	4,533
Others	31,641	–	–	31,641
Total	2,871,362	2,224	8,974	2,882,560
Timing of revenue recognition				
Control transferred over time	2,608,475	2,224	4,441	2,615,140
Control transferred at a point in time	262,887	–	4,533	267,420
Total	2,871,362	2,224	8,974	2,882,560

NOTES TO THE FINANCIAL STATEMENTS

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27 TURNOVER (CONT'D)

(b) Transaction price allocated to remaining performance obligation

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at reporting date:

	Estimated based on expected project progress			
Reportable segments	Within the next 12 months $'000	Between 1 to 5 years $'000	More than 5 years $'000	Total $'000
2020				
Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	1,313,110	193,337	–	1,506,447
2019				
Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding	1,787,480	648,773	–	2,436,253

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less, as allowed by SFRS(I) 15.

28 OPERATING LOSS

Detailed below are the key amounts recognised in arriving at operating loss:

	Note	Group 2020 $'000	Group 2019 $'000
Amortisation of intangible assets	13	27,929	27,530
Audit fees paid/payable			
– auditors of the Company		656	579
– other member firms of KPMG International		369	355
Non-audit fees paid/payable			
– auditors of the Company		35	83
– other member firms of KPMG International		42	16
Allowance for/(write-back of) doubtful debts and bad debts, net		9,020	(338)
Depreciation of property, plant and equipment, and right-of-use assets	4, 5	173,800	214,938
Negative goodwill		–	(4,999)[1]
Changes in fair value of financial instruments		(19,764)	(2,619)
Foreign currency exchange loss, net		20,579	3,357
(Gain)/loss on disposal of property, plant and equipment, net		(947)	2,428
Impairment losses on property, plant and equipment	4	48,989	541
Impairment losses on right-of-use assets	5	74,191	–
Inventories written down/(back), net	15	34,179	(651)
Property, plant and equipment written off		43	3,042
Government grants		(95,685)	(710)
Staff costs	(a)	353,812	415,677

(1) Arose mainly due to fair value adjustments on completion of valuation and final allocation of purchase price for acquisitions of subsidiary and intellectual property rights in 2018. Purchase price adjustments, which are non-cash in nature, made during the measurement period had not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects, were immaterial to the Group.

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28 OPERATING LOSS (CONT'D)

	Group 2020 $'000	Group 2019 $'000
(a) Staff costs		
Salaries and bonus	284,203	342,679
Defined contribution plan	28,689	37,947
Equity-settled share-based payments	1,466	3,472
Cash-settled share-based payments	(5)	(1,204)
Directors' fee	1,970	2,010
Other employee benefits	37,489	30,773
	353,812	415,677

29 FINANCE INCOME AND FINANCE COSTS

	Group 2020 $'000	Group 2019 $'000
Finance income		
Interest income from:		
– Trade receivables and contracts with customers	49,466	85,508
– Fixed deposits and bank balances	1,957	7,021
– Joint venture	202	531
	51,625	93,060
Net dividend from unquoted investment	–	215
	51,625	93,275
Finance costs		
Interest expense on lease liabilities	16,410	9,382
Interest paid and payable to:		
– Bank and others	113,298	113,838
– Commitment and facility fee	10,947	5,252
Unwind of discount on restoration costs	1,147	1,555
	141,802	130,027

30 NON-OPERATING INCOME

	Group 2020 $'000	Group 2019 $'000
Non-operating income:		
– Gain on disposal of a joint venture	–	185
– Gain on disposal of asset held for sale	501	–
	501	185

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31 SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

	Note	Group 2020 $'000	Group 2019 $'000
Share of loss before tax for the year		948	(1,130)
Share of tax for the year		(435)	(473)
	32	513	(1,603)

32 TAX CREDIT

	Note	Group 2020 $'000	Group 2019 $'000
Current tax expense/(credit)			
Current year		4,028	4,168
Under/(over) provided in prior years		1,233	(7,567)
		5,261	(3,399)
Deferred tax expense/(credit)			
Movements in temporary differences		(89,709)	(31,028)
Under/(over) provided in prior years		948	(2,346)
		(88,761)	(33,374)
Tax credit		(83,500)	(36,773)

Reconciliation of effective tax rate

	Note	Group 2020 $'000	Group 2019 $'000
Loss for the year		(587,208)	(140,187)
Tax credit		(83,500)	(36,773)
Share of results of associates and joint ventures	31	(513)	1,603
Loss before share of results of associates and joint ventures, and tax credit		(671,221)	(175,357)
Tax calculated using Singapore tax rate of 17% (2019: 17%)		(114,108)	(29,811)
Exempt income, capital gains and tax incentives/concessions		(15,258)	(13,779)
Effect of different tax rates in foreign jurisdictions		(11,268)	1,284
Tax adjustment on changes in undistributed profits from foreign entities		(82,767)	(12,013)
Effect on utilisation of deferred tax assets not previously recognised		(103)	(601)
Non-deductible expenses		30,814	6,978
Under/(over) provision in respect of prior years		2,181	(9,913)
Deferred tax assets not recognised		106,990	21,036
Others		19	46
Tax credit		(83,500)	(36,773)

As at 31 December 2020, certain subsidiaries have unutilised tax losses and capital and investment allowances of $805,422,000 (2019: $524,567,000) and other deductible temporary differences of $263,000 (2019: $277,000) that have not been recognised and are available for set-off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

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33 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are set out below:

	2020			2019		
	Before tax $'000	Tax expense $'000	Net of tax $'000	Before tax $'000	Tax expense $'000	Net of tax $'000
Group						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation differences for foreign operations	(4,814)	–	(4,814)	(12,823)	–	(12,823)
Net change in fair value of cash flow hedges	(19,220)	3,459	(15,761)	15,559	(2,776)	12,783
Net change in fair value of cash flow hedges transferred to profit or loss	10,505	(1,786)	8,719	(6,926)	1,177	(5,749)
Realisation of reserve upon disposal of subsidiaries	–	–	–	(539)	–	(539)
Other comprehensive income	(13,529)	1,673	(11,856)	(4,729)	(1,599)	(6,328)

34 NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests:

Name of company	Country of incorporation	Operating segment	Ownership interests held by non-controlling interests 2020 %	2019 %
Gravifloat AS	Norway	Engineering and related services	44	44

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34 NON-CONTROLLING INTERESTS (CONT'D)

The following summarises the financial information of each of the Group's subsidiaries with material non-controlling interest, based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	Gravifloat AS $'000	Other individually immaterial subsidiaries $'000	Intra-group elimination $'000	Total $'000
31 December 2020				
Revenue	–			
Loss for the year	(10,481)			
Other comprehensive income	1			
Total comprehensive income	(10,480)			
Attributable to non-controlling interests:				
Loss for the year	(4,612)	(86)	–	(4,698)
Other comprehensive income	–*	65	–	65
Total comprehensive income	(4,612)	(21)	–	(4,633)
Non-current assets	69,450			
Current assets	46			
Non-current liabilities	(15,293)			
Current liabilities	(59)			
Net assets	54,144			
Net assets attributable to non-controlling interests	23,824	4,927	–	28,751
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			
31 December 2019				
Revenue	–			
Loss for the year	(7,667)			
Other comprehensive income	(40)			
Total comprehensive income	(7,707)			
Attributable to non-controlling interests:				
Loss for the year	(3,374)	361	–	(3,013)
Other comprehensive income	(18)	(172)	–	(190)
Total comprehensive income	(3,392)	189	–	(3,203)
Non-current assets	82,906			
Current assets	13			
Non-current liabilities	(18,253)			
Current liabilities	(80)			
Net assets	64,586			
Net assets attributable to non-controlling interests	28,418	5,052	–	33,470
Cash flows from operating activities	–*			
Cash flows from investing activities	–*			
Cash flows from financing activities	–*			
Net decrease in cash and cash equivalents	–*			

* Amount is immaterial to meaningfully disclose it.

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35 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to owners of the Company of $582,510,000 (2019: $137,174,000) by the weighted average number of ordinary shares outstanding of 5,353,182,000 (2019: 2,169,699,000) as follows:

	Group	
	2020 $'000	2019* $'000
Loss attributable to owners of the Company	(582,510)	(137,174)

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	2,169,699	2,089,760
Effect of performance shares and restricted shares released	1,025	419
Effect of own shares held	(417)	(1,162)
Effect of rights issue	2,615,673	–
Effect of bonus factor	567,202	80,682
Weighted average number of ordinary shares during the year	5,353,182	2,169,699

* With the completion of the issuance of rights shares on 11 September 2020, prior year comparatives for earnings per share were restated per SFRS(I)1-33 through retrospective application of a bonus factor to the weighted average number of shares. The bonus factor is derived from the division of fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value.

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the loss attributable to owners of the Company of $582,510,000 (2019: $137,174,000) by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 5,353,182,000 (2019: 2,169,699,000) as follows:

	Group	
	2020 $'000	2019 $'000
Loss attributable to owners of the Company	(582,510)	(137,174)

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	5,353,182	2,169,699
Effect of dilutive shares	–*	–*
Weighted average number of ordinary shares during the year	5,353,182	2,169,699

* Effect of dilutive shares is immaterial to meaningfully disclose it.

For the purpose of calculating diluted earnings per ordinary share, the weighted average number of ordinary shares outstanding is adjusted for the effects of dilutive potential ordinary shares.

36 DIVIDENDS

No dividends had been declared or proposed in respect of the year ended 31 December 2020 and 31 December 2019.

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37 SHARE-BASED INCENTIVE PLANS

Following the expiry of the Company's Performance Share Plan 2010 ("SCM PSP 2010") and Restricted Share Plan ("SCM RSP 2010"), the Company's Performance Share Plan ("SCM PSP 2020") and Restricted Share Plan ("SCM RSP 2020") (collectively, the "2020 Share Plans") were approved and adopted by the shareholders at the Annual General Meeting of the Company held on 20 May 2020.

The SCM RSP 2020 is the incentive scheme for directors and employees of the Company and its subsidiaries (the "Group") whereas the SCM PSP 2020 is aimed primarily at key executives of the Group.

The 2020 Share Plans are intended to increase the Company's flexibility and effectiveness in its continuing efforts to attract, retain and incentivise participants to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to past contributions and services; as well as motivating participants to contribute to the long-term prosperity of the Group. The 2020 Share Plans will strengthen the Company's competitiveness in attracting and retaining talented key senior management and senior executives.

The SCM RSP 2020 is intended to apply to a broad base of senior executives as well as to the non-executive directors, while the SCM PSP 2020 is intended to apply to a select group of key senior management. Generally, it is envisaged that the range of performance targets to be set under the SCM RSP 2020 and the SCM PSP 2020 will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer term growth.

The 2020 Share Plans will provide incentives to high performing key senior management and senior executives to excel in their performance and encourage greater dedication and loyalty to the Company. Through the 2020 Share Plans, the Company will be able to motivate key senior management and senior executives to continue to strive for the Group's long-term shareholder value. In addition, the 2020 Share Plans aim to foster a greater ownership culture within the Group which align the interests of participants with the interests of shareholders, and to improve performance and achieve sustainable growth for the Company in the changing business environment.

The 2020 Share Plans use methods fairly common among major local and multinational companies to incentivise and motivate key senior management and senior executives to achieve pre-determined targets which create and enhance economic value for shareholders. The Company believes that the 2020 Share Plans will be effective tools in motivating key senior management and senior executives to strive to deliver long-term shareholder value.

While the 2020 Share Plans cater principally to Group executives, it is recognised that there are other persons who can make significant contributions to the Group through their close working relationship with the Group. Such persons include employees of associates over which the Company has operational control.

A participant's awards under the 2020 Share Plans will be determined at the sole discretion of the Committee. In considering an award to be granted to a participant, the Committee may take into account, *inter alia*, the participant's performance during the relevant period, and his capability, entrepreneurship, scope of responsibility and skill set.

Other information regarding the 2020 Share Plans is as follows:

(a) Performance Share Plan

During the year, the Group charged $756,000 (2019: $1,529,000) to profit or loss based on the fair value of the performance shares at the grant date being expensed over the vesting period.

(b) Restricted Share Plan

During the year, the Group charged $710,000 (2019: $1,943,000) to profit or loss based on the fair value of restricted shares at the grant date being expensed over the vesting period.

(c) Sembcorp Marine Challenge Bonus

During the year, the Group wrote-back charges of $5,000 (2019: $1,204,000) to profit or loss based on the market values of the shares at the balance sheet date. The fair value of the compensation cost is based on the notional number of restricted shares awarded for the Sembcorp Marine Challenge Bonus and the market price at the vesting date.

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38 ACQUISITION OF SUBSIDIARY AND INTELLECTUAL PROPERTY RIGHTS

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

Consideration transferred

The final allocation of the purchase price to the identifiable assets acquired and liabilities assumed in the business combination was completed in 2019.

The following table summarises the estimated fair value of the assets acquired and liabilities assumed as at the date of acquisition and has been updated for the finalisation of the purchase equation:

		2018 $'000
(a)	**Effect on cash flows of the Group**	
	Cash paid	54,619
	Less: Cash and cash equivalents in subsidiary acquired	(25)
	Cash outflow on acquisition	54,594

		Note	As reported 2018 $'000	Fair value Adjustment[1] $'000	Final purchase equation in 2019 $'000
(b)	**Identifiable assets acquired and liabilities assumed**				
	Intangible assets	13	54,604	5,829	60,433
	Trade and other receivables		5	–	5
	Cash and cash equivalents		25	–	25
	Total assets		54,634	5,829	60,463
	Trade and other payables		15	48	63
	Deferred tax liabilities		–	1,634	1,634
	Total liabilities		15	1,682	1,697
	Net identifiable assets		54,619	4,147	58,766
	Add: Goodwill		–	852	852
	Less: Negative goodwill		–	(4,999)	(4,999)
	Consideration transferred for the business		54,619	–	54,619

In 2019, negative goodwill of $4,999,000 is recognised within other operating income in profit or loss. It arose mainly due to fair value adjustments on completion of valuation and final allocation of purchase price for the acquisition.

(1) Purchase price adjustments, which are non-cash in nature, made during the measurement period have not been applied retrospectively as these adjustments, which relate mainly to balance sheet effects and certain consequential income statement effects, are immaterial to the Group.

NOTES TO THE FINANCIAL STATEMENTS

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39 RELATED PARTIES

(a) Related party transactions

In addition to those disclosed elsewhere in the financial statements, the Group had the following outstanding balances and significant transactions with related parties during the year:

	Outstanding balances Group		Significant transactions Group	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Immediate holding company				
Management fee payable	–	(500)	–	(250)
Others	–	(135)	–	(286)
Related corporations				
Sales	71	125	583	111
Purchases	(2,035)	(2,482)	(27,692)	(40,390)
Payment on behalf	–	–	–	30
Rental income	–	–	–	3
Finance income	–	–	484	875
Finance costs	–	(30,306)	(55,173)	(49,783)
Others	–	–	(121)	–
Associates and joint ventures				
Sales	194	218	5	40
Purchases	(1,037)	(2,022)	(6,400)	(7,878)
Finance income	–	292	202	531
Others	(357)	(21)	51	40

(b) Compensation of key management personnel

During the year and in prior year, the Group considers the directors of the Company (including the President & Chief Executive Officer of the Company), the Executive Vice President & Head of Singapore Yard Operations, the Group Finance Director, the Executive Vice President & Head of Rigs & Floaters, the Chief Financial Officer and the Chief Human Resource Officer of the Company to be key management personnel in accordance with SFRS(I) 1-24 *Related Party Disclosures*.

These persons have the authority and responsibility for planning, directing and controlling the activities of the Group.

The key management personnel compensation is as follows:

	Group	
	2020 $'000	2019 $'000
Directors' fees and remuneration	2,978	3,794
Other key management personnel remuneration	2,348	2,673
	5,326	6,467
Fair value of share-based compensation	742	1,461

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YEAR ENDED 31 DECEMBER 2020

39 RELATED PARTIES (CONT'D)

(b) Compensation of key management personnel (cont'd)

Remuneration includes salary (which includes allowances, fees and other emoluments) and bonuses (which includes AWS, discretionary bonus and performance targets bonus).

In addition to the above, the Company provides medical benefits to all employees including key management personnel.

The Group adopts an incentive compensation plan, which is tied to the creation of Economic Value Added ("EVA"), as well as to attainment of individual and Group performance goals for its key executives. A "bonus bank" is used to hold incentive compensation credited in any year. Typically, one-third of the available balance is paid out in cash each year, with the balance being carried forward to the following year. The balances of the bonus bank in future will be adjusted by the yearly EVA performance of the Group and its subsidiaries and the payouts made from the bonus bank.

The fair value of share-based compensation relates to performance shares and restricted shares granted that were charged to profit or loss.

40 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's activities expose it to market risk (including interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk.

As part of the Group's Enterprise Risk Management framework, the Group's treasury policies and financial authority limits are documented and reviewed periodically. The policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing.

The Group utilises foreign exchange contracts, interest rate swaps and various financial instruments to manage exposures to interest rate and foreign exchange risks arising from operating, financing and investment activities. Exposures to foreign currency risks are also hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount where possible. All such transactions must involve underlying assets or liabilities and no speculative transactions are allowed.

The financial authority limits seek to limit and mitigate transactional risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and reduce market risk exposures within acceptable parameters.

(i) Interest rate risk

The Group's exposure to market risk for changes in interest rate environment relates mainly to its debt obligations.

The Group's policy is to maintain an efficient and optimal interest cost structure using a mix of fixed and variable rate debts and long-term and short-term borrowings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(i) Interest rate risk (cont'd)

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

The Group designates the interest rate swaps in their entirety to hedge its interest rate 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 interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item by looking at the critical terms.

In these hedge relationships, the main source of ineffectiveness is the effect of the counterparties' and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates.

Hedging relationships that are impacted by IBOR reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding IBOR transition. For further details, see 'Managing interest rate benchmark reform and associated risks' below.

At 31 December 2020, the Group had interest rate swaps with an aggregate notional amount of $283,680,000 (2019: $1,010,330,000). The Group receives a variable interest rate and pays a fixed rate interest ranging from 2.05% to 3.02% (2019: 2.95% to 5.53%) per annum on the notional amount. Interest rate swaps with notional amounts of $nil (2019: $225,000,000) were entered with a related corporation. Of the Group's interest-bearing borrowings, over 50% (2019: over 50%) are not subjected to interest rate repricing risk.

Sensitivity analysis

It is estimated that 50 basis points ("bp") change in interest rate at the reporting date would increase/(decrease) equity and profit before tax by the following amounts. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit before tax		Equity	
	50 bp Increase $'000	50 bp Decrease $'000	50 bp Increase $'000	50 bp Decrease $'000
Group				
31 December 2020				
Variable rate financial instruments	(1,439)	1,439	534	(540)
31 December 2019				
Variable rate financial instruments	(2,315)	2,315	1,807	(1,827)
Company				
31 December 2020				
Variable rate financial instruments	2,477	(2,477)	–	–
31 December 2019				
Variable rate financial instruments	101	(101)	–	–

NOTES TO THE FINANCIAL STATEMENTS

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40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk

The Group operates globally and is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company and its subsidiaries. The currencies in which these transactions are primarily denominated in are Singapore dollars ("SGD"), United States dollars ("USD"), Euros ("EUR"), Pounds sterling ("GBP") and Brazilian Real ("BRL"). Such risks are hedged either by forward foreign currency contracts in respect of actual or forecasted currency exposures which are reasonably certain or hedged naturally by a matching sale or purchase of a matching asset or liability of the same currency and amount. Forward foreign currency contracts with notional amounts of $nil (2019: $664,260,000) were entered with a related corporation.

The Group's risk management policy is to hedge 50% to 100% of its estimated net foreign currency exposure in respect of its forecasted project cash inflows and outflows over the lifespans of the projects.

The Group designates the forward foreign currency contracts in their entirety to hedge its foreign currency 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 currency, amount and timing of their respective cash flows. 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.

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

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

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) *Foreign currency risk* (cont'd)

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy is as follows:

	SGD $'000	USD $'000	EUR $'000	GBP $'000	BRL $'000	Others $'000	Total $'000
Group							
31 December 2020							
Financial assets							
Cash and cash equivalents	8,941	51,770	4,765	11,848	5,751	4,492	87,567
Trade and other receivables	277,322	2,065,363	60,059	24,967	45,234	13,000	2,485,945
	286,263	2,117,133	64,824	36,815	50,985	17,492	2,573,512
Financial liabilities							
Trade and other payables	(114,658)	(389,775)	(87,750)	(12,015)	(66,940)	(25,653)	(696,791)
Interest-bearing borrowings	(120,001)	(379,651)	–	–	–	–	(499,652)
Lease liabilities	(17,352)	(42,987)	–	–	(13)	–	(60,352)
	(252,011)	(812,413)	(87,750)	(12,015)	(66,953)	(25,653)	(1,256,795)
Net financial assets/(liabilities)	34,252	1,304,720	(22,926)	24,800	(15,968)	(8,161)	1,316,717
Add: Contract assets	–	1,074,761	107,998	–	–	16,527	1,199,286
Add: Firm commitments and highly probable forecast transactions in foreign currencies	621	371,170	(83,918)	1,991	–	(47,184)	242,680
Less: Foreign currency forward contracts	(133,680)	(1,708,104)	(112,612)	–	–	–	(1,954,396)
Net currency exposure	(98,807)	1,042,547	(111,458)	26,791	(15,968)	(38,818)	804,287
31 December 2019							
Financial assets							
Cash and cash equivalents	4,989	56,330	5,215	179	4,766	2,018	73,497
Trade and other receivables	36,909	2,087,413	14,625	24	20,460	21,366	2,180,797
	41,898	2,143,743	19,840	203	25,226	23,384	2,254,294
Financial liabilities							
Trade and other payables	(93,421)	(498,174)	(60,561)	(2,541)	(69,532)	(25,035)	(749,264)
Interest-bearing borrowings	(20)	(392,796)	–	–	–	–	(392,816)
Lease liabilities	(21,721)	(48,085)	–	–	(183)	–	(69,989)
	(115,162)	(939,055)	(60,561)	(2,541)	(69,715)	(25,035)	(1,212,069)
Net financial (liabilities)/assets	(73,264)	1,204,688	(40,721)	(2,338)	(44,489)	(1,651)	1,042,225
Add: Contract assets	–	1,139,919	76,958	–	–	13,753	1,230,630
Add: Firm commitments and highly probable forecast transactions in foreign currencies	(1,149)	176,880	(122,116)	(8,786)	–	(40,963)	3,866
Less: Foreign currency forward contracts	–	(1,775,912)	(100,774)	–	–	–	(1,876,686)
Net currency exposure	(74,413)	745,575	(186,653)	(11,124)	(44,489)	(28,861)	400,035

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(ii) Foreign currency risk (cont'd)

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

	USD $'000	Others $'000	Total $'000
Company			
31 December 2020			
Financial assets			
Cash and cash equivalents	2	–	2
Trade and other receivables	537	9,626	10,163
	539	9,626	10,165
Financial liabilities			
Trade and other payables	(1,550)	–	(1,550)
Net financial (liabilities)/assets	(1,011)	9,626	8,615
31 December 2019			
Financial assets			
Cash and cash equivalents	352	–	352
Trade and other receivables	113	9,637	9,750
	465	9,637	10,102
Financial liabilities			
Trade and other payables	(1,383)	(19)	(1,402)
Net financial (liabilities)/assets	(918)	9,618	8,700

Sensitivity analysis

A 10% strengthening of the following currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have increased/(decreased) equity and profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of firm commitments (not subject to fair value hedges) and highly probable forecast transactions in foreign currencies. The analysis is performed on the same basis for 2019.

	Group		Company	
	Equity $'000	Profit before tax $'000	Equity $'000	Profit before tax $'000
2020				
SGD	–	(10,003)	–	–
USD	(90,791)	179,962	–	(101)
EUR	(9,567)	8,507	–	–
GBP	–	2,479	–	–
BRL	–	(1,597)	–	–
Others	–	836	–	963
2019				
SGD	–	(7,326)	–	–
USD	(93,129)	170,723	–	(92)
EUR	(7,991)	3,624	–	–
GBP	–	(235)	–	–
BRL	–	(4,449)	–	–
Others	–	1,211	–	962

A 10% weakening of the above currencies against the functional currencies of the Company and its subsidiaries at the balance sheet date would have equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iii) Price risk

As at 31 December 2018, the Group is not exposed to significant price risk as its quoted equity securities and unit trust was disposed during the year. No acquisition of equity instruments was done during the year.

(iv) Cash flow hedges

At the reporting date, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

			Maturity		
	Forward contract rate $	Interest rate %	Within 1 year $'000	Between 1 to 5 years $'000	More than 5 years $'000
2020					
Foreign currency risk					
Forward foreign currency contracts (Buy/Sell)					
– SGD/USD	1.33 – 1.43	–	1,638,348	202,675	–
– USD/SGD	0.75	–	266,599	–	–
– SGD/EUR	1.54 – 1.64	–	112,612	–	–
Interest rate risk					
Interest rate swaps					
– Float-to-fixed	–	2.05 – 3.02	150,000	133,680	–
2019					
Foreign currency risk					
Forward foreign currency contracts (Buy/Sell)					
– SGD/USD	1.32 – 1.38	–	1,122,421	653,492	–
– SGD/EUR	1.58 – 1.63	–	66,158	34,616	–
Interest rate risk					
Interest rate swaps					
– Float-to-fixed	–	2.95 – 5.53	785,330	225,000	–

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40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

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

	Cash flow hedge reserve for continuing hedges $'000
2020	
Foreign currency risk	
Highly probable sales	3,490
Sales receipts	(355)
Interest rate risk	
Variable rate borrowings	(745)
2019	
Foreign currency risk	
Highly probable sales	11,581
Sales receipts	3,376
Interest rate risk	
Variable rate borrowings	(5,525)

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

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

	2020				During the year 2020				
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the balance sheet where the hedging instrument is included	Change in value of hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss $'000	Line item affected in profit or loss because of the reclassification
Foreign currency risk									
Forward foreign currency contracts	1,221,926	16,028	3,235	Other financial assets, Other financial liabilities	(18,879)	9,069	Other operating income, Other operating expenses	(2,012)	Other operating income, Other operating expenses
Interest rate risk									
Interest rate swaps	283,680	–	819	Other financial assets, Other financial liabilities	3,118	–	Other operating income, Other operating expenses	1,662	Other operating income, Other operating expenses

	2019				During the year 2019				
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the balance sheet where the hedging instrument is included	Change in value of hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from hedging reserve to profit or loss $'000	Line item affected in profit or loss because of the reclassification
Foreign currency risk									
Forward foreign currency contracts	1,235,421	20,637	3,541	Other financial assets, Other financial liabilities	13,154	3,777	Other operating income, Other operating expenses	(9,526)	Other operating income, Other operating expenses
Interest rate risk									
Interest rate swaps	1,010,330	–	6,366	Other financial assets, Other financial liabilities	(371)	–	Other operating income, Other operating expenses	–	Other operating income, Other operating expenses

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(a) Market risk (cont'd)

(iv) Cash flow hedges (cont'd)

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

	$'000
Cash flow hedge reserve	
Balance at 1 January 2020	9,432
Changes in fair value:	
Foreign currency risk	(22,747)
Interest rate risk	3,527
Amount reclassified to profit or loss:	
Foreign currency risk	10,505
Tax on movements on reserves during the year	1,673
Balance at 31 December 2020	2,390
Balance at 1 January 2019	2,398
Changes in fair value:	
Foreign currency risk	15,848
Interest rate risk	(289)
Amount reclassified to profit or loss:	
Foreign currency risk	(6,926)
Tax on movements on reserves during the year	(1,599)
Balance at 31 December 2019	9,432

(b) Credit risk

The Group monitors its exposure to credit risks arising from sales to trade customers on an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers.

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.

The Group assumes that credit risk of a financial asset has increased significantly when the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend.

The Group's and the Company's maximum exposure to credit risk, before taking into account any collateral held, is the carrying amount of each financial asset, including derivatives, in the balance sheets.

The carrying amount of receivables from the Group's most significant customer was $1,086,652,000 as at 31 December 2020 (2019: $1,073,249,000).

NOTES TO THE FINANCIAL STATEMENTS

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40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

Prior to 2020, payment on the outstanding receivables for the assets delivered to this customer was deferred and due only between November 2022 to January 2024. Interest is charged on the principal amount deferred. The receivable is secured over a right to repossess and to re-sell the assets delivered in the event of default by the customer.

During the year, the Group entered into an amendment agreement with this customer to defer certain portions of the interest payments to January 2022, with interest being charged on the deferred interest payments.

Post year end, a second amendment was entered into to further defer certain portions of the interest payments to March 2023, with the principal amount to be paid on May 2023 instead of the original agreed period of November 2022 to January 2024. Interest continues to be charged on the deferred principal and interest payments and all amounts due from the customer continue to be secured by first priority mortgages with legal rights to repossess and to re-sell the assets delivered in the event of default by this customer.

The above amendments to the outstanding receivables with this customer are not expected to have a detrimental impact on the estimated future cash flows of the receivables.

In 2020, the credit risk ratings of the customer has increased. Accordingly, an impairment loss of $5,266,000 (2019: $nil) was recognised on the receivable from this customer. There is no concentration of customer's credit risk at the Company level.

The Group's and the Company's maximum exposure to credit risk for financial assets at amortised cost and contract assets at the balance sheet date is as follows:

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
By business activity					
Rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding		3,133,583	2,978,526	–	–
Ship chartering		4,874	2,175	–	–
Others		9,315	11,042	159,141	234,861
		3,147,772	2,991,743	159,141	234,861
Financial assets at amortised cost and contract assets					
Non-current*	10	1,105,551	1,087,148	127,700	29,396
Current	10, 12	2,042,221	1,904,595	31,441	205,465
		3,147,772	2,991,743	159,141	234,861

* Not past due.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The age analysis of financial assets at amortised cost and contract assets for the Group is as follows:

	Gross 2020 $'000	Impairment 2020 $'000	Gross 2019 $'000	Impairment 2019 $'000
Group				
Not past due	3,075,448	5,880	2,948,451	94
Past due 0 to 3 months	39,859	2	22,221	31
Past due 3 to 6 months	17,974	1,666	6,716	329
Past due 6 to 12 months	9,963	393	3,084	6
More than 1 year	20,310	7,841	167,318	155,587
	3,163,554	15,782	3,147,790	156,047
Company				
Not past due	159,141	–	234,861	–

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

The Group allocates exposure from key customers to a credit risk grade based on data that is determined to be indicative of the risk of loss (including but not limited to external ratings if available, audited financial statements to calculate the internal risk rating using the Altman Z-score method, and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Standards and Poor's.

ECL rate is calculated based on probabilities of default and loss given default. Lifetime probabilities of default for individual customers are based on external ratings from Bloomberg L.P. adjusted for time horizon of the credit exposure, or historical data supplied by Standards and Poor's for each credit rating. The Group monitors changes in credit risk through on-going review of customer credit worthiness and by tracking published external credit ratings.

Loss rates are adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

The following table provides information about the exposure to credit risk and ECLs for financial assets at amortised cost and contract assets for customers with credit ratings (or equivalent):

	Credit impaired	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2020				
Group				
Receivables measured at lifetime ECL				
– Trade receivables	Yes	–	–	–
Receivables measured at lifetime ECL				
– Trade receivables and contract assets	No	3,031,906	7,777	3,024,129
Company				
Receivables measured at lifetime ECL				
– Trade receivables	No	–	–	–
2019				
Group				
Receivables measured at lifetime ECL				
– Trade receivables	Yes	154,916	154,916	–
Receivables measured at lifetime ECL				
– Trade receivables and contract assets	No	2,678,823	220	2,678,603
Company				
Receivables measured at lifetime ECL				
– Trade receivables	No	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

Expected credit loss assessment for customers (allowance matrix)

The Group uses an allowance matrix to measure the ECLs of trade receivables for customers not allocated specific credit ratings, which comprises large number of small balances.

Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through succession stages of delinquency to write-off.

Loss rates are based on actual credit loss experience over the past 5 years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

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

	Credit impaired	Weighted average loss rate %	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2020					
Group					
Not past due	No	0.01	110,224	10	110,214
Past due 0 to 3 months	No	–	2,770	–	2,770
Past due 3 to 6 months	No	–	948	–	948
Past due 6 to 12 months	No	14.01	2,763	387	2,376
More than 1 year	No	50.91	14,943	7,608	7,335
Total			131,648	8,005	123,643
Company					
Not past due	No	–	159,141	–	159,141
2019					
Group					
Not past due	No	–	299,638	–	299,638
Past due 0 to 3 months	No	–	2,343	–	2,343
Past due 3 to 6 months	No	11.87	2,299	273	2,026
Past due 6 to 12 months	No	–	1,751	–	1,751
More than 1 year	No	7.96	8,020	638	7,382
Total			314,051	911	313,140
Company					
Not past due	No	–	234,861	–	234,861

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (cont'd)

Movements in the allowance for impairment of financial assets at amortised cost and contract assets are as follows:

	Group Lifetime ECL $'000
Balance at 1 January 2020	156,047
Currency translation difference	(1,919)
Impairment loss recognised:	
– Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired	9,767
– Remaining financial assets	79
Loss allowance written back	(213)
Allowance utilised	(147,979)
Balance at 31 December 2020	15,782
Balance at 1 January 2019	161,648
Currency translation difference	(4,717)
Impairment loss recognised:	
– Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired)	550
– Remaining financial assets	1,694
Loss allowance written back	(2,742)
Allowance utilised	(386)
Balance at 31 December 2019	156,047

The total net impairment loss of $9,633,000 (2019: net write back of impairment loss of $498,000) have been recognised in the general and administrative expenses.

Arising from the COVID-19 pandemic, many businesses globally, including the Group's customers, have been impacted. This has resulted in increased credit risks ratings on the Group's customers. The customers are not considered credit impaired as the Group does not expect the increased credit risk ratings to have a detrimental impact on the estimated future cash flows of the receivables.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $13,283,000 (2019: $57,042,000). These balances are amounts lent to subsidiaries to satisfy short-term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for debt investments. Impairment on these balances has been measured on the lifetime ECL basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

(c) Liquidity risk

The Group manages its liquidity risk with the view to maintaining a healthy level of cash and cash equivalents appropriate to the operating environment and expected cash flows of the Group. Liquidity requirements are maintained within the credit facilities established and are adequate and available to the Group to meet its obligations. The Group will continue to take steps to manage cost, cash flows and gearing to address its financial position. While the majority of contracts and new orders are secured on progressive payment terms, future new orders may result in increased working capital needs.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

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

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Group					
31 December 2020					
Derivative financial liabilities					
Interest rate swaps	(819)	(828)	(828)	–	–
Forward foreign currency contracts	(4,645)				
– Inflow		588,187	468,715	119,472	–
– Outflow		(592,832)	(472,638)	(120,194)	–
Derivative financial assets					
Forward foreign currency contracts	35,768				
– Inflow		1,632,791	1,549,588	83,203	–
– Outflow		(1,597,023)	(1,515,748)	(81,275)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,020,692)	(1,020,692)	(1,020,692)	–	–
Interest-bearing borrowings#	(3,560,134)	(3,729,371)	(2,168,488)	(1,185,799)	(375,084)
Lease liabilities	(291,567)	(693,644)	(26,550)	(101,250)	(565,844)
	(4,842,089)	(5,413,412)	(3,186,641)	(1,285,843)	(940,928)
31 December 2019					
Derivative financial liabilities					
Interest rate swaps	(6,366)	(5,757)	(5,036)	(721)	–
Forward foreign currency contracts	(3,541)				
– Inflow		387,766	163,393	224,373	–
– Outflow		(391,307)	(165,725)	(225,582)	–
Derivative financial assets					
Forward foreign currency contracts	24,520				
– Inflow		1,488,919	1,025,186	463,733	–
– Outflow		(1,464,399)	(1,009,365)	(455,034)	–
Non-derivative financial liabilities					
Trade and other payables*#	(1,294,322)	(1,294,322)	(1,294,322)	–	–
Interest-bearing borrowings#	(2,918,174)	(3,115,662)	(1,502,587)	(1,225,478)	(387,597)
Subordinated loan#	(1,526,405)	(1,772,548)	(54,599)	(1,717,949)	–
Lease liabilities	(278,098)	(687,524)	(25,224)	(112,125)	(550,175)
	(6,002,386)	(6,854,834)	(2,868,279)	(3,048,783)	(937,772)

* Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants and long-term employee benefits.

\# The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings and subordinated loan include finance costs payable, for the purposes of presentation of this liquidity table.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity risk (cont'd)

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
Company					
31 December 2020					
Non-derivative financial liabilities					
Trade and other payables*#	(18,588)	(18,588)	(18,588)	–	–
Interest-bearing borrowings#	(50,134)	(50,367)	(50,367)	–	–
Lease liabilities	(60,846)	(70,471)	(11,275)	(38,005)	(21,191)
	(129,568)	(139,426)	(80,230)	(38,005)	(21,191)
31 December 2019					
Non-derivative financial liabilities					
Trade and other payables*#	(31,767)	(31,767)	(31,767)	–	–
Interest-bearing borrowings#	(50,155)	(50,414)	(50,414)	–	–
Lease liabilities	(45,585)	(55,509)	(7,354)	(48,155)	–
	(127,507)	(137,690)	(89,535)	(48,155)	–

* Excludes deposits received, Goods and Services Tax, deferred grant income and long-term employee benefits.

The carrying amount of trade and other payables excludes finance costs payable while the interest-bearing borrowings include finance costs payable, for the purposes of presentation of this liquidity table.

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

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Less than 1 year $'000	Between 1 and 5 years $'000
Group				
31 December 2020				
Derivative financial liabilities				
Interest rate swaps	(819)	(828)	(828)	–
Forward foreign currency contracts	(3,235)			
– Inflow		321,764	321,764	–
– Outflow		(324,999)	(324,999)	–
Derivative financial assets				
Forward foreign currency contracts	16,028			
– Inflow		900,161	816,958	83,203
– Outflow		(884,133)	(802,858)	(81,275)
	11,974	11,965	10,037	1,928
31 December 2019				
Derivative financial liabilities				
Interest rate swaps	(6,366)	(5,757)	(5,036)	(721)
Forward foreign currency contracts	(3,541)			
– Inflow		387,766	163,393	224,373
– Outflow		(391,307)	(165,725)	(225,582)
Derivative financial assets				
Forward foreign currency contracts	20,637			
– Inflow		847,654	532,377	315,277
– Outflow		(827,017)	(519,544)	(307,473)
	10,730	11,339	5,465	5,874

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YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – Fair values are measured based on quoted prices (unadjusted) from active markets for identical financial instruments.
- Level 2 – Fair values are measured 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 – Fair values are measured using inputs which are not based on observable market data (unobservable input).

Securities

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

Derivatives

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

The fair value of interest rate swaps is the indicative amount that the Group is expected to receive or pay to terminate the swap with the swap counterparties at the balance sheet date.

Non-derivative non-current financial assets and liabilities

Fair values determined for non-derivative non-current financial assets and liabilities are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date. This includes determination for fair value disclosure purpose as well.

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. All other financial assets and liabilities are discounted to determine their fair values.

For financial instruments that are not actively traded in the market, the fair value is determined by independent third party or using valuation techniques where applicable. The Group may use a variety of methods and make assumptions that are based on existing market conditions at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate the fair value for medium term notes for disclosure purpose. Other techniques, such as estimated discounted cash flows, are used to determine the fair value for the remaining financial instruments. Where discounted cash flow techniques are used, the management will estimate the future cash flows and use relevant market rate as the discount rate at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(d) Estimation of fair values (cont'd)

Non-current amount due from related parties

Fair values are calculated based on discounted expected future principal and interest cash flows at the market rate of interest at the reporting date.

Fair value hierarchy

The following table sets forth by level within the fair value hierarchy of the financial assets and liabilities that were accounted for at fair value on a recurring basis as of 31 December 2020. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Financial assets and liabilities carried at fair value

	Fair value measurement using:			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
At 31 December 2020				
Financial assets at fair value through other comprehensive income				
– Unquoted equity shares	–	–	2,642	2,642
Derivative financial assets	–	35,768	–	35,768
Derivative financial liabilities	–	(5,464)	–	(5,464)
Total	–	30,304	2,642	32,946
At 31 December 2019				
Financial assets at fair value through other comprehensive income				
– Unquoted equity shares	–	–	2,642	2,642
Derivative financial assets	–	24,520	–	24,520
Derivative financial liabilities	–	(9,907)	–	(9,907)
Total	–	14,613	2,642	17,255

In 2020 and 2019, there were no transfers between the different levels of the fair value hierarchy.

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

	Fair value measurement using:			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
At 31 December 2020				
Interest-bearing borrowings	–	(1,417,688)	–	(1,417,688)
At 31 December 2019				
Interest-bearing borrowings	–	(2,994,947)	–	(2,994,947)

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

40 FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows:

	Note	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – Unquoted equity shares $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2020								
Cash and cash equivalents	18	–	–	–	772,426	–	772,426	772,426
Trade and other receivables*	10	–	–	–	1,581,902	–	1,581,902	1,581,902
Financial assets at fair value through other comprehensive income								
– Unquoted equity shares	9(a)	–	–	2,642	–	–	2,642	2,642
Cash flow hedges								
– Forward foreign currency contracts	9(a)&(b)	–	16,028	–	–	–	16,028	16,028
Financial assets at fair value through profit or loss								
– Forward foreign currency contracts	9(a)&(b)	19,740	–	–	–	–	19,740	19,740
		19,740	16,028	2,642	2,354,328	–	2,392,738	2,392,738
Trade and other payables**	19	–	–	–	–	1,031,032	1,031,032	1,031,032
Cash flow hedges								
– Forward foreign currency contracts	23(a)&(b)	–	3,235	–	–	–	3,235	3,235
– Interest rate swaps	23(a)&(b)	–	819	–	–	–	819	819
Financial liabilities at fair value through profit or loss								
– Forward foreign currency contracts	23(a)&(b)	1,410	–	–	–	–	1,410	1,410
Interest-bearing borrowings								
– Short-term borrowings	24	–	–	–	–	2,121,394	2,121,394	2,121,394
– Long-term borrowings	24	–	–	–	–	1,428,400	1,428,400	1,417,688
		1,410	4,054	–	–	4,580,826	4,586,290	4,575,578

* Excludes Goods and Services Tax.
** Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

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40 FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – Unquoted equity shares $'000	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Group								
At 31 December 2019								
Cash and cash equivalents	18	–	–	–	389,250	–	389,250	389,250
Trade and other receivables*	10	–	–	–	1,511,694	–	1,511,694	1,511,694
Financial assets at fair value through other comprehensive income								
– Unquoted equity shares	9(a)	–	–	2,642	–	–	2,642	2,642
Cash flow hedges								
– Forward foreign currency contracts	9(a)&(b)	–	20,637	–	–	–	20,637	20,637
Financial assets at fair value through profit or loss								
– Forward foreign currency contracts	9(a)&(b)	3,883	–	–	–	–	3,883	3,883
		3,883	20,637	2,642	1,900,944	–	1,928,106	1,928,106
Trade and other payables**	19	–	–	–	–	1,338,109	1,338,109	1,338,109
Cash flow hedges								
– Forward foreign currency contracts	23(a)&(b)	–	3,541	–	–	–	3,541	3,541
– Interest rate swaps	23(a)&(b)	–	6,366	–	–	–	6,366	6,366
Interest-bearing borrowings								
– Short-term borrowings	24	–	–	–	–	1,421,620	1,421,620	1,421,620
– Long-term borrowings	24	–	–	–	–	1,479,172	1,479,172	1,481,089
– Subordinated loan	24	–	–	–	–	1,500,000	1,500,000	1,513,858
		–	9,907	–	–	5,738,901	5,748,808	5,764,583

* Excludes Goods and Services Tax.
** Excludes deposits received, advance payment from customers, Goods and Services Tax, deferred grants, accrued land lease and long-term employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(e) Fair value versus carrying amounts (cont'd)

	Note	Financial assets at amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
Company					
At 31 December 2020					
Cash and cash equivalents	18	499,024	–	499,024	499,024
Trade and other receivables*	10	159,122	–	159,122	159,122
		658,146	–	658,146	658,146
Trade and other payables**	19	–	18,722	18,722	18,722
At 31 December 2019					
Cash and cash equivalents	18	40,233	–	40,233	40,233
Trade and other receivables*	10	234,861	–	234,861	234,861
		275,094	–	275,094	275,094
Trade and other payables**	19	–	31,922	31,922	31,922

* Excludes Goods and Services Tax.
** Excludes deposits received, Goods and Services Tax, deferred grant income and long-term employee benefits.

(f) Capital management

The Group aims to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders. The Group monitors Economic Value Added attributable to shareholders, which the Group defines as net operating profit after tax less capital charge excluding non-controlling interests. Management also monitors the level of dividends paid to ordinary shareholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Capital is defined as equity attributable to the equity holders. The Group's debt to capitalisation ratio as at the balance sheet date was as follows:

	Group 2020 $'000	Group 2019 $'000
Unsecured term loans	3,549,794	2,900,792
Subordinated loan	–	1,500,000
Debt	3,549,794	4,400,792
Total equity	3,696,147	2,206,778
Total debt and equity	7,245,941	6,607,570
Debt-to-capitalisation ratio	0.49	0.67

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

The Group is required to maintain consolidated net borrowings to consolidated net assets (less dividends, goodwill and other intangible assets) ratio of not more than 1.75.

In 2019, the Group had obtained the consent of its bondholders to revise the definition of its debt covenant to exclude the $2 billion subordinated loan facility from the Group's net debt to improve its financial flexibility. This externally imposed capital requirement has been complied with at each quarter in the financial year ended 31 December 2020. During the year, the $1.5 billion subordinated loan was settled by issuance of rights shares.

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YEAR ENDED 31 DECEMBER 2020

40 FINANCIAL INSTRUMENTS (CONT'D)

(g) Managing interest rate benchmark reform and associated risks

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. In Singapore, the fundamental review and reform of the two key Singapore Dollar interest rate benchmarks that are widely referenced in financial contracts, namely Singapore interbank offered rates (SIBORs) and Singapore swap offer rates (SORs), and the transition from SOR to the Singapore Overnight Rate Average (SORA), is also ongoing. The Group anticipates that IBOR reform may have some impact on its risk management and hedge accounting.

The Group monitors and manages the risks associated with the Group's transition to alternative rates. This includes evaluation of the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to either SOR or LIBOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements. ISDA is currently reviewing its standardised contracts in the light of IBOR reform. No derivative instruments have been modified as at 31 December 2020.

Hedge accounting

The Group's LIBOR and SOR cash flow hedging relationships extend beyond the anticipated cessation date for IBOR. However, there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship. The Group applies the amendments to SFRS(I) 9 issued in December 2019 to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to USD-LIBOR or SOR using available quoted market rates for LIBOR-based and SOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in LIBOR and SOR on a similar basis.

The Group's exposure to LIBOR and SOR designated in a hedging relationship that may be affected by the interest rate benchmark reform approximates nominal amount of $283,680,000 at 31 December 2020 (2019: $1,010,330,000) attributable to the interest rate swaps hedging LIBOR and SOR cash flows on the Group's bank loans maturing between 2021 to 2022. The Group is managing the transition to new benchmark rates for affected financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

41 CONTINGENT LIABILITIES

The Group is subject to various litigation, regulatory and arbitration matters in the normal course of business.

The Group rigorously defends the claims and, in the opinion of management, the resolution of these matters will not have a material effect on the financial position of the Group.

	Corporate guarantees	
	2020	2019
	$'000	$'000
Company		
Unsecured corporate guarantees granted in respect of:		
– Performance of subsidiaries	4,287,145	4,442,296
– Unsecured term loans by subsidiaries	655,052	800,599
– Unsecured revolving credit facilities by subsidiaries	1,612,236	1,450,192
– Unsecured bonds issued by a subsidiary	600,000	600,000
– Subordinated loan	–	1,500,000

The Company has provided guarantees to banks to secure banking facilities provided to wholly-owned subsidiaries, Jurong Shipyard Pte Ltd, Estaleiro Jurong Aracruz Ltda and Sembcorp Marine Financial Services Pte. Ltd.. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is credit risk in connection with guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of.

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

42 COMMITMENTS

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Approved capital commitment:				
– Approved capital expenditure commitment	32,574	66,523	17	–

43 OPERATING SEGMENTS

(a) Business segments

The Group has two reportable segments, which are the Group's strategic business units. They are: (i) rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding; and (ii) ship chartering. The strategic business units are managed separately because of their different business activities. The results of all projects related to shipbuilding and repairs are reviewed as a whole and form the basis for resource allocation decisions of the shipyard activities.

The accounting policies are described in Note 3. Inter-segment sales and transfers are carried out on an arm's length basis. Segment assets consist primarily of property, plant and equipment, intangible assets, current assets and exclude inter-segment balances. Segment liabilities comprise mainly operating liabilities and exclude inter-segment balances. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's President & CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other operations include bulk trading in marine engineering related products; provision of harbour tug services to port users; collection and treatment of used copper slag, and the processing and distribution of copper slag for blast cleaning purposes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

43 OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2020					
Turnover					
Sales to external parties	1,485,290	22,492	2,498	–	1,510,280
Inter-segment sales	–	–	74,032	(74,032)	–
Total	1,485,290	22,492	76,530	(74,032)	1,510,280
Results					
Segment results	(519,985)	(57,252)	(4,308)	–	(581,545)
Finance income	79,208	–	99,310	(126,893)	51,625
Finance costs	(184,386)	(1,935)	(82,374)	126,893	(141,802)
Non-operating income	501	–	–	–	501
Share of results of associates and joint ventures, net of tax	102	–	411	–	513
(Loss)/profit before tax	(624,560)	(59,187)	13,039	–	(670,708)
Tax credit/(expense)	85,998	25	(2,523)	–	83,500
(Loss)/profit for the year	(538,562)	(59,162)	10,516	–	(587,208)
Assets					
Segment assets	9,493,478	240,673	2,134,105	(3,047,855)	8,820,401
Investments in associates and joint ventures	4,209	–	11,214	–	15,423
Deferred tax assets	116,578	705	–	–	117,283
Tax recoverable	17,117	–	–	–	17,117
Total assets	9,631,382	241,378	2,145,319	(3,047,855)	8,970,224
Liabilities					
Segment liabilities	6,212,052	53,514	2,022,458	(3,047,855)	5,240,169
Deferred tax liabilities	25,952	900	–	–	26,852
Current tax payable	3,448	609	2,999	–	7,056
Total liabilities	6,241,452	55,023	2,025,457	(3,047,855)	5,274,077
Capital expenditure	79,087	8,549	14	–	87,650
Significant non-cash items					
Depreciation and amortisation	186,985	14,115	629	–	201,729
Changes in fair value of financial instruments	(3,253)	–	(16,511)	–	(19,764)
Impairment losses on property, plant and equipment	–	48,989	–	–	48,989
Impairment losses on right-of-use assets	74,191	–	–	–	74,191
Property, plant and equipment written off	1	42	–	–	43
Inventories written down, net	34,148	–	31	–	34,179
Allowance for doubtful debts and bad debts, net	9,020	–	–	–	9,020

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

43 OPERATING SEGMENTS (CONT'D)

(a) Business segments (cont'd)

	Rigs & floaters, Repairs & upgrades, Offshore platforms and Specialised shipbuilding $'000	Ship chartering $'000	Others $'000	Eliminations $'000	Total $'000
31 December 2019					
Turnover					
Sales to external parties	2,871,362	2,224	8,974	–	2,882,560
Inter-segment sales	–	–	109,823	(109,823)	–
Total	2,871,362	2,224	118,797	(109,823)	2,882,560
Results					
Segment results	(122,824)	(21,176)	5,210	–	(138,790)
Finance income	116,571	–	63,853	(87,149)	93,275
Finance costs	(153,512)	(597)	(63,067)	87,149	(130,027)
Non-operating income	–	–	185	–	185
Share of results of associates and joint ventures, net of tax	(368)	(1,814)	579	–	(1,603)
(Loss)/profit before tax	(160,133)	(23,587)	6,760	–	(176,960)
Tax credit/(expense)	38,286	–	(1,513)	–	36,773
(Loss)/profit for the year	(121,847)	(23,587)	5,247	–	(140,187)
Assets					
Segment assets	8,963,831	188,900	2,906,927	(3,656,626)	8,403,032
Investments in associates and joint ventures	4,084	–	10,803	–	14,887
Deferred tax assets	29,195	–	–	–	29,195
Tax recoverable	10,996	–	662	–	11,658
Total assets	9,008,106	188,900	2,918,392	(3,656,626)	8,458,772
Liabilities					
Segment liabilities	7,007,805	4,855	2,863,213	(3,656,626)	6,219,247
Deferred tax liabilities	28,329	–	660	–	28,989
Current tax payable	1,928	–	1,830	–	3,758
Total liabilities	7,038,062	4,855	2,865,703	(3,656,626)	6,251,994
Capital expenditure	375,380	–	59	–	375,439
Significant non-cash items					
Depreciation and amortisation	229,745	7,947	4,776	–	242,468
Changes in fair value of financial instruments	1,042	–	(3,661)	–	(2,619)
Impairment losses on property, plant and equipment	541	–	–	–	541
Property, plant and equipment written off	2,928	–	114	–	3,042
Inventories written back, net	(558)	–	(93)	–	(651)
Write-back of doubtful debts and bad debts, net	(338)	–	–	–	(338)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

43 OPERATING SEGMENTS (CONT'D)

(b) Geographical segments

The Group operates in 12 (2019: 12) countries and principally in the Republic of Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Turnover from external customers $'000	Non-current assets[(1)] $'000	Total assets $'000	Capital expenditure $'000
31 December 2020				
Singapore	237,710	3,874,972	6,959,615	51,900
Rest of Asia, Australia & India	214,233	122,299	157,200	704
Middle East & Africa	62,711	–	–	–
United Kingdom	120,678	2,315	4,345	5
Norway	207,971	46,050	55,848	13
France	47,022	127	2,268	90
The Netherlands	23,465	128,179	134,147	–
Rest of Europe	170,085	34	802	–
Brazil	148,484	1,533,461	1,654,327	34,938
U.S.A.	274,357	471	1,672	–
Other countries	3,564	–	–	–
Total	1,510,280	5,707,908	8,970,224	87,650
31 December 2019				
Singapore	169,639	3,864,558	6,230,080	310,080
Rest of Asia, Australia & India	155,954	134,092	170,689	3,624
Middle East & Africa	15,225	–	–	–
United Kingdom	175,200	3,963	6,293	–
Norway	667,640	121,615	135,901	48
France	350,015	87	2,071	66
The Netherlands	73,620	186,183	191,744	–
Rest of Europe	85,161	57	963	3
Brazil	358,604	1,541,626	1,718,283	61,552
U.S.A.	823,732	953	2,748	66
Other countries	7,770	–	–	–
Total	2,882,560	5,853,134	8,458,772	375,439

(1) Non-current assets presented consist of property, plant and equipment, right-of-use assets, investments in associates and joint ventures, trade and other receivables and intangible assets.

(c) Major customers

In 2020, turnover from two (2019: four) customers of the Group's rigs & floaters, repairs & upgrades, offshore platforms and specialised shipbuilding segment represents approximately 20 per cent (2019: 55 per cent) of the Group's total turnover.

NOTES TO THE FINANCIAL STATEMENTS

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44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Information on other significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Information about the assumptions and their risk factors relating to goodwill impairment are disclosed in Note 44(d).

(b) Taxes

Current tax

The Group is subject to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due.

There are certain transactions and computation for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the taxes and deferred tax provisions in the period in which such determination is made. The tax expense is disclosed in Note 32.

Deferred tax assets

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is presumed on the Group's ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the Group's customers, which would then significantly affect the realisability of these deferred tax assets. Information about the assumptions and their risk factors relating to the profit forecasts are disclosed in Note 44(d).

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 60 years. The carrying amounts of the Group's property, plant and equipment are set out in Note 4. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore future depreciation charges could be revised.

In 2019, the Group revised its estimate for the useful life of a marine vessel. The effects of the changes are presented in Note 4.

(d) Impairment assessment of property, plant and equipment and intangible assets

Impairment assessment of the Group's shipyards

Owing to the continuing difficult market conditions impacting the offshore and marine sector, and the negative impact to the Group's financial performance and liquidity arising from the outbreak of the COVID-19 pandemic and the measures adopted by the Singapore government to mitigate the pandemic's spread, there were indications that the Group's shipyards (the "cash generating units") might be impaired. Under the Group's formal impairment assessment of the individual cash generating units in: (i) Singapore (yards in Singapore, together with their sub-contracting yards in Indonesia and the United Kingdom); and (ii) Brazil, the recoverable amounts for the Group's individual cash generating units were determined using the value in use calculations.

The value in use calculation for the Group's cash generating units used discounted cash flow projections which took into account management's assessment of the forecasted order book over a period of 5 years for Singapore and Brazil (the "projection periods"), with applicable growth rates for Singapore and Brazil beyond the projection periods (up to a maximum of 40 years). The value in use calculations are updated to reflect the most recent developments on the economic impacts of the COVID-19 pandemic on gross domestic product and inflation as at the reporting date. Due to the high level of uncertainty, it was very challenging to predict the full extent and duration of the COVID-19 pandemic's impact on the Group's operations. Key drivers supporting the recoverable amounts include: forecasted order book, project margins which are projected with reference to historical experience and taking into account planned recoveries, and long term growth rate of less than 5%.

The cash flows are projected based on the Group's historical experience, market observable data surrounding the state-owned and international oil majors' capital commitment and projected capital expenditures in oil and gas production and exploration activities, regulations relating to local content requirements in Brazil, market expectations and developments for contract order prices, and other external analysts' forecast reports in oil price movements and demands for drilling and production solutions. As the Group pivots to also support the energy transition to renewable energy, the cash flow projections included forecast orders in renewable solutions, of which projections are based on the Group's past experience in this area, market developments on financial support for renewable energy infrastructure, and other analysts' forecast reports on renewable energy demand and growth. These cash flows are then discounted using the applicable discount rates based on their pre-tax weighted average cost of capital of 7.40% (2019: 9.43%) and 12.46% (2019: 11.82%) for the Singapore cash generating unit and Brazil cash generating unit respectively; and the Group assessed that no impairment loss is required for these individual cash generating units.

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

NOTES TO THE FINANCIAL STATEMENTS

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44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(d) Impairment assessment of property, plant and equipment and intangible assets (cont'd)

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

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

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

For the Singapore cash generating unit, a 10% decrease in order book or 1% decrease in forecasted project margins throughout the cash flow periods would significantly reduce the recoverable amount but not likely to cause the recoverable amount to be below carrying amount.

For the Brazil cash generating unit, a 9.2% decrease in order book or 0.9% decrease in forecasted project margins throughout the cash flow periods would be required for the recoverable amount to equal the carrying amount.

(e) Provisions and contingent liabilities

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

Warranty

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made. Movements in provision for warranty are detailed in Note 22.

Site restoration costs

The provision for site restoration costs arising from operating leases is based on the best estimate of the costs to be incurred beyond the 12 months period provided by external consultants and the scope of works to be agreed with the lessors. Given the complexities involved in carrying out the restoration work on certain sites in the longer run, the actual costs may vary from the estimate.

At the reporting date, the Group remains in discussion with the Singapore Government on the extent of work required for the restoration of land at Tanjong Kling Yard. Depending on the outcome of the discussion, the provision required may vary significantly from amounts recorded.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key sources of estimation uncertainty (cont'd)

(e) Provisions and contingent liabilities (cont'd)

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

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

Disclosure of contingent liabilities is detailed in Note 41.

(f) Determination of net realisable value of inventories

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

(g) Determination of the appropriate rate to discount lease payments

The Group is required to exercise considerable judgement in determining the discount rate by taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of any lease modification.

(h) Impairment assessment of the Company's investment in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimate of the value-in-use ("VIU") of the subsidiaries. Estimating the VIU requires the Company to make an estimate of the future cash flows expected from the cash generating unit and appropriate discount rate in order to calculate the present value of these cash flows. The forecasts used to estimate the future cash flows are subject to the risks noted in the impairment assessments of the Group's shipyards. Information about the assumptions and risk factors are disclosed in Note 44(d).

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts

The Group has assessed its contracts relating to services for ship and rig repair, building, conversion and overhaul as a single performance obligation due to the inter-dependence of services provided in these contracts.

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contracts.

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44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting judgements in applying the Group's accounting policies (cont'd)

(a) Revenue recognition and assessment of risk of foreseeable losses on long term construction contracts (cont'd)

For contracts with variable considerations (such as liquidated damages and discounts), the Group has applied judgement in determining the transaction price for the recognition of revenue. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the timely completion of the project as well as the quality of the output delivered to the customer.

The Group has recognised revenue on construction contracts, rigs & floaters, repairs & upgrades and offshore platforms based on the percentage of completion method in proportion to the stage of completion. The percentage of completion is assessed by reference to surveys of work performed. Significant judgement is required in determining the appropriate stage of completion for revenue recognition; and likewise, judgement is required in determining the triggering point of suspension of revenue recognition when it is no longer probable that inflow of economic benefits associated with the contracts will occur. Such considerations include the Group's assessment of the credit-worthiness of customers and an evaluation of the contract performance obligations discharged by the customers.

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

(b) Contract costs – fulfilment costs

For ship and rig building contracts with customers where revenue is recognised at a point in time (i.e. upon delivery to customer), the costs incurred during the construction phase are recognised as an asset (i.e. contract costs – fulfilment). Upon fulfilment of the performance obligation and recognition of revenue, these costs will be recognised in profit or loss. Significant judgement is required to determine if the contract costs recognised are expected to be recovered. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the customer ability to take delivery of the ship and rig. The review also encompasses the analysis of the industry outlook and the customers' financial health.

(c) Impairment of financial assets and contract assets

The Group follows the guidance of SFRS(I) 9 *Financial Instruments* in recognising loss allowances for expected credit losses on financial assets and contract assets.

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates to be applied for the respective category of the financial assets and contract assets. The Group uses judgement in making these assumptions and selecting the input to the impairment calculation including credit default ratings, evaluation of the Group's past history of loss rate, existing market conditions as well as forward looking estimates at the end of each reporting period. The Group also evaluates, among other factors, financial restructuring (where relevant), credit-worthiness and financial health of and near-term business outlook of its customers, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

For certain financial assets and contract assets, the Group has a right to repossess or retain title, and to re-sell the assets delivered in the event of default by the customer. The Group has assessed and considered the value of the repossessed assets and applied a range of probability weighted possible outcomes in determining the expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting judgements in applying the Group's accounting policies (cont'd)

(c) Impairment of financial assets and contract assets (cont'd)

In assessing the segmenting of the customers for the loss allowance, judgement is involved in determining the credit-worthiness and financial health of its customers whose conditions are subject to changes, which may require changes in the customers' segmentation, which in turn may affect the level of loss allowance in future periods.

The carrying amounts of financial assets and contract assets are disclosed in the following notes:

- Note 9 – Other financial assets
- Note 10 – Trade and other receivables
- Note 12 – Contract assets

(d) Exercise of extension option, purchase option and termination option

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, purchase option or option to terminate. Extension options (or periods after an optional termination date) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability if it is not reasonably certain that the leases will be extended (or not terminated) or that purchase options will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances that is within the control of the lessee occurs and affects this assessment.

(e) Hedging accounting relationships

The Group determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate or foreign currency. For cash flow hedging relationships directly impacted by IBOR reform (i.e. hedges of SOR and LIBOR), the Group assumes that the cash flows of the hedged item and hedging instrument will not be altered as a result of IBOR reform. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the present value of the hedged item.

Significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. In Singapore, SIBOR and SOR continue to be used as reference rates in financial markets and are used in the valuation of instruments with maturities that exceed the expected end date for SIBOR and SOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations for when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has applied its best judgement to analyse market expectations when determining the fair value of the hedging instrument and present value of estimated cash flows of the hedged item.

NOTES TO THE FINANCIAL STATEMENTS

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44 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting judgements in applying the Group's accounting policies (cont'd)

(f) Capitalisation of development costs

Significant managerial judgement and detailed evaluation is required to determine whether it is appropriate to capitalise or to continue to carry costs associated with the development of engineering designs for offshore solutions on the balance sheet. Such costs remain on the balance sheet while additional review and feasibility studies are performed on the designs. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop. Where there is no longer an intention to continue the development, the costs are immediately expensed. The Group remains committed to developing the engineering designs and expects to carry the capitalised costs on its balance sheet.

The carrying amount of engineering designs under development is included in Note 13. When available for use, the costs capitalised will be reclassified within intangible assets and commence amortisation.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

45 GROUP ENTITIES

Details of the Group's subsidiaries, associates and joint ventures are as follows:

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2020 %	Effective equity held by the Group 2019 %
Subsidiaries				
Dolphin Shipping Company Private Limited[(1)]	Singapore	Ship owning and chartering	100	100
Gravifloat AS[(2)]	Norway	Engineering and related services	56	56
Jurong Shipbuilders Private Limited[(1)]	Singapore	Investment holding	100	100
Jurong Shipyard Pte Ltd[(1)]	Singapore	Ship and rig repair, building, conversion and related services	100	100
PPL Shipyard Pte Ltd[(1)]	Singapore	Rig building, repair and related services	100	100
Sembcorp Holdings, LLC.[(4)]	United States of America	Dissolved	–	100
Sembcorp Marine Financial Services Pte. Ltd.[(1)]	Singapore	Acting as the finance and treasury centre for the Group	100	100
Sembcorp Marine Integrated Yard Pte. Ltd.[(1)]	Singapore	Ship and rig repair, building, conversion, offshore engineering and related services	100	100
SML Shipyard Pte Ltd[(1)]	Singapore	Ship repair and related services	100	100
Subsidiaries of Jurong Shipyard Pte Ltd				
Dolphin Rig 1 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 2 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 3 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 4 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 5 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 6 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Dolphin Rig 7 Pte. Ltd.[(1)]	Singapore	Provision of marine/offshore engineering and shipbuilding services	100	100
Estaleiro Jurong Aracruz Ltda[(2)]	Brazil	Ship and rig repair, building, conversion and related services	100	100
JED Centre Sdn. Bhd.[(2)]	Malaysia	Render services for engineering	100	100
Jurong do Brasil Prestacao de Servicos Ltda[(2)]	Brazil	Ship and rig repair, building, conversion and related services	100	100
Jurong Marine Contractors Private Limited[(1)]	Singapore	Provision of contract services	100	100
Jurong Netherlands B.V.[(4)]	Netherlands	Investment holding	100	100
Jurong Offshore Pte. Ltd.[(1)]	Singapore	Investment holding	100	100
Sembmarine SSP Inc[(4)]	United States of America	In the business of engineering design, research and development, marketing and client services support centre	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

45 GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2020 %	Effective equity held by the Group 2019 %
Subsidiaries of PPL Shipyard Pte Ltd				
Baker Marine Pte Ltd[1]	Singapore	Rig enhancement and upgrading services, engineering consultancy and project management, and supply of rig equipment and parts	100	100
Baker Marine Services (HK) Limited[2]	Hong Kong	Provision of rig designs	100	100
Baker Marine Technology Inc.[4]	United States of America	Engineering design, research and development, marketing and client services support centre	100	100
Subsidiaries of Sembcorp Holdings, LLC.				
Sabine Offshore Service, Inc.[4], [a]	United States of America	Merged and dissolved	–	100
Sembcorp-Sabine Industries, Inc.[4], [a]	United States of America	Merged and dissolved	–	100
Sembcorp-Sabine Shipyard, Inc.[4], [a]	United States of America	Merged and dissolved	–	100
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd.				
Aquarius Brasil B.V.[3]	Netherlands	Shipowner	100	100
Aragon AS[2]	Norway	Process design and engineering	50	50
Bulk Trade Pte Ltd[1]	Singapore	Bulk trading	100	100
HiLoad LNG AS[2]	Norway	Design, development and engineering of LNG related offshore solutions	100	100
Joint Shipyard Management Services Pte Ltd[1]	Singapore	Managing dormitories	32	32
JPL Concrete Products Pte Ltd[1]	Singapore	Production of concrete products	85.8	85.8
JPL Industries Pte Ltd[1]	Singapore	Processing and distribution of copper slag	85.8	85.8
Jurong Marine Services Pte Ltd[1]	Singapore	Provision of tugging and sea transportation services	100	100
Karimun Shiprepair and Engineering Pte Ltd[1]	Singapore	Investment holding	100	100
LMG Marin AS[2]	Norway	Ship design and engineering	100	100
LMG Marin France[3]	France	Ship design and engineering	60	60
LMG Oilcraft AS[4]	Norway	Ship design and engineering	100	100
Marine Housing Services Pte. Ltd.[3]	Singapore	Provision of dormitory housing services	50	50
Midcon Designer Sp. Z.o.o.[4]	Poland	Ship design and engineering	72.4	72.4
Pegasus Marine & Offshore Pte. Ltd.[1]	Singapore	Marine services	100	100
P.T. Karimun Sembawang Shipyard[3]	Indonesia	Ship repair and related services	100	100
PT SMOE Indonesia[2]	Indonesia	Engineering, construction and fabrication of offshore structures	90	90
Semb-Eco Pte. Ltd.[1], [b]	Singapore	Investment holding	100	100
Semb-Eco R&D Pte. Ltd.[1], [b]	Singapore	Research and development, holding of patents	100	100
Semb-Eco Technology Pte. Ltd.[1], [b]	Singapore	Manufacturing and commercialisation of patents	100	100

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

45 GROUP ENTITIES (CONT'D)

Name of company	Place of incorporation and business	Principal activities	Effective equity held by the Group 2020 %	2019 %
Subsidiaries, associates and joint ventures of Sembcorp Marine Integrated Yard Pte. Ltd. (cont'd)				
Sembawang Shipyard Project Services Pte Ltd[1]	Singapore	Amalgamated with Sembcorp Marine Integrated Yard Pte. Ltd. on 1 September 2020	–	100
Sembawang Shipyard (S) Pte Ltd[1]	Singapore	Investment holding	100	100
Sembmarine Kakinada Limited[3]	India	Ship repair, conversion, building and related services	35.8	35.8
Sembcorp Marine Contractors Pte. Ltd.[1]	Singapore	Provision of contract services	100	100
Sembcorp Marine Offshore Platforms Pte. Ltd.[1]	Singapore	Engineering, construction and fabrication of offshore structures	100	100
Sembcorp Marine Repairs & Upgrades Pte. Ltd.[1]	Singapore	Ship repair and related services	100	100
Sembcorp Marine Rigs & Floaters Pte. Ltd.[1]	Singapore	Ship and rig building, conversion and related services	100	100
Sembcorp Marine Solutions Pte. Ltd.[1]	Singapore	Provision of management and technical services	100	100
Sembcorp Marine Specialised Shipbuilding Pte. Ltd.[1]	Singapore	Shipbuilding, ship repair and related services	100	100
Sembmarine SLP Limited[2]	United Kingdom	Design, engineering, fabrication and installation of offshore platforms, modules and structures for the oil, gas and renewable energy industry	100	100
SES Engineering (M) Sdn Bhd[2]	Malaysia	In process of being struck off	100	100
SES Marine Services (Pte) Ltd[1]	Singapore	Marine services	100	100
Sevan SSP AS[2]	Norway	Design, development, engineering and consulting related to offshore solutions	100	100
Shenzhen Chiwan Offshore Petroleum Engineering Company Ltd[3]	People's Republic of China	Equipment inspection, repair and maintenance services for oil reconnoiter and exploitation in South China Sea	35	35
Straits Offshore Pte. Ltd.[1]	Singapore	In process of being struck off	100	100
Straits Overseas Pte. Ltd.[1]	Singapore	Investment holding and engineering, construction and fabrication of offshore marine structures	100	100

(1) Audited by KPMG LLP, Singapore
(2) Audited by member firms of KPMG International in the respective countries
(3) Audited by other firms and not significant
(4) These companies are not required to be audited under the laws of their country of incorporation and not significant

a On 25 February 2020, the Company announced that its indirect wholly-owned subsidiaries, Sabine Offshore Service, Inc., Sembcorp-Sabine Industries, Inc. ("SSIC") and Sembcorp-Sabine Shipyard, Inc., were merged under the Texas Business Organizations Code (the "Merger"). SSIC, which was the entity surviving the Merger, was also subsequently dissolved by way of voluntary winding up.

b On 15 January 2019, the Company, and together with its subsidiaries entered into a share swap agreement with Ecospec Global Technology Pte. Ltd. ("EGT") and their shareholders to exchange 20% interest in EGT for 45% interest in Semb-Eco Pte. Ltd. (Semb-Eco). In consequence, Semb-Eco, Semb-Eco R&D Pte. Ltd. and Semb-Eco Technology Pte. Ltd. became the Company's wholly-owned subsidiaries, while EGT ceased to be an associate.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

46 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following SFRS(I)s, interpretations of SFRS(I) and requirement of SFRS(I) which are mandatorily effective from 1 January 2020:

- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- *Amendments to References to the Conceptual Framework in SFRS(I) Standards* (Amendments to SFRS(I) Standards)

The Group has early adopted Amendment to SFRS(I) 16: *Covid-19-Related Rent Concessions* issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Group applied the practical expedient not to assess a rent concession occurring as a direct consequence of the COVID-19 pandemic as a lease modification.

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

47 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The new SFRS(I)s, amendments to and interpretations of SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position, except for the *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

(i) Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

(a) Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At 31 December 2020, the Group has $2,999,145,600 bank loans that will be subject to IBOR reform. The Group expects that the interest rate benchmark for these loans will be changed to Singapore Overnight Rate Average ("SORA") or Secured Overnight Financing rate ("SOFR") and that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

47 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

(i) *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (cont'd)

(b) Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

At 31 December 2020, the Group has cash flow hedges of LIBOR and SOR risk. The Group expects that indexation of the hedged items and hedging instruments to SOR and LIBOR will be replaced with SORA and SOFR respectively when SOR and LIBOR phase out. Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively, based on SORA and SOFR. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of IBOR transition.

(c) Disclosure

The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

(d) Transition

The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

47 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

The following new SFRS(I)s, amendments to and interpretations of SFRS(I)s are effective for annual periods beginning after 1 January 2020:

Applicable to 2021 financial statements

- *Interest Rate Benchmark Reform – Phase 2* (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

Applicable to 2022 financial statements

- *Reference to the Conceptual Framework* (Amendments to SFRS(I) 3)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to SFRS(I) 1-16)
- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to SFRS(I) 1-37)
- Annual Improvements to SFRS(I)s 2018-2020

Applicable to 2023 financial statements

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

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

48 UPDATE IN RELATION TO BRAZIL

The Company refers to its earlier announcements on 3 July 2019, 8 July 2019, 3 February 2020, 21 February 2020 and 4 June 2020 in relation to ongoing investigations related to Operacao Lava Jato ("Operation Car Wash") in Brazil.

Charges have been filed against Mr Guilherme Esteves de Jesus ("GDJ") for money laundering and ex-employee Mr Martin Cheah Kok Choon ("MCKC") for money laundering and corruption in connection with certain drilling rig construction contracts entered into in 2012 by subsidiaries of the Company with subsidiaries of Sete Brasil ("Contracts"). GDJ has been convicted by the Federal Courts of Curitiba of the crimes of corruption, money laundering and participation in a criminal organisation.

MCKC is the former President of Estaleiro Jurong Aracruz Ltda ("EJA"), the Company's Brazilian subsidiary. MCKC's employment with the Group was terminated in June 2015. Companies connected to GDJ were engaged by the Company's subsidiaries as consultants, with all such consultancy contracts having been suspended, and remain suspended, by the SCM group indefinitely.

The above charges filed against MCKC and GDJ by the Ministerio Publico Federal ("MPF") are in their personal capacities and not against EJA.

The Group continues to cooperate fully with the Brazilian authorities investigating the above matter.

As at the date of these financial statements, proceedings are ongoing and it is premature to predict and the Group cannot reliably determine the eventual outcome to this matter. The time line for resolution of this matter also cannot be determined presently.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2020

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

A. DIRECTORS' AND KEY EXECUTIVES' REMUNERATION EARNED FOR THE YEAR

Summary compensation table for the year ended 31 December 2020

Name of Director	Salary[1]	Bonus Earned[2]	Fair value of share-based compensation granted for the year[3]	Directors' Fees Cash-based[4]	Directors' Fees Share-based[5]
	$'000	$'000	$'000	$'000	$'000
Payable by the Company:					
Tan Sri Mohd Hassan Marican	–	–	–	378	162
Wong Weng Sun	648	(888)	–	–	–
Eric Ang Teik Lim[4]	–	–	–	115	44
Bob Tan Beng Hai	–	–	–	143	61
Gina Lee-Wan	–	–	–	99	42
William Tan Seng Koon	–	–	–	119	51
Patrick Daniel	–	–	–	106	45
Tan Wah Yeow	–	–	–	111	48
Koh Chiap Khiong[4]	–	–	–	122	–
Ron Foo Siang Guan[6]	–	–	–	54	–
Neil McGregor[4 and 6]	–	–	–	36	–

Name of Key Executive	Salary[1]	Bonus Earned[2]	Fair value of share-based compensation granted for the year[3]	Total Compensation[2]
	%	%	%	%
Above $100,000 to $250,000				
Wang Zijian	288	(188)	–	100
Goh Khor Boon William	215	(115)	–	100
Tan Cheng Tat	184	(84)	–	100
William Gu	308	(208)	–	100
Chua San Lye	283	(183)	–	100
Total for Key Executives				$781,460

Notes:
1. The amount shown is inclusive of basic salary, fixed allowances, AWS and other emoluments.
2. Bonus earned consists of 2020 EVA-based incentive earned and performance bonus for selected individuals. The total bonus earned for the year was a negative outcome, and the net total compensation earned for the year for the five key executives is below $800,000. For example, Salary Earned is $100,000 and Bonus Earned is $(50,000). Hence, Total Compensation is $50,000. In percentage terms, Salary is expressed as 200%, Bonus Earned as 100% and Total Compensation as 100%.
3. The fair value of the share plans granted for the year is disclosed. The shares granted to key executives are contingent upon meeting performance measures. If these performance measures are not met, the key executives will not be vested with any shares. In 2020, no share was granted to these key executives.
4. Directors' fees for Mr Koh Chiap Khiong and Mr Neil McGregor will be paid entirely in cash to Sembcorp Industries Ltd. The director's fee due to Mr Eric Ang Teik Lim for the month of January 2020 will be paid entirely in cash to his then employer, DBS Bank Ltd. The balance of his fee (from February to December 2020) will be paid 70% in cash and 30% in the form of restricted shares.
5. 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 Sembcorp Marine Restricted Share Plan 2020.

   For year 2020, the awards to be granted under the Sembcorp Marine Restricted Share Plan 2020 to all Directors as part of their Directors' fees (except for (i) Mr Wong Weng Sun, who is the President & CEO, and who does not receive any Director's Fees,, and (ii) Mr Koh Chiap Khiong) will consist of the grant of fully paid shares outright with no performance and vesting conditions attached, but with a selling moratorium. These non-executive Directors are required to hold shares (including shares obtained by other means) worth at least one-time the annual base retainer (currently $75,000), any excess may be sold as desired. These non-executive Directors can dispose of all of the shares one year after leaving the Board.

   The actual number of shares to be awarded to each non-executive Director, (other than Mr Koh Chiap Khiong will be determined by reference to the volume-weighted average price of a share on the Singapore Exchange Securities Trading Limited (SGX-ST) over the 14 trading days immediately following the date of the Annual General Meeting. The number of shares to be awarded will be rounded down to the nearest hundred and any residual balance will be settled in cash.
6. Mr Ron Foo Siang Guan and Mr Neil McGregor each stepped down as a director on 20 May 2020.

Details on the performance shares and restricted shares granted to the directors are set out on pages 84 to 89 of the Sembcorp Marine Annual Report 2020.

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2020

(UNDER SGX-ST LISTING MANUAL REQUIREMENTS)

B. INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 2020 $'000	2019 $'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than $100,000) 2020 $'000	2019 $'000
Transaction for the Purchase of Goods and Services					
SembWaste Pte. Ltd.	Associate of Temasek Holdings (Private) Limited, the largest shareholder of the Company.	–	–	341	407
Management and Support Services					
Sembcorp Industries Limited	Associate of Temasek Holdings (Private) Limited, the largest shareholder of the Company.	–	–	–	250
Treasury Transactions					
Subordinated Loan from – as at 31 December					
Sembcorp Financial Services Pte Ltd	Associate of Temasek Holdings (Private) Limited, the largest shareholder of the Company.	–	–	–	1,500,000
Total Interested Person Transactions		–	–	341	1,500,657

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2020

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of director	Tan Sri Mohd Hassan Marican	Bob Tan Beng Hai	William Tan Seng Koon
Date of appointment	1 October 2011	20 April 2015	20 April 2017
Date of last re-election/ re-appointment	18 April 2018	16 April 2019	18 April 2018
Age	69	69	68
Country of principal residence	Malaysia	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Nominating Committee's recommendation and assessment on Tan Sri Mohd Hassan Marican's competencies, experience and commitment in the discharge of his duties as a director of Sembcorp Marine Ltd ("SCM"), and is satisfied that he will continue to contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Bob Tan Beng Hai's competencies, experience, independence and commitment in the discharge of his duties as a director of SCM, and is satisfied that he will continue to contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Mr William Tan Seng Koon's competencies, experience, independence and commitment in the discharge of his duties as a director of SCM, and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-executive and Non-Independent Chairman of the Board Chairman of the Executive Committee Member of the Executive Resource & Compensation Committee Member of the Nominating Committee Member of the Special Committee	Non-executive and Independent director Chairman of the Board Risk Committee Chairman of the Special Committee Member of the Executive Committee	Non-executive and Independent director Member of the Audit Committee Member of the Executive Committee Member of the Executive Resource & Compensation Committee

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2020

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director	Tan Sri Mohd Hassan Marican	Bob Tan Beng Hai	William Tan Seng Koon
Professional qualifications	Honorary Doctorate from the University of Malaya A Fellow of the Institute of Chartered Accountants in England and Wales	A Fellow of the Institute of Chartered Accountants in England and Wales A Fellow of the Singapore Institute of Directors	Bachelor of Engineering (Mechanical Engineering) from the University of Singapore A Fellow of the Institution of Engineers (Singapore) and the Academy of Engineering Singapore.
Working experience and occupation(s) during the past 10 years	President & CEO, Malaysia's Petroliam Nasional (PETRONAS) from 1995 to 2010.	Chairman and directors of various listed as well as non-listed public companies	President & CEO, SIA Engineering Company for 14 years until his retirement in July 2015.
Shareholding interest in the listed issuer and its subsidiaries	5,076,926 ordinary shares in SCM which are held in the name of Citibank Singapore Nominees Pte Ltd	1,450,200 ordinary shares in SCM	897,600 ordinary shares in SCM
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other principal commitments (including directorships):			
(i) Past (for the last 5 years)	– Director, Regional Economic Development Authority (RECODA) Sarawak – Director, Khazanah Nasional Berhad	– Singapore LNG Corporation Pte Ltd – SMRT Corporation Ltd – SMRT Trains Ltd – Inland Revenue Authority of Singapore – Institute of Technical Education – SingEx Holdings Pte Ltd	Nil

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2020

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director		Tan Sri Mohd Hassan Marican	Bob Tan Beng Hai	William Tan Seng Koon
(ii)	Present	Please refer to Tan Sri Mohd Hassan Marican's profile on page 35 of the Annual Report 2020	Please refer to Mr Bob Tan Beng Hai's profile on page 36 of the Annual Report 2020	Please refer to Mr William Tan Seng Koon's profile on page 38 of the Annual Report 2020
Information required pursuant to Listing Rule 704(7):				
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2020

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director		Tan Sri Mohd Hassan Marican	Bob Tan Beng Hai	William Tan Seng Koon
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

SUPPLEMENTARY INFORMATION

YEAR ENDED 31 DECEMBER 2020

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION (CONT'D)

Name of director			Tan Sri Mohd Hassan Marican	Bob Tan Beng Hai	William Tan Seng Koon
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :				
	(i)	any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
	(ii)	any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
	(iii)	any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
	(iv)	any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?				
(K)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?		No	No	No

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
Singapore Yards			
• Tanjong Kling Road*	Land area: 491,247.70 m^2 Buildings, workshops, drydocks and quays	5 years tenancy	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydock, berthage and workshops
• Admiralty Road East/Admiralty Road West	Land area: 866,699 m^2 Buildings, workshops, drydocks and quays	22 years leasehold	Ship repairs, ship conversion, offshore engineering and rig building including docks, berthage and workshops
• Pandan Road	Land area: 141,791 m^2	5 years leasehold (JTC Land)	Rig building, repairs, upgrading and fabrication including berthage and workshops
• Pandan Road	Land area: 9,182 m^2	30 years leasehold (JTC Land)	Steel fabrication and precision machining of components for offshore jack-up oil rigs
• Tuas Crescent	Land area: 58,226 m^2	9.5 years leasehold (JTC Land)	Fabrication of jack-up oil rigs and associated sub-structure modules
• Shipyard Road*	Land area: 28,959 m^2 Buildings, workshops and drydocks	2 years Temporary Occupation License	Reinstatement works
• Tuas Road*	Land area: 10,795 m^2	10 months lease	Reinstatement Works
• Tuas South Boulevard Phase I	Land area: 759,471 m^2 Docks, quays, workshops, buildings and berthage	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
• Tuas South Boulevard Phase II	Land area: 345,600 m^2	30 plus 30 years leasehold (JTC land)	Ship repairs, ship conversion, offshore engineering, shipbuilding and rig building including drydocks, berthage and workshops
• Tuas South Boulevard Phase IIIa	Land area: 411,131 m^2 (Pending final survey of land by JTC)	30 plus 30 years leasehold (JTC land)	Marine engineering activities including repair, conversion, upgrading and building of rigs, ships and offshore structures

* The properties are being prepared to be handed back to JTC following expiry of tenure.

MAJOR PROPERTIES

Location	Description & Approximate Land Area	Tenure	Usage
Overseas Yards			
P.T. Karimun Sembawang Shipyard			
• Karimun Island, Indonesia	Land area: 307,650 m^2 Buildings, workshops and wharves	30 years leasehold (extendable for 20 years and renewable for 30 years)	Ship repair and fabrication including berthage and workshops
Estaleiro Jurong Aracruz			
• Municipality of Aracruz, State of Espirito Santo, Brazil	Land area: 825,000 m^2 Slipways, berthing quays, drydock, ancillary steel and piping facilities	Freehold	Drill ships construction, building of semi-submersible rigs, FPSO integration, fabrication of topside modules, PSVs construction, drilling rig repairs and modification works
P.T. SMOE Indonesia			
• Batam Island, Indonesia	Land area: 815,036 m^2 Workshops, office buildings and 547 metres of jetty for modules load-out	30 years leasehold	Workshops and fabrication facilities
Miscellaneous			
JPL Industries			
• Jurong Pier Road	Land area: 27,783 m^2	30 years leasehold (JTC Land)	Copper slag recycling
Sembmarine SLP Ltd			
• Lowestoft, Suffolk, UK	Land area: 14,285m^2 Workshops and office building	Leasehold land ranging from 22 to 99 years	Storage, workshops, and light assembly works
Mendon Spring			
• Pasir Panjang	Nine units of 3-room apartment with built-in area of 99 m^2 per unit	Freehold	Residential properties