

Notes to the Financial Statements

Year ended December 31, 2020

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

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

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

Effective interest rates and maturity of liabilities

(\$ million)	Effective interest rate %	
	2020	2019
Group		
Floating rate loans	0.88 – 11.35	1.70 – 12.80
Fixed rate loans	0.77 – 11.48	0.77 – 11.48
Bonds and notes	2.94 – 4.25	2.94 – 4.25
Debentures	9.65	9.65 – 12.00

i. Secured term loans

The secured term loans are collateralised by the following assets:

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

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

ii. Unsecured term loans

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

The Company jointly with Sembcorp Financial Services Pte Ltd (SFS), a wholly-owned subsidiary of the Company, have on April 3, 2020, established an additional S\$3.0 billion Multicurrency Debt Issuance Programme (the Programme). This is in addition to the existing S\$2.5 billion Programme. Under the Programme, the Company, together with SFS and certain other subsidiaries of the Company (the Issuing Subsidiaries), may from time to time issue Notes and Securities under the Programme subject to availability of funds from the market. The obligations of the Issuing Subsidiaries under the Programme are fully guaranteed by the Company.

As at December 31, 2020 and December 31, 2019, SFS has the following outstanding medium term notes issued under the existing Programme:

(\$ million)	Nominal interest rate	Year of issue	Year of maturity	Principal amount	
				December 31, 2020	December 31, 2019
S\$ medium term notes	3.7325%	2010	2020	–	300
S\$ medium term notes	4.25%	2010	2025	100	100
S\$ medium term notes	3.64%	2013	2024	200	200
S\$ medium term notes	2.94%	2014	2021	100	100
S\$ medium term notes	3.593%	2014	2026	150	150
				550	850

Apart from the medium term notes issued by SFS, as at December 2019, the Company had S\$800 million outstanding perpetual securities of which S\$200 million was issued in 2013 and another S\$600 million in 2015 under the Programme. The perpetual securities were accounted as equity of the Group and were fully redeemed during the year.

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

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

In 2019, SCM had a S\$2.0 billion Multicurrency Multi-Issuer Debt Issuance Programme (the Programme). Under the Programme, SCM or any of the issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore dollar or any other currency. Such notes are listed on the Singapore Exchange Securities Trading Limited and are cleared through the Central Depository (Pte) Ltd. The notes are redeemable at par.

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

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

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

Notes to the Financial Statements

Year ended December 31, 2020

C. Our Funding (cont'd)

C6. Interest-bearing borrowings (cont'd)

iii. Secured bonds

In June 2019, the Company's wholly-owned subsidiary, Sembcorp Financial Services Pte Ltd (SFS), entered into a subscription agreement with DBS Bank to issue S\$1.5 billion 3.55% per annum guaranteed bonds due 2024. Proceeds from the issuance of bonds were used to fund the S\$2.0 billion 5-year subordinated loan facility provided by SFS to Sembcorp Marine Financial Services Pte. Ltd. ("SMFS"), a subsidiary of SCM Group, to retire S\$1.5 billion of SCM's borrowings and for working capital and general corporate purposes. SFI acted as a guarantor for the bonds issuance. As at December 31, 2019, an amount of S\$200 million fixed rate guaranteed bonds was subscribed by a related corporation.

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

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

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

C. Our Funding (cont'd)

C7. Net interest expense

Accounting policies

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

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

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

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

C8. Contingent liabilities

Key estimates and judgements

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