

# Notes to the Financial Statements

Year ended December 31, 2020

## G. Group Structure (cont'd)

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

#### Acquisition of significant subsidiaries (cont'd)

##### Measurement of fair values

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

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

The Group has finalised the fair values of identifiable assets acquired and liabilities assumed during the measurement period with no significant change from the provisional amount.

##### Negative goodwill

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

##### Acquisition-related costs

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

##### Acquired receivables

Included in trade and other receivables are trade receivables stated at fair value of S\$5 million. The gross contractual amount for trade receivables due is S\$5 million and, at the acquisition date, the entire contractual amount was expected to be collectible.

The above are inclusive of fair value adjustments.

## G. Group Structure (cont'd)

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

#### Disposal of significant subsidiaries

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

For the year 2019, the Group divested its commercial design and construction business (100% stake in Sembcorp Design and Construction Pte Ltd) and a water business in China (80% stake in Sembcorp Lianyungang Water Co).

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

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

### G3. Discontinued operation

#### Accounting policies

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

#### Revenue from contracts with customers

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

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

##### b. Charter hire

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

# Notes to the Financial Statements

Year ended December 31, 2020

## G. Group Structure (cont'd)

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

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

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

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

#### Financial performance and cash flow information

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

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

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

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

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

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

## G. Group Structure (cont'd)

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

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

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

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

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

##### Share-based incentive plans

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

#### G4. Non-controlling interests

Non-controlling interests are part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company.

##### Distribution *in specie*

###### 2020

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

##### Acquisition of significant non-controlling interests

###### 2019

On December 30, 2019, the Group increased its shareholding in Sembcorp Energy India Limited (SEIL) from 94% to 100% for a consideration of S\$77 million.