

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)
Loss from operation	(355)	(141)
Finance income	38	93
Finance cost	(70)	(104)
Loss from operating activities	(387)	(152)
Tax credit	57	36
Non-controlling interests (NCI)	146	58
Loss from operating activities, net of tax and NCI	(184)	(58)
Loss on the Distribution	(970)	-
Net loss from discontinued operation, net of tax	(1,154)	(58)
Basic earnings (loss) per share – cents	(64.65)	(3.25)
Diluted earnings (loss) per share – cents ¹	(64.65)	(3.25)

¹ 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
Total assets	9,451
Trade and other payables	1,164
Other liabilities	266
Borrowing	3,794
Lease liabilities	297
Current tax payable	8
Deferred tax liabilities	28
Total liabilities	5,557
Net assets distributed	3,894
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)
Net cash outflow on distribution <i>in specie</i>	(1,309)

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.

Notes to the Financial Statements

Year ended December 31, 2020

G. Group Structure (cont'd)

G4. Non-controlling interests (cont'd)

Acquisition of significant non-controlling interests (cont'd)

The following summarises the effect of changes in the Group's ownership interest:

(\$ million)	SEIL 2019
Group's ownership interest at January 1	1,308
Effect of increase in Group's ownership interest	99
Share of comprehensive income and capital injection during the year	163
Group's ownership interest at December 31	1,570

The following summarises the financial information of the Group's subsidiaries with material non-controlling interests (NCI), based on its consolidated financial statements prepared in accordance with SFRS(I)s.

(\$ million)	Sembcorp Marine Group 2019
NCI percentage	39%
Country of incorporation	Singapore
Operating segment	Marine
Revenue	2,882
Loss for the year	(140)
Other comprehensive income	(6)
Total comprehensive income	(146)
Attributable to non-controlling interests:	
Loss for the year	(57)
Other comprehensive income	(2)
Total comprehensive income	(59)
Non-current assets	5,894
Current assets	2,565
Non-current liabilities	(3,377)
Current liabilities	(2,875)
Net assets	2,207
Net assets attributable to non-controlling interests	875
Cash flows used in operating activities	(296)
Cash flows used in investing activities	(312)
Cash flows from financing activities	164
Net decrease in cash and cash equivalents	(444)
Dividends paid to non-controlling interests	-

G. Group Structure (cont'd)

G5. Associates and joint ventures

Accounting policies

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

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

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

Key estimates and judgements

The recoverable amount of the interest in an associate was estimated based on its VIU. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also choose suitable discount rates in order to calculate the present value of those cash flows.

(\$ million)	Note	Group	
		December 31, 2020	December 31, 2019
Associates and joint ventures		1,614	1,647
Loan to an associate	(a)	71	66
Allowance for impairment	(b), (c)	(97)	(17)
		1,588	1,696

In 2020, the Group received dividends of S\$213 million (2019: S\$201 million) from its investments in associates and joint ventures.

The carrying value includes goodwill on acquisition as follows:

(\$ million)	Group	
	2020	2019
Balance at January 1	3	3
Distribution of a subsidiary	(3)	-
Balance at December 31	*	3

- a. On adoption of SFRS(I) 9, the loan is classified as financial assets at amortised cost. Allowance for impairment on this loan is insignificant.

The loan to an associate is unsecured, bears interest at 8.5% per annum and has no fixed terms of repayment. The settlement of the amount is neither planned nor likely to occur in the foreseeable future and hence the loan is classified as non-current.