

## 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. SCL 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:

(\$ million)	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
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
<b>Cash flows</b>								
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)
<b>Non-cash items</b>								
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
<b>Balance at December 31</b>	<b>11</b>	<b>7,728</b>	<b>226</b>	<b>7,965</b>	<b>57</b>	<b>10,800</b>	<b>504</b>	<b>11,361</b>

### 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 assets 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.

(\$ million)	Note	Group	
		2020	2019
<b>Finance income</b>			
Finance income from financial assets measured at amortised costs			
- associates and joint ventures		6	5
- bank and others		29	34
		35	39
<b>Finance costs</b>			
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.