These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of its principal place of business and registered office is 1 HarbourFront Avenue #18-01, Keppel Bay Tower, Singapore 098632.

The Company's principal activity is that of an investment holding and management company.

The principal activities of the companies in the Group consist of:

- offshore production facilities and drilling rigs design, construction, fabrication and repair, ship conversions and repair and specialised shipbuilding;
- power generation, renewables, environmental engineering and infrastructure operation and maintenance;
- property development and investment, as well as master development;
- provision of telecommunications services, retail sales of telecommunications equipment and accessories, development and operation of data centres, and provision of logistics solutions; and
- management of private funds and listed real estate investment and business trusts.

The financial statements of the Group for the financial year ended 31 December 2020 and the balance sheet and statement of changes in equity of the Company at 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 26 February 2021.

2. Significant accounting policies

2.1 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"). All references to SFRS(I)s and IFRSs are referred to collectively as SFRS(I)s in these financial statements, unless specified otherwise. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

2.2 Adoption of New and Revised Standards

The Group adopted the new/revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s that are effective for annual periods beginning on or after 1 January 2020. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

The following are the new or amended SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s, that are relevant to the Group:

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*
- Amendments to SFRS(I) 3 *Business Combinations (Definition of a Business)*
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*
- Amendments to SFRS(I) *Leases (Covid-19-Related Rent Concessions)*
- Amendments to Conceptual Framework for Financial Reporting

The adoption of the above new or amended SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group.

<u>Interest Rate Benchmark Reform</u>
In accordance with the transition provisions, the Group has adopted the amendments to SFRS(I) 9 and SFRS(I) 7 effective 1 January 2020 retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by inter-bank offered rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the income statement. The reliefs will cease to apply when the uncertainties arising from interest rate benchmark reform are no longer present.

Note 2.28(a)(iii) provides information about the uncertainty arising from IBOR reform for hedging relationships for which the Group has applied the reliefs. No changes were required to any of the amounts recognised in the current or prior period as a result of these amendments.

2. Significant accounting policies (continued)

2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

The financial statements of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated financial statements from their respective dates of obtaining control or ceasing control. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair value of the assets transferred, equity instruments issued, liabilities incurred or assumed at the date of exchange and the fair values of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised in the profit and loss account as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests, except for deferred tax assets/liabilities, share-based related accounts and assets held for sale.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted and the difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets (including any goodwill), liabilities and non-controlling interests at their carrying amounts. Amounts previously recognised in other comprehensive income in respect of that former subsidiary are reclassified to the profit and loss account or transferred directly to revenue reserves if required by a specific Standard. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in the profit and loss account.

On a transaction-by-transaction basis, the measurement of non-controlling interests is either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in the profit and loss account.

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 owners 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 in a subsidiary based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2.4 Fixed Assets

Fixed assets are initially stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss, if any. The cost initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent expenditure is added to the carrying amount only when it is probable that future economic benefits will flow to the entity and the cost can be measured reliably. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Profits or losses on disposal of fixed assets are included in the profit and loss account.

Depreciation of fixed assets is calculated on a straight-line basis to write off the cost of the fixed assets over their estimated useful lives. No depreciation is provided on freehold land and capital work-in-progress. The estimated useful lives of other fixed assets are as follows:

Buildings on freehold land	20 to 50 years
Buildings on leasehold land	Over period of lease (ranging from 10 to 50 years)
Vessels & floating docks	10 to 30 years
Plant, machinery & equipment	3 to 30 years
Networks and related application systems	5 to 25 years
Furniture, fittings & office equipment	2 to 10 years
Cranes	5 to 30 years
Small equipment and tools	2 to 20 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

2.5 Investment Properties

Investment properties comprise completed properties and properties under construction or re-development held to earn rental and/or for capital appreciation and right-of-use assets relating to leasehold land that is held for long term capital appreciation or for a currently indeterminate use. Investment properties are initially recognised at cost and subsequently measured at fair value, determined annually based on valuations by independent professional valuers, except for significant investment properties which are revalued on a half-yearly basis. Changes in fair value are recognised in the profit and loss account.

The cost of major renovations or improvements is capitalised and the carrying amounts of the replaced components are recognised in the profit and loss account.

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

2.6 Subsidiaries

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are stated in the financial statements of the Company at cost less accumulated impairment losses. On disposal of a subsidiary, the difference between net disposal proceeds and carrying amount of the investment is taken to profit or loss.

2.7 Associated Companies and Joint Ventures

An associated company is an entity, not being a subsidiary, over which the Group has significant influence, but not control.

A joint venture is an entity, not being a subsidiary, over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint ventures are stated in the Company's financial statements at cost less any impairment losses. On disposal of an associated company or a joint venture, the difference between net disposal proceeds and the carrying amount of the investment is taken to the profit and loss account.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment loss, if any. The Group's share of profit or loss and other comprehensive income of the associated company or joint venture is included in the consolidated profit and loss account and consolidated statement of comprehensive income respectively. The Group's share of net assets of the associated company or joint venture is included in the consolidated balance sheet.

When the Group's investment in an associated company or a joint venture is held by, or is held indirectly through, a subsidiary that is a venture capital organisation, or a mutual fund, unit trust and similar entities, the Group may elect to measure that investment at fair value through profit or loss. This election is made separately for each associated company or joint venture, at initial recognition of the associated company or joint venture.

Any excess of the cost of acquisition over the Group's share of net identifiable assets, liabilities and contingent liabilities of the associated company or joint venture recognised at the date of acquisition measured at their fair values is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net identifiable assets, liabilities and contingent liabilities measured at their fair values over the cost of acquisition, after reassessment, is recognised immediately in the profit and loss account as a bargain purchase gain.

2.8 Intangibles

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net identifiable assets acquired and the liabilities assumed measured at their fair values at acquisition date. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any impairment losses. If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the profit and loss account as a bargain purchase gain.

2. Significant accounting policies (continued)

Spectrum Rights
These comprise expenditure relating to one-time charges paid to acquire spectrum rights and telecommunications licenses or access codes. These intangible assets are measured initially at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Spectrum rights are amortised on a straight-line basis over the estimated economic useful life of 4 to 17 years.

Brand
The brand was acquired as part of a business combination completed in the prior financial year. The brand value will be amortised over the useful life which is estimated to be 30 years.

Customer Contracts and Customer Relationships
Customer contracts and customer relationships are identified and recognised separately from goodwill. The cost of customer contracts and relationships is at their fair value at the acquisition date and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight-line basis over their useful lives, ranging from 2 to 20 years.

Other Intangible Assets
Other intangible assets include development expenditure and internet protocol (IP) address, initially recognised at cost and subsequently carried at cost less accumulated amortisation. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight-line basis over their useful lives, ranging from 3 to 20 years.

Other intangible assets also include management rights which is initially recognised at cost upon acquisition and subsequently carried at cost less accumulated impairment losses, if any. The useful life of the management rights is estimated to be indefinite because management believes there is no foreseeable limit to the period over which the management rights is expected to generate net cash inflows for the Group.

2.9 Service Concession Arrangement

The Group has an existing service concession arrangement with a governing agency (the grantor) to design, build, own and operate a desalination plant in Singapore. Under the service concession arrangement, the Group will operate the plant for 25 years. At the end of the concession period, the grantor may require the plant to be handed over in a specified condition or to be demolished at reasonable costs borne by the grantor. Such service concession arrangement falls within the scope of SFRS(I) INT 12 *Service Concession Arrangements*.

The Group constructs the plant (construction services) used to provide public services and operates and maintains the plant (operation services) for the concession period as specified in the contract. The Group recognises and measures revenue in accordance with SFRS(I) 15 for the services it performs.

The Group recognises a financial asset arising from the provision of the construction services when it has a contractual right to receive fixed and determinable amounts of payments irrespective of the output produced. The consideration receivable is measured initially at fair value and subsequently measured at amortised amount using the effective interest method.

2.10 Financial Assets

The Group classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Purchases and sale of financial assets are recognised on the trade date when the Group commits to purchase or sell the assets.

At initial recognition, the Group measures a financial asset at its fair value including, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit and loss account.

(i) Debt instruments
Debt instruments mainly comprise of cash and bank balances, trade, intercompany and other receivables (excluding prepayments) and investments. Trade, intercompany and other receivables are stated initially at fair value and subsequently at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the profit and loss account when the asset is derecognised or impaired. Interest income from these financial assets is recognised in the profit and loss account using the effective interest rate method.

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in the profit and loss account in the period in which it arises.

Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in other comprehensive income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the profit and loss account. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit and loss account. Interest income from these financial assets is recognised in the profit and loss account using the effective interest rate method.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in the profit and loss account in the period in which the changes arise. For equity investments where the Group has elected to recognise changes in fair value in OCI, movements in fair values are presented as "fair value changes" in OCI. Dividends from equity investments are recognised in the profit and loss account.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in the profit and loss account. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to the profit and loss account.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in the profit and loss account if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sale proceeds would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank deposits which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.11 Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Gains or losses arising from changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account.

For cash flow hedges, the effective portion of the gains or losses on the hedging instrument is recognised directly in other comprehensive income and accumulated in the hedging reserve, while the ineffective portion is recognised in the profit and loss account. Amounts taken to other comprehensive income are reclassified to the profit and loss account when the hedged transaction affects the profit and loss account.

For fair value hedges, changes in the fair value of the designated hedging instruments are recognised in the profit and loss account. The hedged item is adjusted to reflect change in its fair value in respect of the risk hedged, with any gain or loss recognised in the profit and loss account.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

2. Significant accounting policies (continued)

The fair value of forward foreign currency contracts is determined using forward exchange market rates at the balance sheet date. The fair value of High Sulphur Fuel Oil ("HSFO") and Dated Brent forward contracts is determined using forward HSFO and Dated Brent prices provided by the Group's key counterparty. The fair value of electricity future contracts is determined based on the Uniform Singapore Energy Price quarterly base load electricity futures prices quoted on the Singapore Exchange. The fair value of interest rate caps and interest rate swaps are based on valuations provided by the Group's bankers.

2.12 Investments

Investments include equity investments classified as FVPL and FVOCI and debt investments classified as FVPL. See further in Note 2.10.

The fair value of investments that are traded in active markets is based on quoted market prices at the balance sheet date. The quoted market prices are the current bid prices. The fair value of investments that are not traded in an active market is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the underlying net asset value of the investee companies and discounted cash flow analysis.

2.13 Stocks

Stocks, consumable materials and supplies are stated at the lower of cost and net realisable value, cost being principally determined on the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, related overheads expenditure, and financing charges incurred during the period of development. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Each property under development is accounted for as a separate project. Where a project comprises more than one component or phase with a separate temporary occupation permit, each component or phase is treated as a separate project, and interest and other net costs are apportioned accordingly.

2.14 Contract Assets and Contract Liabilities

For contract where the customer is invoiced on a milestone payment schedule or over the period of the contract, a contract asset is recognised if the value of the contract work transferred by the Group exceed the receipts from the customer, and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by the Group.

2.15 Impairment of Assets

Financial Assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Goodwill included in the carrying amount of an associated company or joint venture is tested for impairment as part of the investment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU"s) expected to benefit from the synergies of the combination.

An impairment loss is recognised in the profit and loss account when the carrying amount of the CGU, including goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other Non-Financial Assets

Tangible and intangible assets are tested for impairment whenever there is any indication that these assets may be impaired.

Management rights are tested for impairment annually and whenever there is an indication that the management rights may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as impairment loss in the profit and loss account. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit and loss account.

2.16 Financial Liabilities and Equity Instruments

Financial liabilities include trade, intercompany and other payables, bank loans and overdrafts. Trade, intercompany and other payables are stated initially at fair value and subsequently carried at amortised cost. Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.22).

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provision for warranties is set up upon completion of a contract to cover the estimated liability which may arise during the warranty period. This provision is based on service history. Any surplus of provision will be written back at the end of the warranty period while additional provisions, where necessary, are made when known. These liabilities are expected to be incurred over the applicable warranty periods.

Provision for claims is made for the estimated cost of all claims notified but not settled at the balance sheet date, less recoveries, using the information available at the time. Provision is also made for claims incurred but not reported at the balance sheet date based on historical claims experience, modified for variations in expected future settlement. The utilisation of provisions is dependent on the timing of claims.

2.18 Leases

<u>When a Group company is the lessee</u>

At the inception of the contract, the Group assesses if the contract contains a lease. A contract 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. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented as a separate line on the balance sheets. Right-of-use assets which meets the definition of an investment property is presented within "Investment Properties" and accounted for in accordance with Note 2.5.

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option, if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

Lease liabilities are presented as a separate line on the balance sheets.

2. Significant accounting policies (continued)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:
- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to 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.

Short term and low value leases
The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments
Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group recognises these lease payments in profit or loss in the periods that triggered such lease payments. Details of the variable lease payments are disclosed in Note 8.

Rent concessions
The Group has elected to apply the optional practical expedient under Amendments to SFRS(I) 16 *Leases (Covid-19-Related Rent Concessions)*.

Under the practical expedient, the Group, as a lessee, has elected not to assess whether a rent concession is a lease modification, if all the following conditions are met:
- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

<u>When a Group company is the lessor</u>
Operating leases
Assets leased out under operating leases are included in investment properties and are stated at fair values. Rental income (net of any incentive given to lessee) is recognised on a straight-line basis over the lease term.

2.19 Assets classified as Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.20 Revenue

Revenue consists of:
- Revenue recognised on rigbuilding, shipbuilding and repairs, property construction and long term engineering contracts;
- Sale of goods;
- Rendering of services;
- Rental income from investment properties;
- Investment and fee income; and
- Dividend income.

<u>Revenue recognition</u>
The Group enters into rigbuilding, shipbuilding and repairs, property construction and long term engineering contracts with customers. These contracts are fixed in prices. Revenue is recognised when the control over the contract work is transferred to the customer.
At contract inception, the Group assesses whether the Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The contract work, except for overseas property construction contracts, 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 contract work. For overseas property construction contracts, the Group does not have enforceable rights to payment arising from the contractual terms. Revenue from overseas property construction contracts is recognised at a point in time when the rights to payment become enforceable.

The measure of progress for rigbuilding contracts, and shipbuilding and repair contracts, is determined based on the estimation of the physical proportion of the contract work completed for the contracts with reference to engineers' estimates. The measure of progress for property construction and long term engineering contracts is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress.

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.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

Revenue from the rendering of services including electricity supply, logistic services, operations and maintenance under service concession arrangements, and telecommunication services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be performed.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

Rental income from operating leases on investment properties is recognised on a straight-line basis over the lease term.

Dividend income is recognised in the profit and loss account when the right to receive payment is established, and in the case of fixed interest bearing investments, on a time proportion basis using the effective interest method.

Interest income is recognised on a time proportion basis using the effective interest method.

2.21 Government Grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.22 Borrowing Costs

Borrowing costs incurred to finance the development of properties and acquisition of fixed assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are taken to the profit and loss account over the period of borrowing using the effective interest rate method.

For Singapore trading properties which the Group recognises revenue over time, borrowing costs on the portion of the property not ready for transfer of control to the purchasers are capitalised until the time when control is capable of being transferred to the purchasers.

2.23 Employee Benefits

<u>Defined Contribution Plan</u>
The Group makes contributions to pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies make contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme. Contributions to pension schemes are recognised as an expense in the period in which the related service is performed.

<u>Employee Leave Entitlement</u>
Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

<u>Share Option Scheme and Share Plans</u>
The Group operates share-based compensation plans. The fair value of the employee services received in exchange for the grant of options, restricted shares and performance shares is recognised as an expense in the profit and loss account with a corresponding increase in the share option and share plan reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair values of the options, restricted shares and performance shares granted on the respective dates of grant.

2. Significant accounting policies (continued)

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and share plan awards that are expected to vest on the vesting dates, and recognises the impact of the revision of the estimates in the profit and loss account, with a corresponding adjustment to the share option and share plan reserve over the remaining vesting period.

No expense is recognised for options or share plan awards that do not ultimately vest, except for options or share plan awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The proceeds received from the exercise of options are credited to share capital when the options are exercised. When share plan awards are released, the share plan reserve is transferred to share capital if new shares are issued, or to the treasury shares account when treasury shares are re-issued to the employee.

2.24 Income Taxes

Current income tax is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for deductible/taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The principal temporary differences arise from depreciation, valuation of investment properties, unremitted offshore income and future tax benefits from certain provisions not allowed for tax purposes until a later period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset/liability is realised/settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the profit and loss account, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

2.25 Foreign Currencies

Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (“functional currency”).

The financial statements of the Group and the balance sheet and statement of changes in equity of the Company are presented in Singapore Dollars, which is the functional currency of the Company.

Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at exchange rates approximating those ruling at that date. Exchange differences arising from translation of monetary assets and liabilities are taken to the profit and loss account. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign Currency Translation

For inclusion in the Group’s financial statements, the assets and liabilities of foreign subsidiaries, associated companies and joint ventures that are in functional currencies other than Singapore Dollars are translated into Singapore Dollars at the exchange rates ruling at the balance sheet date. Profit or loss of foreign subsidiaries, associated companies and joint ventures are translated into Singapore Dollars using the average exchange rates for the financial year. Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign subsidiaries, associated companies and joint ventures. Exchange differences due to such currency translation are recognised in other comprehensive income and accumulated in Foreign Exchange Translation Account until disposal.

Disposal or partial disposal of a foreign operation
On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associated company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified from equity to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associated companies or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.26 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When shares are reacquired by the Company, the amount of consideration paid and any directly attributable transaction cost is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised in non-distributable capital reserve. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.27 Segment Reporting

The Group has five main segments, of which there are six reportable operating segments, namely Offshore & Marine, Infrastructure & Others, Urban Development, Connectivity, Asset Management and Corporate & Others. Management monitors the results of each of the main segments for the purpose of making decisions on resource allocation and performance assessment.

2.28 Critical Accounting Judgments and Estimates

(a) Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, there is no instance of application of judgments which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations and as follows:

(i) Control over Keppel REIT
The Group has approximately 49% (2019: approximately 49%) gross ownership interest of units in Keppel REIT as at 31 December 2020. Keppel REIT is managed by Keppel REIT Management Limited ("KRML"), a wholly-owned subsidiary of the Group. The Group has provided an undertaking to the trustee of Keppel REIT to grant the other unitholders the right to endorse or re-endorse the appointment of directors of KRML at the annual general meetings of Keppel REIT. The Group has determined that it does not have control over Keppel REIT but continues to have significant influence over the investment.

(ii) Control over KrisEnergy Limited
The Group has approximately 40% (2019: approximately 40%) gross ownership interest of shares in KrisEnergy Limited ("KrisEnergy") as at 31 December 2020. The management assessed whether the Group has control over KrisEnergy based on whether it has the practical ability to direct the relevant activities of KrisEnergy. In exercising its judgment, management considers the relative size and dispersion of the shareholdings owned by the other shareholders. Taking into consideration the approximately 20% interest held by two other shareholders of KrisEnergy, management concluded that the Group does not have sufficient dominant vesting interest to exert control over KrisEnergy but continues to have significant influence over the investment.

(iii) Interest rate benchmark reform Phase 1 relief
Following the global financial crisis, the reform and replacement of benchmark interest rates such as the Singapore Swap Offer Rate ("SOR"), USD London Interbank Offered Rate ("LIBOR") and other Interbank Offered Rates ("IBORs") has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes.

To transit existing contracts and agreements that reference IBORs to replacement benchmark rates, adjustments for term differences and credit differences might need to be applied to enable the two benchmark rates to be economically equivalent on transition.

The greatest change will be amendments to the contractual terms of the floating-rate loans as well as the associated swaps and the corresponding update of the hedge designation. Amendments will also be made to the contractual terms of certain receivables that are IBOR-referenced.

2. Significant accounting policies (continued)

Relief applied
The Group has applied the following reliefs that were introduced by the amendments made to SFRS(I) 9 *Financial Instruments*:

a. When considering the 'highly probable' requirement, the Group has assumed that the IBOR interest rate on which the Group's hedged debt is based does not change as a result of the reform;
b. In assessing whether the hedge is expected to be highly effective on a forward-looking basis, the Group has assumed that the IBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by the reform; and
c. The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Assumptions made
In calculating the change in fair value attributable to the hedged risk of floating-rate loan, the Group has made the following assumptions that reflect its current expectations:

a. Existing floating-rate loans will progressively move to the replacement benchmark rates from 2021 onwards and the spread adjustment between the current and replacement benchmark rates will be similar to the spread adjustment included in the interest rate swap used as the hedging instrument; and
b. No other material changes to the terms of the floating-rate loans, other than the transition to the replacement benchmark rates, are anticipated.

(b) 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 as follows:

(i) Coronavirus Disease 2019 ("COVID-19") and volatility in oil prices
The evolving situation of the outbreak of the COVID-19 and volatility in oil prices, including the sharp reduction in global oil demand, could impact the assessment of the carrying amounts of the Group's assets and liabilities. As these events and conditions have significant financial reporting implications, Accounting and Corporate Regulatory Authority of Singapore ("ACRA") had published financial reporting practice guidance notes in May and December 2020 highlighting key focus areas when preparing and reviewing the financial statements, especially in areas where estimates, assumptions and judgment are required. In the assessment for the current year, management has carried out a review to assess the assumptions used in the assessment of the carrying values of certain assets of the Group. Management has exercised judgment in determining the significant assumptions used and has relied on information currently available, including the COVID-19 official updates from the authorities, the experts' consensus on global oil prices and the work performed by independent advisors on certain assets, in the assessment of the appropriateness of the carrying values of the Group's assets, including but not limited to the following assets as at 31 December 2020:

- Recoverability of contract assets and receivable balances in relation to offshore & marine construction contracts with Sete Brasil and other customers;
- Valuation of investment properties;
- Estimation of net realisable value of stocks;
- Impairment of non-financial assets; and
- Investments in associated companies and joint ventures, including KrisEnergy Limited and Floatel International Limited and related exposures.

As the COVID-19 situation continues to evolve, the Group will proactively implement measures in mitigating the potential impact on the Group. Should the COVID-19 situation take a longer than expected period to recover and/or the recovery of the long term oil prices, dayrates or utilisation rates take a longer period or to a lower level than expected, the assessment of the carrying amounts of the assets of the Group could be impacted, and material provisions may be made and additional liabilities may arise in the subsequent financial years.

(ii) Recoverability of contract asset and receivable balances in relation to offshore & marine construction contracts
Contracts with Sete Brasil ("Sete")
The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. In October 2019, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd ("Magni") to purchase four Sete subsidiaries, two of which are special-purpose entities ("SPEs") for uncompleted rigs constructed by the Group, was approved by the creditors. As part of the Settlement Agreement, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of remaining four uncompleted rigs and will be able to explore various options to extract the best value from these assets. The Engineering, Procurement and Construction (EPC) contracts and related agreements entered into in relation to these four rigs will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims. The Group has a receivable of approximately US$260 million from Sete and this amount has been included in Sete's court-approved Judicial Reorganisation Plan. The outstanding amount will be paid to the Group proportionally and pari passu with other creditors of Sete as part of, and out of proceeds of, its Judicial Reorganisation Plan.

In December 2019, Petrobras issued a press release to communicate their Board's approval on the continuation of four charter agreements, and for Magni and their operator Etesco to step in as the new party to the agreements. Since then, the Group has been in constructive discussions with Magni to finalise the construction contracts for the two rigs and with Sete to close out the condition precedents in the Settlement Agreement. As a result of the global COVID-19 pandemic and the extended time required for Magni to secure financing, finalisation of the agreements between the various parties have been delayed. On 12 November 2020, Petrobras issued a press release that their mediation agreement deadline with Sete has been extended to 31 January 2021 for Sete to conclude their sale transaction. As of the date of these financial statements, Magni has yet to secure the full financing required to complete the sale transaction with Sete.

On 26 January 2021, Petrobras issued a media release to inform that it had received notification from Sete that it will not be able to comply with the conditions in the mediation agreement by the extended due date of 31 January 2021 and Sete had requested to begin a new negotiation with Petrobras. The Executive Board of Petrobras has authorised this request from Sete, in search of a joint solution with Sete.

Notwithstanding that the deadline to complete the mediation agreement has not been extended, the Group believes that Petrobras, in approving a new negotiation, will continue to seek for solutions on these rigs with the relevant stakeholders which may yield several other alternative arrangements between the stakeholders. The Group will also be in active discussions with Sete and Magni as Sete enters into the new negotiation with Petrobras.

Management estimated the net present value of the cash flows relating to the construction contract for two rigs with Magni. In addition, management performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts with Sete, offset by possible options in extracting value from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan.

Arising from the above assessment, the loss allowance for trade debtors of $183,000,000 (2019: $183,000,000) and the provision for related contract costs of $245,000,000 (2019: $245,000,000) made in prior years remain adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to EPC contracts with Sete.

Taking into consideration cost of completion, cost of discontinuance, salvage cost and unpaid progress billings with regards to these rigs, the total cumulative loss recognised in relation to these rig contracts amounted to $476,000,000 as at 31 December 2020 (31 December 2019: $476,000,000).

The above assessment had been made with the following key assumptions:

(i) Petrobras will continue to require the rigs for execution of its business plans and will charter them at the dayrates and tenure previously agreed with Sete;
(ii) Magni will be able to secure financing to complete the purchase of the rigs with Sete and complete the construction contract with the Group at the terms previously discussed with Magni; and
(iii) The future cost of construction of the rigs are not materially different from management's current estimation.

At the date of these financial statements, the commencement of a new negotiation between Petrobras and Sete has been authorised by the Executive Board of Petrobras. Should the conclusion of the negotiation result in significant changes to the key assumptions above, additional material provision may be required, including adjustments to the net carrying amounts (net of total cumulative losses as described above) relating to the Sete contracts amounting to $113,645,000 as at 31 December 2020.

Other contracts
As at 31 December 2020, the Group had several rigs that were under construction for customers where customers had requested for deferral of delivery dates of the rigs in prior years and have higher counterparty risks. In the event that the customers are unable to fulfil their contractual obligations, the Group can exercise the right to retain payments received to date and retain title to the rigs.

The Group had also delivered rigs to customers where receipt of the construction revenue have been deferred under certain financing arrangements, amounting to $848,117,000 as at 31 December 2020 (2019: $778,734,000) of which $772,443,000 (2019: $638,973,000) is secured on the rigs and $75,674,000 (2019: $139,761,000) is unsecured but the Group has obtained parental guarantee from the customers.

Management has assessed each deferred construction project individually to make judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates. Management has also performed an assessment of the expected credit loss on contract assets and trade receivables of deferred projects and of rigs delivered on financing arrangements to determine if a provision for expected loss is necessary.

The global economic environment has been and continues to be significantly affected by COVID-19 and the oil and gas industry, in particular, has experienced an unprecedented and very difficult period as a result of lower expected demands. The Group remains cognizant of these developments and have been closely monitoring the market and industry developments relating to utilisation rates, dayrates, oil price outlook and other relevant information.

2. Significant accounting policies (continued)

For the above contract assets and secured trade receivables, in the event that the customers are unable to fulfil their contractual obligations, management has considered the most likely outcome for the rigs delivered or under construction is for the Group to take possession of the asset and charter it out to work with an operator. The value of the rig on this basis would be based on an estimation of the Value-in-use ("VIU") of the rig, i.e. through estimating the net present value of cash flows from operating the rig over the useful life of the asset.

Management has engaged independent professional firms to assist in their assessment on whether the VIU of the rigs would exceed the carrying values of contract assets and trade receivables as at 31 December 2020. The VIU model used by the independent firm is consistent with prior years and is based on Discounted Cash Flow calculations that cover each class of rig. In addition to the independent firm responsible for the valuation based on VIU calculations, management has also engaged a separate industry expert to independently provide a view of the market outlook, assumptions and parameters which are used in the valuations based on estimation of VIU. Key inputs into the estimation of the VIU include dayrates and cost assumptions, utilisation rates, discount rates and estimated commencement of deployment of the assets. The valuation of the rigs would decrease if the expected income from operating the rigs decline, or discount rates were higher, or the estimated commencement of deployment were delayed.

Management has also appointed an independent advisor to conduct an assessment of the recoverability of unsecured receivables as at 31 December 2020.

Accordingly, the Group recognised an expected credit loss allowance of $430,842,000 (2019: $nil) on contract assets, and $169,611,000 (2019: $nil) on long term receivables during the financial year ended 31 December 2020 as follows:

		Financing to customers		
	Contract assets $'000	Secured $'000	Unsecured $'000	Total $'000
As at 31 December 2020				
Gross balance	**2,933,715**	**871,605**	**138,595**	**3,943,915**
Less: Expected credit loss				
Balance, 1 January	**21,000**	**-**	**-**	**21,000**
Currency alignment	**-**	**(4,634)**	**(2,894)**	**(7,528)**
Impairment charged	**430,842**	**103,796**	**65,815**	**600,453**
Reclassification (Note 15)	**(19,301)**	**-**	**-**	**(19,301)**
Balance, 31 December	**432,541**	**99,162**	**62,921**	**594,624**
Net balance	**2,501,174**	**772,443**	**75,674**	**3,349,291**
As at 31 December 2019				
Gross balance	3,345,020	638,973	139,761	4,123,754
Less: Expected credit loss				
Balance, 1 January and 31 December	21,000	-	-	21,000
Net balance	3,324,020	638,973	139,761	4,102,754

The valuations of the rigs based on estimated VIU are most sensitive to discount rates and dayrates.

- A discount rate of 7% has been used in the valuation as at 31 December 2020 (31 December 2019: 6.8%). An increase of 1% of the discount rate would increase the expected credit loss by approximately S$7,000,000 (31 December 2019: $nil).
- A decrease in dayrates of US$5,000 per day across the entire asset useful life of 25 years would not result in any further expected credit loss (31 December 2019: $nil).

(iii) Impairment of non-financial assets
Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the cash-generating units ("CGU"s). This requires the Group to estimate the future cash flows expected from the CGUs and an appropriate discount rate in order to calculate the present value of the future cash flows. Management performed impairment tests on fixed assets (Note 6), investments in subsidiaries (Note 9), investments in associated companies and joint ventures (Note 10), and intangibles (Note 13) as at 31 December 2020.

Management has performed the impairment assessment of its investments in KrisEnergy Limited ("KrisEnergy") and Floatel International Limited ("Floatel") and related exposures on the basis of the restructuring steps taken by these investees. Refer to Note 10(c) and Note 10(f) respectively for more details on the impairment assessment of Group's investments in KrisEnergy and Floatel.

Management has also performed an impairment assessment of the goodwill arising from acquisition of M1 Limited. Details of the impairment testing is disclosed in Note 13.

(iv) Revenue recognition and contract cost

The Group recognises contract revenue and contract cost over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured in accordance with the accounting policy stated in Note 2.20. Significant assumptions are required in determining the stage of completion and significant judgment is required in the estimation of the physical proportion of the contract work completed for the contracts; and the estimation of total costs on the contracts, including contingencies that could arise from variations to original contract terms and claims. In making the assumption, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 24.

(v) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant assumptions are required in determining the provision for income taxes. There are certain transactions and computations 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. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of taxation and deferred taxation are disclosed in the balance sheet.

(vi) Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

EIG Energy Fund XIV, L.P., et al. v. Keppel Offshore & Marine Ltd., (United States District Court, Southern District of New York)

In February 2018, the Company's subsidiary, Keppel Offshore & Marine Ltd ("KOM") was served a summons by eight investment funds ("Plaintiffs") managed by EIG Management Company, LLC ("EIG") where a civil action was commenced by the Plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act ("RICO") in the United States District Court, Southern District of New York. The Plaintiffs sought damages for its loss of investment of US$221 million in Sete, trebled under RICO to US$663 million, plus interest, costs and mandatory attorneys' fees under RICO.

This new lawsuit came after an earlier civil action commenced by eight of EIG's managed funds in the United States District Court, District of Columbia against, among others, the Company and KOM. The case was dismissed by the Court on 30 March 2017.

In March 2018, KOM submitted a letter pursuant to the Court's rules seeking permission to file a motion to dismiss the Complaint. In April 2018, in response to KOM's letter, the Plaintiffs filed the First Amended Complaint which added, among other things, a state law claim for aiding and abetting fraud.

In July 2018, KOM filed a motion to dismiss the First Amended Complaint. The Plaintiffs filed their brief in opposition to the motion in August 2018, and KOM filed its reply brief in August 2018.

In May 2020, the Court issued an order granting in part and denying in part KOM's motion to dismiss. The Court dismissed the Plaintiffs' civil RICO conspiracy claim but found that the First Amended Complaint adequately pleaded an aiding and abetting fraud claim under New York state law and denied KOM's motion to dismiss that claim.

Consequently, the Plaintiffs currently seek damages of US$221,000,000 (without the earlier treble damage claim of US$663 million under RICO in respect of which KOM has been successful in dismissing the claim), plus punitive damages, interest, attorneys' fees, costs and disbursements, based on their remaining claim for aiding and abetting fraud.

Management is of the view that the remaining claim for aiding and abetting fraud is without merit and KOM will vigorously defend itself. As at the date of these financial statements, it is premature to predict or determine the eventual outcome of this remaining claim and hence, the potential amount of loss cannot currently be assessed.

2. Significant accounting policies (continued)

Termination of Two Mid-Water Semisubmersible Drilling Rig Contracts
As disclosed in Note 2.28(b)(ix), a subsidiary of Keppel Offshore & Marine Ltd ("KOM subsidiary") terminated two contracts with subsidiaries of a customer for the construction of two mid-water semisubmersible drilling rig for harsh environment use:

(i) In June 2020, the buyer under the first of these contracts ("First Contract") alleged a breach of contract by the KOM subsidiary and purportedly terminated the First Contract and sought recovery of the payments already made to the KOM subsidiary with interest. The allegations by the buyer were refuted and the purported termination of the contract was rejected by the KOM subsidiary. The buyer subsequently failed to pay an instalment due under the First Contract. Non-payment of any instalment by the customer is a default in accordance with the First Contract, entitling the KOM subsidiary to terminate the First Contract, retain all payments received to date (approximately US$54 million), and seek compensation for the work done to date and claim ownership of the rig. The KOM subsidiary had therefore issued a notice of termination of the First Contract to the buyer and commenced arbitration to enforce its rights under the First Contract against the buyer.

(ii) In December 2020, the KOM subsidiary issued a notice of termination of the second of these contracts ("Second Contract") and commenced arbitration to enforce its rights under the Second Contract against the buyer, which rights include the right to retain the amounts already paid by the buyer to date of approximately US$43 million and to seek reimbursement of the KOM subsidiary's costs of the project to the date of termination.

Subsequent to the issuance of this notice of termination, the KOM subsidiary has received a notice from the buyer purporting to terminate the Second Contract, alleging breaches under the Second Contract. As it had already terminated the Second Contract, the KOM subsidiary's position is that the notice of termination can have no effect. In any event, the KOM subsidiary refutes the abovementioned allegations by the buyer in the notice.

The Group is working with legal advisors to enforce its rights and will continue to evaluate the potential financial impact in consultation with its advisors. Based on currently available information, no provision was made in respect of the recovery of the payments already made to the Group by the two buyers.

Global resolution with criminal authorities in relation to corrupt payments
In 2017, KOM reached a global resolution with the criminal authorities in the United States of America, Brazil and Singapore in relation to corrupt payments made in relation to KOM's various projects with Petrobras and Sete Brasil in Brazil, which were made with knowledge or approval of former KOM executives. Fines in an aggregate amount of US$422,216,980, or equivalent to approximately S$570 million, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, KOM accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("CPIB") in Singapore, and entered into a Deferred Prosecution Agreement ("DPA") with the U.S. Department of Justice ("DOJ"), while Keppel FELS Brasil S.A., a wholly-owned subsidiary of KOM, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal ("MPF") which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc ("KOM USA"), also a wholly-owned subsidiary of KOM, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

KOM has successfully complied with its obligations under the DPA and the DPA has accordingly concluded. KOM has also been in compliance with its obligations under the Conditional Warning issued by the CPIB and the Leniency Agreement entered into with the MPF. As part of the applicable fines payable under the global resolution, a sum of US$52,777,122.50 (less any penalties that KOM may pay to specified Brazilian authorities) was payable to CPIB within three years from the date of the Conditional Warning and has been included in accrued expenses since FY 2017. The discussions with the specified Brazilian authorities remain ongoing, and CPIB has agreed to extend this three-year period for a further 12 months until 22 December 2021.

It has been brought to the Company's attention that the Office of the Comptroller General of Brazil ("CGU") has published a notice in the Official Gazette ("Notice") to the effect that CGU has initiated an administrative enforcement procedure ("AEP") against KOM, Prismatic Services Ltd., Keppel FELS Ltd., Keppel FELS Brasil S.A., and BrasFELS S.A., in relation to alleged irregularities under the Brazilian Anti-Corruption Statute, and appointed two CGU officials to form a panel to preside over the proceedings. The Company has been advised that, following the issuance of the Notice, the CGU would carry out further internal investigations, and the panel has to thereafter decide whether any summons is to be served on the defendants, and if so, the defendants will then have 30 days thereafter to file a defence. Neither the Notice nor any summons has been served on any of the foregoing entities to date.

The Notice does not provide any factual particulars and the Company is therefore currently unable to assess the matter or its impact, if any. The Company understands from CGU that the AEP will not affect the ongoing negotiations with the Brazil authorities, and that the AEP has been suspended pending these ongoing discussions.

Over the course of the DPA reporting period, Keppel Group continued its remediation efforts and implemented significant compliance enhancements across its businesses. KOM's successful completion of the DPA reflects Keppel Group's ongoing commitment to ethics, integrity and robust controls in all its business operations. In 2019, KOM successfully achieved global certification for the ISO 37001 Anti-Bribery Management System, and Keppel is progressively implementing the same standard throughout the Group.

Anti-bribery and corruption compliance audits were also performed on entities within the KOM Group. These audits revealed enhanced policies and procedures put in place to date were, in general, functioning as intended. The results of the audits performed in 2020 were satisfactory with no adverse findings requiring follow-up actions.

Based on currently available information, no additional provision was made in relation to the ongoing discussions with the specified Brazilian authorities.

(vii) Useful lives of network and related application systems

The cost of network and related application systems is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimated the useful lives of these fixed assets to be within 5 to 25 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's network and related application systems at the end of the reporting period are disclosed in Note 6 to the financial statements.

(viii) Revaluation of investment properties

The Group carries its investment properties at fair value with changes in fair value being recognised in the profit and loss account, determined annually by independent professional valuers on the highest and best use basis except for significant investment properties which are revalued on a half-yearly basis.

For the purpose of the financial statements for the year ended 31 December 2020, valuations were obtained from the valuers for the Group's investment properties, and the resultant fair value changes were recognised in the profit and loss account.

In determining the fair values, the valuers have used valuation techniques which involve certain estimates. The key assumptions to determine the fair value of investment properties include market-corroborated capitalisation rate, price of comparable plots and properties, net initial yield and discount rate. The valuation reports obtained from independent valuers for certain properties have highlighted the heightened uncertainty of the COVID-19 outbreak and material valuation uncertainty where a higher degree of caution should be attached to the valuation than would normally be the case. Accordingly, the valuation of these investment properties may be subjected to more fluctuation than during normal market conditions.

In relying on the valuation reports, management has exercised its judgment to ensure that the valuation methods and estimates are reflective of current market conditions. The carrying amount of investment properties and the key assumptions used to determine the fair value of the investment properties are disclosed in Notes 7 and 34.

(ix) Estimating net realisable value of stocks

The net realisable value of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

As at 31 December 2020, stocks under work-in-progress amounted to $1,072,890,000 (after a provision of $41,508,000 recognised in FY 2020 and $50,000,000 in prior years). This amount included a balance of $447,337,000, which were transferred from contract assets during FY 2020 as described in Note 2.28(b)(vi) – *Termination of Two Mid-Water Semisubmersible Drilling Rig Contracts*.

The assessment of the carrying value of these stocks were performed in conjunction with the recoverability assessment of contract assets based on a VIU approach as described above in Note 2.28(b)(ii).

Based on the results of the assessments, the Group recognised an impairment provision of $41,508,000 on stocks under work-in-progress during the financial year ended 31 December 2020.

The valuation of these stocks under work-in-progress based on estimated VIU are most sensitive to discount rates and dayrates.

- An increase of 1% of the discount rate would result in an impairment of approximately $158,000,000 (31 December 2019: $nil).
- A decrease in dayrates of US$5,000 per day across the entire asset life of 25 years would result in an impairment of approximately $21,000,000 (31 December 2019: $nil).

For properties held for sale, provision is arrived at after taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and the prevailing market conditions. The estimates and assumptions used are subject to risk and uncertainty in view of the economic uncertainty brought about by the COVID-19 pandemic. The estimated total construction costs include contracted amounts plus estimated costs to be incurred based on historical trends. The provision is progressively reversed for those residential units sold above their carrying amounts.

3. Share capital

	Group and Company			
	Number of Ordinary Shares ("Shares")			
	Issued Share Capital		Treasury Shares	
	2020	2019	**2020**	2019
Balance at 1 January	**1,818,394,180**	1,818,394,180	**(2,014,736)**	(5,936,044)
Issue of shares under share plan	**2,163,587**	-	**-**	-
Treasury shares transferred pursuant to share option scheme	**-**	-	**-**	44,000
Treasury shares transferred pursuant to share plans	**-**	-	**2,829,890**	4,647,308
Treasury shares purchased	**-**	-	**(3,866,628)**	(770,000)
Balance at 31 December	**1,820,557,767**	1,818,394,180	**(3,051,474)**	(2,014,736)

	Amount ($'000)			
	Issued Share Capital		Treasury Shares	
	2020	2019	**2020**	2019
Balance at 1 January	**1,291,722**	1,291,722	**(14,009)**	(45,073)
Issue of shares under share plan	**13,946**	-	**-**	-
Treasury shares transferred pursuant to share option scheme	**-**	-	**-**	334
Treasury shares transferred pursuant to share plans	**-**	-	**19,359**	35,273
Treasury shares purchased	**-**	-	**(19,040)**	(4,543)
Balance at 31 December	**1,305,668**	1,291,722	**(13,690)**	(14,009)

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends declared by the Company.

During the financial year, 4,340,777 (2019: 4,266,708) Shares under the KCL Restricted Share Plan ("KCL RSP") and 652,700 (2019: 380,600) Shares under the KCL Performance Share Plan ("KCL PSP") were vested.

During the financial year, the Company transferred 2,829,890 (2019: 4,691,308) treasury shares to employees under vesting of Shares released under the KCL Share Plans. The Company also purchased 3,866,628 (2019: 770,000) treasury shares in the Company in the open market during the financial year. The total amount paid was $19,040,000 (2019: $4,543,000). Except for the transfer, there was no other sale, disposal, cancellation and/or use of treasury shares during the financial year.

KCL Share Option Scheme
The KCL Share Option Scheme ("Scheme"), which has been approved by the shareholders of the Company, is administered by the Remuneration Committee whose members are:

Till Bernhard Vestring (Chairman)
Lee Boon Yang
Danny Teoh
Teo Siong Seng

At the Extraordinary General Meeting of the Company held on 23 April 2010, the Company's shareholders approved the adoption of two new share plans, with effect from the date of termination of the Scheme. The Scheme was terminated on 30 June 2010. Options granted and outstanding prior to the termination will continue to be valid and subject to the terms and conditions of the Scheme.

Under the Scheme, an option may, except in certain special circumstances, be exercised at any time after two years but no later than the expiry date. The two-year vesting period is intended to encourage employees to take a longer-term view of the Company.

The Shares under option may be exercised in full or in respect of 100 Shares or a multiple thereof, on the payment of the subscription price. The subscription price is based on the average closing prices for the Shares of the Company on the Singapore Exchange Securities Trading Limited for the three market days preceding the date of offer. The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company.

The employees to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company.

Movements in the number of share options and their weighted average exercise prices are as follows:

	2020		2019	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at 1 January	**910,900**	**$6.89**	1,890,185	$6.74
Exercised	**-**	**-**	(44,000)	$3.07
Cancelled	**-**	**-**	(935,285)	$6.77
Expired	**(910,900)**	**$6.89**	-	-
Balance at 31 December	**-**	**-**	910,900	$6.89
Exercisable at 31 December	**-**	**-**	910,900	$6.89

As at 31 December 2020, there were no unexercised options for unissued ordinary shares under the KCL Share Options Scheme.

In 2019, the weighted average share price at the date of exercise for options exercised was $6.03. The options outstanding as at 31 December 2019 had a weighted average exercise price of $6.89 and a weighted average remaining contractual life of 0.1 year.

KCL Share Plans

The KCL Restricted Share Plan ("KCL RSP") and KCL Performance Share Plan ("KCL PSP") were approved by the Company's shareholders at the Extraordinary General Meeting of the Company on 23 April 2010. The two share plans are administered by the Remuneration Committee.

Details of the KCL RSP, the KCL RSP-Deferred Shares, the KCL PSP, the KCL PSP – Transformation Incentive Plan ("KCL PSP-TIP") and the KCL PSP – M1 Transformation Incentive Plan ("KCL PSP-M1 TIP") are as follows:

	KCL RSP	**KCL RSP-Deferred Shares**	**KCL PSP**
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets at the end of a one-year performance period	Award of fully-paid ordinary shares of the Company	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a three-year performance period
Performance Conditions	Return on Equity	-	(a) Absolute Total Shareholder's Return (b) Return on Capital Employed (c) Net Profit
Final Award	0% to 100% of the contingent award granted, depending on achievement of pre-determined targets	100% of the awards granted	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets
Vesting Condition and Schedule	If pre-determined targets are achieved, awards will vest equally over three years subject to fulfilment of service requirements	Awards will vest equally over three years subject to fulfilment of service requirements	If pre-determined targets are achieved, awards will vest at the end of the three-year performance period subject to fulfilment of service requirements

	KCL PSP-TIP	**KCL PSP-M1 TIP**
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a six-year performance period	Two separate awards of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a three-year and six-year performance period respectively
Performance Conditions	(a) Absolute Total Shareholder's Return (b) Corporate Scorecard Achievement comprising pre-determined stretched financial and non-financial targets for the Group (c) Individual Performance Achievement	(a) Net Profit (b) Corporate Scorecard Achievement comprising pre-determined stretched financial and non-financial targets for the Group (c) Net Promoter Score (d) Individual Performance Achievement
Final Award	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets
Vesting Condition and Schedule	If pre-determined targets are achieved, awards will vest at the end of the six-year performance period subject to fulfilment of service requirements	If pre-determined targets are achieved, the two separate awards will vest at the end of the three-year and six-year performance period subject to fulfilment of service requirements

3. Share capital (continued)

Movements in the number of shares under the KCL RSP, the KCL RSP-Deferred Shares, the KCL PSP, the KCL PSP-TIP, and the KCL PSP-M1 TIP are as follows:

	2020				2019		
	KCL RSP-Deferred Shares	KCL PSP	KCL PSP-TIP	KCL PSP-M1 TIP	KCL RSP-Deferred Shares	KCL PSP	KCL PSP-TIP
Contingent awards/ Awards (KCL RSP-Deferred Shares)							
Balance at 1 January	-	3,885,000	5,585,967	-	-	2,895,000	5,965,967
Granted	5,318,164	1,585,000	1,280,000	423,500	4,234,171	1,635,000	-
Adjustments upon released	(1,709)	(417,300)	-	-	-	(264,400)	-
Released	(5,316,455)	(652,700)	-	-	(4,234,171)	(380,600)	-
Cancelled	-	(100,000)	(343,796)	-	-	-	(380,000)
Balance at 31 December	-	4,300,000	6,522,171	423,500	-	3,885,000	5,585,967

	2020		2019	
	KCL RSP	KCL RSP-Deferred Shares	KCL RSP	KCL RSP-Deferred Shares
Awards released but not vested:				
Balance at 1 January	26,241	3,912,564	1,630,118	2,586,237
Released	-	5,316,455	-	4,234,171
Vested	(25,641)	(4,315,136)	(1,565,032)	(2,701,676)
Cancelled	(600)	(244,813)	(38,845)	(203,511)
Other adjustments	-	-	-	(2,657)
Balance at 31 December	-	4,669,070	26,241	3,912,564

Executive Directors who are eligible for the KCL Share Plans are required to hold a minimum number of Shares under the share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

As at 31 December 2020, there were no awards released but not vested (2019: 26,241) under the KCL RSP and 4,669,070 (2019: 3,912,564) Shares under the KCL RSP-Deferred Shares that were released but not vested. At the end of the financial year, the number of contingent award of Shares granted but not released was 4,300,000 (2019: 3,885,000) under the KCL PSP, 6,522,171 (2019: 5,585,967) under the KCL PSP-TIP, and 423,500 (2019: nil) under the KCL PSP-M1 TIP. Depending on the achievement of pre-determined performance targets, the actual number of Shares to be released could range from zero to a maximum of 6,450,000 under the KCL PSP, zero to a maximum of 9,783,257 under the KCL PSP-TIP and zero to a maximum of 635,250 under the KCL PSP-M1 TIP.

The fair values of the contingent award of Shares under the KCL RSP and the KCL PSP are determined at the grant date using Monte Carlo simulation method which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility.

On 17 February 2020 (2019: 15 February 2019 and 18 April 2019), the Company granted awards of 5,318,164 (2019: 3,908,536 and 325,635) Shares under the KCL RSP-Deferred Shares and the estimated fair value of the Shares granted were $6.48 (2019: $5.84 and $6.51). On 31 March 2020 (2019: 30 April 2019), the Company granted contingent awards of 1,585,000 (2019: 1,635,000) Shares under the KCL PSP and the estimated fair value of the Shares granted was $3.69 (2019: $5.60). On 28 February 2020, the Company granted contingent awards of 1,280,000 Shares under the KCL PSP-TIP and the estimated fair value of the Shares granted was $1.92. On 17 February 2020, the Company granted contingent awards of 423,500 Shares under the KCL PSP-M1 TIP and the estimated fair value of the Shares granted were $6.31 and $5.72 respectively.

The significant inputs into the model are as follows:

	2020			
	KCL RSP-Deferred Shares	**KCL PSP**	**KCL PSP-TIP**	**KCL PSP-M1 TIP**
Date of grant	**17.02.2020**	**31.03.2020**	**28.02.2020**	**17.02.2020**
Prevailing share price at date of grant	**$6.72**	**$5.29**	**$6.34**	**$6.72**
Expected volatility of the Company	**23.89%**	**26.02%**	**24.07%**	**23.89%**
Expected term	**0.00 - 2.00 years**	**2.92 years**	**1.99 years**	**2.00 and 5.00 years**
Risk free rate	**1.48% - 1.50%**	**0.87%**	**1.28%**	**1.50% and 1.53%**
Expected dividend yield	*	*	*	*

	2019		
	KCL RSP-Deferred Shares	**KCL RSP-Deferred Shares**	**KCL PSP**
Date of grant	15.02.2019	18.04.2019	30.04.2019
Prevailing share price at date of grant	$6.08	$6.74	$6.77
Expected volatility of the Company	21.29%	21.24%	21.29%
Expected term	0.00 - 2.00 years	0.00 - 1.86 years	2.84 years
Risk free rate	1.94% - 1.95%	1.90% - 1.93%	1.92%
Expected dividend yield	*	*	*

* Expected dividend yield is based on management's forecast.

The expected volatilities are based on the historical volatilities of the Company's share price over the previous 36 months immediately preceding the grant date. The expected term used in the model is based on the grant date and the end of the performance period.

4. Reserves

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Capital reserves				
Share option and share plans reserve	**190,711**	210,412	**190,711**	187,032
Fair value reserve	**47,470**	(17,300)	**22,196**	19,230
Hedging reserve	**(218,544)**	(192,864)	**(1,911)**	-
Bonus issue by subsidiaries	**40,000**	40,000	**-**	-
Others	**116,094**	85,851	**(1,832)**	(1,150)
	175,731	126,099	**209,164**	205,112
Revenue reserves	**9,703,452**	10,470,627	**7,975,921**	6,567,206
Foreign exchange translation account	**(442,703)**	(663,586)	**-**	-
	9,436,480	9,933,140	**8,185,085**	6,772,318

Share option and share plans reserve amounting to $23,380,000 as at 31 December 2020 was reclassified to the "Others" category within Capital Reserves.

4. Reserves (continued)

Movements in the Group's and the Company's reserves are set out in the Statements of Changes in Equity. Movements in hedging reserve by risk categories are as follows:

	Foreign exchange risk $'000	Interest rate risk $'000	Price risk $'000	Total $'000
Group				
2020				
As at 1 January	**(10,425)**	**(89,236)**	**(93,203)**	**(192,864)**
Transfer of hedging reserve from revenue reserve	**(109)**	**-**	**(23,165)**	**(23,274)**
Fair value changes arising during the year, net of tax	**(50,212)**	**(119,894)**	**69,958**	**(100,148)**
Realised and transferred to profit and loss account				
- Revenue	**(2,317)**	**-**	**-**	**(2,317)**
- Materials and subcontract costs	**5,179**	**(319)**	**82,097**	**86,957**
- Other operating income – net	**15,319**	**848**	**-**	**16,167**
- Interest expenses	**-**	**26,424**	**-**	**26,424**
- Exchange difference	**(2,119)**	**-**	**-**	**(2,119)**
Share of associated companies and joint ventures' fair value gains	**(3,937)**	**(23,433)**	**-**	**(27,370)**
As at 31 December	**(48,621)**	**(205,610)**	**35,687**	**(218,544)**
2019				
As at 1 January	(27,498)	(18,628)	(152,690)	(198,816)
Fair value changes arising during the year, net of tax	7,474	(84,976)	(13,659)	(91,161)
Realised and transferred to profit and loss account				
- Revenue	18,700	-	-	18,700
- Materials and subcontract costs	(2,301)	-	73,146	70,845
- Other operating income – net	(8,274)	-	-	(8,274)
- Interest expenses	-	34,479	-	34,479
Share of associated companies and joint ventures' fair value gains	1,213	(20,111)	-	(18,898)
Less: Non-controlling interests	261	-	-	261
As at 31 December	(10,425)	(89,236)	(93,203)	(192,864)

The changes in fair value of the hedging instruments approximate the changes in fair value of the hedged items, which resulted in minimal hedge ineffectiveness recognised in profit or loss.

5. Non-controlling interests

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	NCI percentage of ownership interest and voting interest		Carrying amount of NCI		Profit after tax allocated to NCI	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Konnectivity Pte. Ltd.	**20%**	20%	**306,897**	310,858	**9,182**	9,308
Keppel Telecommunications & Transportation Ltd	**-**	-	**-**	-	**-**	739
Other subsidiaries with immaterial NCI			**120,549**	124,320	**(11,416)**	44,116
Total			**427,446**	435,178	**(2,234)**	54,163

Summarised financial information before inter-group elimination

	Konnectivity Pte. Ltd.	
	2020 $'000	2019 $'000
Non-current assets	**2,396,955**	2,433,048
Current assets	**413,821**	488,817
Non-current liabilities	**331,564**	481,089
Current liabilities	**577,638**	508,007
Net assets	**1,901,574**	1,932,769
Less: NCI	**(367,088)**	(378,477)
	1,534,486	1,554,292
Revenue	**1,074,090**	950,002
Profit for the year	**51,544**	62,306
Total comprehensive income	**51,339**	77,305
Net cash flow from operations	**292,801**	194,627
Total comprehensive income allocated to NCI	**9,149**	11,729
Dividends paid to NCI	**13,110**	8,900

During the financial year, the Group acquired additional interest in certain subsidiaries of the Company from its non-controlling interests. The following summarises the effect of the change in the Group's ownership interest on the equity attributable to owners of the Company:

	2020 $'000	2019 $'000
Amounts paid/payable on changes in ownership interest in subsidiaries	**(660)**	(223,617)
Non-controlling interest acquired	**(2,334)**	173,390
Total amount recognised in equity reserves	**(2,994)**	(50,227)

6. Fixed assets

	Freehold Land & Buildings $'000	Buildings on Leasehold Land $'000	Vessels & Floating Docks $'000	Networks and Related Application Systems $'000	Plant, Machinery, Equipment & Others (1) $'000	Capital Work-in-Progress $'000	Total $'000
Group							
2020							
Cost							
At 1 January	114,791	1,968,811	533,604	645,963	2,162,118	137,572	5,562,859
Additions	374	3,263	14,585	72,296	86,801	44,102	221,421
Disposals	-	(1,341)	(1,876)	(2,360)	(22,867)	(627)	(29,071)
Write-off	-	-	-	-	(3,029)	(11)	(3,040)
Subsidiaries acquired	-	-	-	-	-	-	-
Subsidiaries disposed	-	-	-	-	(621)	-	(621)
Reclassification							
- ROU asset	-	(6,281)	-	-	(142)	-	(6,423)
- Stocks	-	-	-	-	-	7,778	7,778
- Other fixed assets categories	859	10,379	(11,384)	8,420	2,352	(10,626)	-
- Asset held for sale (Note 36)	-	(58,764)	-	-	(623)	-	(59,387)
Exchange differences	2,089	(2,073)	(7,990)	-	(15,249)	1,069	(22,154)
At 31 December	118,113	1,913,994	526,939	724,319	2,208,740	179,257	5,671,362
Accumulated Depreciation							
At 1 January	66,035	884,340	159,877	63,476	1,440,840	46,446	2,661,014
Depreciation charge	2,869	50,002	15,582	91,823	134,710	-	294,986
Disposals	-	(1,214)	(1,876)	(226)	(20,901)	-	(24,217)
Impairment	-	34,573	-	-	1,595	-	36,168
Write-off	-	-	-	-	(2,070)	-	(2,070)
Subsidiaries disposed	-	-	-	-	(429)	-	(429)
Reclassification							
- ROU asset	-	6,849	-	-	(42)	-	6,807
- Stocks	-	-	-	-	-	-	-
- Other fixed assets categories	(4)	456	6,592	-	(326)	(6,718)	-
- Asset held for sale (Note 36)	-	(4,701)	-	-	(526)	-	(5,227)
Exchange differences	1,486	(2,068)	(3,875)	(3)	(7,881)	918	(11,423)
At 31 December	70,386	968,237	176,300	155,070	1,544,970	40,646	2,955,609
Net Book Value	47,727	945,757	350,639	569,249	663,770	138,611	2,715,753

Included in freehold land & buildings are freehold land amounting to $6,427,000 (2019: $7,295,000).

Certain fixed assets with carrying amount of $119,016,000 (2019: $123,940,000) are mortgaged to banks for loan facilities (Note 22).

Interest capitalised during the financial year amounted to $nil (2019: $436,000).

Each rigbuilding, shipbuilding and repair facilities in the Energy & Environment segment has been identified as individual CGUs. The recoverable amounts of these CGUs were determined using value-in-use models that incorporated cash flow projections based on financial forecasts approved by management. Management had determined the forecasted cash flows based on past performance and its current expectations of market development. These cash flows were discounted at discount rates ranging from 6% to 11% (2019: 7% to 12%) per annum, depending on the location of the facilities.

During the year, the Group recognised an impairment loss of $19,694,000 (2019: $nil) for property, plant and equipment in the Energy & Environment segment, which was based on the difference between the recoverable amount and the net book value of the fixed assets.

During the year, the Group recognised an impairment loss of $6,919,000 (2019: $4,910,000) in the Urban Development segment, which was based on the difference between the recoverable amount and the net book value of a fixed asset. The recoverable amount was based on fair value determined using the income approach.

During the year, the Group recognised an impairment loss of $9,555,000 (2019: $3,514,000) on certain buildings and equipment in the Connectivity segment, due to lower recoverable amounts subsequent to sustained losses generated from these assets, as a result of weaker economic outlook which adversely affected fair values and expected returns of these assets. The recoverable amounts were assessed to be fair value less costs of disposal.

	Freehold Land & Buildings $'000	Buildings on Leasehold Land $'000	Vessels & Floating Docks $'000	Networks and Related Application Systems $'000	Plant, Machinery, Equipment & Others [1] $'000	Capital Work-in-Progress $'000	Total $'000
Group							
2019							
Cost							
At 1 January	114,301	1,877,691	355,159	-	2,037,569	347,618	4,732,338
Additions	247	5,723	333	57,575	76,791	71,322	211,991
Disposals	(165)	(2,549)	(393)	(11,069)	(24,388)	(16)	(38,580)
Write-off	-	(120)	-	-	(3,883)	-	(4,003)
Subsidiaries acquired	-	73,042	-	546,496	103,805	49,311	772,654
Subsidiaries disposed	-	(102,844)	-	-	(31,349)	(200)	(134,393)
Reclassification							
- Investment properties	-	58,764	-	-	-	-	58,764
- Other fixed assets categories	210	72,534	184,778	52,961	17,359	(327,842)	-
Exchange differences	198	(13,430)	(6,273)	-	(13,786)	(2,621)	(35,912)
At 31 December	114,791	1,968,811	533,604	645,963	2,162,118	137,572	5,562,859
Accumulated Depreciation							
At 1 January	62,927	856,048	151,155	-	1,369,949	46,819	2,486,898
Depreciation charge	3,167	54,820	12,097	68,606	127,315	-	266,005
Disposals	(160)	(1,627)	(393)	(5,130)	(22,287)	-	(29,597)
Impairment	-	7,456	-	-	893	75	8,424
Write-off	-	(120)	-	-	(3,875)	-	(3,995)
Subsidiaries disposed	-	(30,597)	-	-	(22,823)	-	(53,420)
Reclassification							
- Other fixed assets categories	(135)	2,357	-	-	(2,222)	-	-
Exchange differences	236	(3,997)	(2,982)	-	(6,110)	(448)	(13,301)
At 31 December	66,035	884,340	159,877	63,476	1,440,840	46,446	2,661,014
Net Book Value	48,756	1,084,471	373,727	582,487	721,278	91,126	2,901,845

[1] Others comprise furniture, fittings and office equipment, cranes and small equipment and tools.

	Freehold Land & Buildings $'000	Plant, Machinery, Equipment & Others [2] $'000	Capital Work-in-Progress $'000	Total $'000
Company				
2020				
Cost				
At 1 January	**1,233**	**17,538**	**-**	**18,771**
Additions	**-**	**552**	**-**	**552**
Disposals	**-**	**(29)**	**-**	**(29)**
Write-off	**-**	**(22)**	**-**	**(22)**
At 31 December	**1,233**	**18,039**	**-**	**19,272**
Accumulated Depreciation				
At 1 January	**1,233**	**10,265**	**-**	**11,498**
Depreciation charge	**-**	**2,047**	**-**	**2,047**
Disposals	**-**	**(29)**	**-**	**(29)**
Write-off	**-**	**(8)**	**-**	**(8)**
At 31 December	**1,233**	**12,275**	**-**	**13,508**
Net Book Value	**-**	**5,764**	**-**	**5,764**
2019				
Cost				
At 1 January	1,233	8,791	6,139	16,163
Additions	-	2,617	-	2,617
Disposals	-	(9)	-	(9)
Reclassification to other fixed asset categories	-	6,139	(6,139)	-
At 31 December	1,233	17,538	-	18,771
Accumulated Depreciation				
At 1 January	1,233	8,254	-	9,487
Depreciation charge	-	2,020	-	2,020
Disposals	-	(9)	-	(9)
At 31 December	1,233	10,265	-	11,498
Net Book Value	-	7,273	-	7,273

[2] Others comprise furniture, fittings and office equipment.

7. Investment properties

	Group	
	2020 $'000	2019 $'000
At 1 January	**3,022,091**	2,857,145
Development expenditure	**266,219**	304,803
Fair value gain (Note 26)	**268,430**	101,020
Disposal	**-**	(834)
Reclassification		
- Assets held for sale (Note 36)	**(650,062)**	-
- Stocks (Note 14)	**714,733**	-
- Fixed assets (Note 6)	**-**	(58,764)
- Right-of-use assets (Note 8)	**-**	(158,357)
Exchange differences	**52,664**	(22,922)
At 31 December	**3,674,075**	3,022,091

The Group's investment properties (including integral plant and machinery) are stated at management's assessments based on the following valuations (open market value basis) by independent firms of professional valuers as at 31 December 2020:

- Cushman & Wakefield VHS Pte Ltd and Knight Frank Pte Ltd for properties in Singapore;
- Cushman & Wakefield Limited and Beijing Colliers International Real Estate Valuation Co., Ltd for properties in China;
- Colliers International Vietnam for properties in Vietnam;
- KJPP Willson dan Rekan (an affiliate of Knight Frank) for properties in Indonesia; and
- Cushman & Wakefield India Pvt Ltd for a property in India.

Based on valuations performed by the independent valuers, management has analysed the appropriateness of the fair value changes.

Interest capitalised within development expenditure during the financial year amounted to $24,526,000 (2019: $12,751,000).

The Group has mortgaged certain investment properties of carrying value amounting to $1,815,790,000 as at 31 December 2020 (2019: $828,355,000) to banks for loan facilities (Note 22).

In 2020, the Group reclassified $714,733,000 from properties held for sale to investment properties upon change of use of the asset from property trading to holding for capital gain and/or rental yield.

In 2019, the Group reclassified from investment properties to fixed assets and right-of-use assets for the owner-occupied portion of the property amounting to $58,764,000 and $158,357,000 respectively.

8. Right-of-use assets (leases)

Leases

The Group as lessee

Leasehold land & buildings
The Group leases several lands, offices, retail stores and shipyards for use in its operations.

Plant, machinery, equipment & others
The Group leases equipment and vehicles for office and operation use, mainly in the Energy & Environment segment.

Base station sites
The Group leases base station sites to facilitate transmission of telecommunication services.

There are no externally imposed covenants on these lease arrangements.

Right-of-use assets

	Leasehold Land & Buildings $'000	Plant, Machinery, Equipment & Others (1) $'000	Base Station Sites $'000	Total $'000
Group				
2020				
Net Book Value				
At 1 January	**735,348**	**9,376**	**15,205**	**759,929**
Additions	**12,752**	**1,103**	**14,100**	**27,955**
Depreciation	**(56,373)**	**(3,620)**	**(5,378)**	**(65,371)**
Impairment loss	**(2,879)**	**-**	**-**	**(2,879)**
Disposal	**-**	**(27)**	**-**	**(27)**
Write-off	**(570)**	**(1,342)**	**-**	**(1,912)**
Remeasurement	**22,637**	**-**	**(252)**	**22,385**
Reclassification				
- Fixed assets (Note 6)	**13,230**	**-**	**-**	**13,230**
- Assets held for sale (Note 36)	**(154,281)**	**-**	**-**	**(154,281)**
Exchange differences	**(15,881)**	**(442)**	**-**	**(16,323)**
At 31 December	**553,983**	**5,048**	**23,675**	**582,706**
2019				
Net Book Value				
At 1 January	-	-	-	-
Adoption of SFRS(I) 16	583,181	8,945	-	592,126
Additions	43,522	3,669	760	47,951
Depreciation	(55,054)	(3,453)	(5,538)	(64,045)
Subsidiaries acquired	24,101	240	19,983	44,324
Subsidiaries disposed	(4,433)	-	-	(4,433)
Reclassification				
- Investment properties (Note 7)	158,357	-	-	158,357
Exchange differences	(14,326)	(25)	-	(14,351)
At 31 December	735,348	9,376	15,205	759,929

(1) Others comprise furniture, fittings, office equipment and motor vehicles.

The right-of-use asset relating to the leasehold land presented under investment properties (Note 7) is stated at fair value and has a carrying amount at balance sheet date of $7,916,000 (2019: $9,703,000).

Total cash outflow for all the leases was $85,747,000 (2019: $83,038,000), comprising repayment of principal of $53,413,000 (2019: $47,306,000) and interest payment of $32,334,000 (2019: $35,732,000).

Certain right-of-use assets with carrying amount of $11,105,000 (2019: $11,689,000) are mortgaged to banks for loan facilities (Note 22).

	Leasehold Land & Buildings $'000	Plant, Machinery, Equipment & Others (2) $'000	Total $'000
Company			
2020			
Net Book Value			
At 1 January	**12,620**	**213**	**12,833**
Depreciation	**(3,807)**	**(68)**	**(3,875)**
Additions	**2,218**	**28**	**2,246**
At 31 December	**11,031**	**173**	**11,204**
2019			
Net Book Value			
At 1 January	-	-	-
Adoption of SFRS(I) 16	15,902	279	16,181
Depreciation	(3,282)	(66)	(3,348)
At 31 December	12,620	213	12,833

(2) Others comprise office equipment.

8. Right-of-use assets (leases) (continued)

Total cash outflow for all the leases was $4,201,000 (2019: $4,197,000), comprising repayment of principal of $3,916,000 (2019: $3,822,000) and interest payment of $285,000 (2019: $375,000).

	Group	
	2020 $'000	2019 $'000
Lease expense not capitalised in lease liabilities		
Short-term leases	22,582	29,987
Low-value leases	892	1,992
Variable lease payments which do not depend on an index or rate	317	327

As at 31 December 2020, future cash outflows to which the Group is potentially exposed that are not reflected in the measurement of lease liabilities include variable lease payments, $496,808,000 (2019: $623,194,000) for extension options and $55,678,000 (2019: $nil) for committed leases which have yet to commenced.

The leases for retail stores contain variable lease payments that are based on a percentage of sales generated by the stores ranging from 0.3% to 3.0% (2019: 0.3% to 3.0%), on top of fixed payments. The Group negotiates variable lease payments for a variety of reasons, including minimising the fixed costs base for newly established stores. Such variable lease payments are recognised to profit or loss when incurred and amounted to $317,000 for the financial year ended 31 December 2020 (2019: $327,000). The extension options are for certain properties of the Group. The Group negotiates extension options to optimise operational flexibility in terms of managing these assets in the Group's operations.

The following table details the liquidity analysis for lease liabilities of the Group and the Company based on contractual undiscounted cash flows.

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Within one year	96,104	79,224	4,127	4,140
Within one to two years	86,291	116,712	4,052	4,047
Within two to five years	193,279	209,894	4,016	8,021
After five years	478,179	452,642	-	-
Total	853,853	858,472	12,195	16,208

The Group as lessor

The Group leases out commercial space to non-related parties under non-cancellable operating leases. At the end of the reporting period, the Group's undiscounted future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables are as follows:

	Group	
	2020 $'000	2019 $'000
Within one year	64,501	92,565
In the second year	43,041	76,988
In the third year	38,305	37,549
In the fourth year	36,316	30,409
In the fifth year	21,869	24,071
After the fifth year	59,601	50,821
Total	263,633	312,403

9. Subsidiaries

	Company	
	2020 $'000	2019 $'000
Quoted shares, at cost		
Market value: $5,800,000 (2019: $6,204,000)	**493**	493
Unquoted shares, at cost	**8,442,614**	8,442,604
	8,443,107	8,443,097
Provision for impairment	**(480,569)**	(480,569)
	7,962,538	7,962,528

Movements in the provision for impairment of subsidiaries are as follows:

	Company	
	2020 $'000	2019 $'000
At 1 January	**480,569**	351,785
Charge to profit and loss account	**-**	128,784
At 31 December	**480,569**	480,569

Impairment of $128,784,000 made in 2019 mainly relates to an investment holding subsidiary that holds oil & gas equity investments. Impairment loss was made arising from the impairment exercise performed (Note 10). Due to the economic downturn in oil & gas industry, recoverable amount of the equity investments was projected to be below the Company's cost of investment. Management had performed an assessment on the recoverable amount based on the cash flow estimates of the underlying assets.

Information relating to significant subsidiaries consolidated in the financial statements is given in Note 39.

10. Associated companies and joint ventures

	Group	
	2020 $'000	2019 $'000
Quoted shares, at cost		
Market value: $2,945,022,000 (2019: $3,508,132,000)	**2,703,470**	3,279,240
Unquoted shares, at cost	**2,746,346**	2,372,316
Loan receivable from associated company	**156,553**	-
	5,606,369	5,651,556
Provision for impairment	**(152,509)**	(197,392)
	5,453,860	5,454,164
Share of reserves	**10,884**	238,251
Carrying amount of equity interest	**5,464,744**	5,692,415
Notes issued by associated companies (net of provision for impairment)	**280,084**	319,284
Advances to associated companies and joint ventures	**245,785**	339,146
	5,990,613	6,350,845

Notes issued by an associated company of $245,000,000 are unsecured and will mature in 2040. The remaining Notes are denominated in Singapore Dollars, secured and will mature in 2024. Interest is charged at rates ranging from 0% to 17.5% (2019: 0% to 17.5%) per annum.

Advances to associated companies and joint ventures are unsecured and are not repayable within the next 12 months. Interest is charged at rates ranging from 1.1% to 3.0% (2019: 2.5% to 7.0%) per annum on interest-bearing advances.

Movements in the provision for impairment of associated companies and joint ventures are as follows:

	Group	
	2020 $'000	2019 $'000
At 1 January	**197,392**	161,367
Impairment loss	**9,486**	35,915
Disposal	**(18,733)**	-
Reclassification to FVOCI	**(35,640)**	-
Exchange differences	**4**	110
At 31 December	**152,509**	197,392

Impairment loss made during the year mainly relates to the shortfall between the carrying amount of the costs of investment and the recoverable amount of certain associated companies.

10. Associated companies and joint ventures (continued)

The carrying amount of the Group's material associated companies, all of which are equity accounted for, are as follows:

		2020 $'000	2019 $'000
Keppel REIT	(a)	1,898,249	1,960,518
Keppel Infrastructure Trust	(b)	-	301,669
KrisEnergy Limited	(c)	35,084	74,284
Keppel DC REIT	(d)	420,124	449,964
Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited	(e)	636,366	570,384
Floatel International Limited	(f)	95,668	311,000
Other associated companies and joint ventures		2,905,122	2,683,026
		5,990,613	6,350,845

The summarised financial information of the material associated companies, not adjusted for the Group's proportionate share, based on its SFRS(I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

(a) Keppel REIT

	2020 $'000	2019 $'000
Current assets	175,433	142,317
Non-current assets	7,588,935	7,307,046
Total assets	7,764,368	7,449,363
Current liabilities	223,179	159,690
Non-current liabilities	2,321,056	2,125,893
Total liabilities	2,544,235	2,285,583
Net assets	5,220,133	5,163,780
Less: Non-controlling interests	(721,783)	(578,931)
	4,498,350	4,584,849
Proportion of the Group's ownership	49%	49%
Group's share of net assets	2,206,891	2,245,659
Other adjustments	(308,642)	(285,141)
Carrying amount of equity interest	1,898,249	1,960,518
Revenue	170,223	164,053
Profit after tax	279	141,670
Other comprehensive income/(loss)	24,911	(82,772)
Total comprehensive income	25,190	58,898
Fair value of ownership interest (if listed) **	1,872,365	2,044,903
Dividends received	69,808	90,144

** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy)

(b) Keppel Infrastructure Trust ("KIT")

The Group has 18.2% direct ownership interest in KIT as at 31 December 2020. KIT's business is conducted through its Trustee-Manager, Keppel Infrastructure Funds Management Pte Ltd ("KIFM"), a wholly-owned subsidiary of Keppel Capital Holdings Pte Ltd ("KC") which is in turn a wholly-owned subsidiary of Keppel Corporation Limited.

During the year, the Group assessed that it no longer has significant influence over KIT due to a reduction in board representation, as well as KC's undertaking to the Trustee-Manager to grant the other unitholders of KIT the right to endorse or re-endorse the appointment of the directors of KIFM at the annual general meetings of KIT. Accordingly, KIT has been reclassified from an associated company to an investment carried at fair value through other comprehensive income (Note 11) on 1 March 2020 and a mark-to-market gain of $130,547,000 was recorded upon the reclassification.

Summarised financial information of KIT, not adjusted for the Group's proportionate share, based on its SFRS(I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements for the comparative period were as follows:

	2019 $'000
Current assets	1,029,248
Non-current assets	3,974,027
Total assets	5,003,275
Current liabilities	1,706,097
Non-current liabilities	1,583,009
Total liabilities	3,289,106
Net assets	1,714,169
Less: Non-controlling interests	(389,763)
	1,324,406
Proportion of the Group's ownership	18%
Group's share of net assets	241,042
Other adjustments	60,627
Carrying amount of equity interest	301,669
Revenue	1,566,715
Profit after tax	10,194
Other comprehensive loss	(92,591)
Total comprehensive loss	(82,397)
Fair value of ownership interest (if listed)**	490,886
Dividends received	30,134

** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy)

(c) KrisEnergy Limited *

	2020 $'000	2019 $'000
Current assets	**118,213**	174,986
Non-current assets	**535,774**	699,330
Total assets	**653,987**	874,316
Current liabilities	**871,927**	878,467
Non-current liabilities	**151,626**	82,323
Total liabilities	**1,023,553**	960,790
Net liabilities	**(369,566)**	(86,474)
Proportion of the Group's ownership	**40%**	40%
Group's share of net assets	**-**	-
Carrying amount of equity interest	**-**	-
Notes issued by associated company	**35,084**	74,284
	35,084	74,284
Revenue	**102,855**	148,591
Loss after tax	**(294,931)**	(220,060)
Other comprehensive income/(loss)	**(36)**	176
Total comprehensive loss	**(294,967)**	(219,884)
Fair value of ownership interest (if listed) **	**n.a.**	n.a.
Dividends received	**-**	-

* As at the date of approval of these financial statements, the most recent available financial information on which equity accounting for the current year can be practically applied are those financial information from October of the preceding year to September of the current year. The difference in reporting period has no material impact on the Group's consolidated financial statements.

** KrisEnergy Limited had suspended trading of its securities on the Singapore Exchange Securities Ltd with effect from 14 August 2019 (the last closing price before trading suspension was S$0.03 per share).

10. Associated companies and joint ventures (continued)

Investments in KrisEnergy Limited and related exposures

		2020 $'000	2019 $'000
Equity interest		-	-
Zero-coupon notes		35,084	74,284
Carrying amount		35,084	74,284
Other related exposures:			
Warrants	Note 11	-	-
Loan receivable	Note 12	77,193	-
Contract assets [1]	Note 15	29,225	20,541
Guarantee [2]	Note 32	247,340	262,825

[1] In relation to a construction contract for a production barge for KrisEnergy.

[2] In relation to a bilateral agreement between the Group and a bank, on the bank loan granted to KrisEnergy.

On 14 August 2019, KrisEnergy has made an application to the High Court of the Republic of Singapore to commence a court-supervised process to reorganise its liabilities and seek a moratorium against enforcement actions and legal proceedings by creditors against KrisEnergy pursuant to section 211B of the Companies Act (Cap. 50). It has also requested a suspension of trading of its securities on Singapore Exchange Securities Trading Ltd ("SGX"). At the date of these financial statements, the moratorium has been further extended to 16 April 2021.

In April 2020, the Group entered into a credit facility agreement with two wholly-owned indirect subsidiaries of KrisEnergy (the "Borrowers"), with the Group agreeing to grant a project financing loan in two or more tranches for an aggregate principal amount not exceeding US$87 million (the "CBA Loan Facility") to the Borrowers. As at 31 December 2020, the total aggregate amount of funds drawn down by the Borrowers through the CBA Loan Facility was US$57,700,000.

KrisEnergy published an initial restructuring proposal on 16 June 2020, followed by the publication of the final restructuring proposal on 21 August 2020. The final restructuring proposal is to be implemented via the four inter-conditional processes that require the consent of the requisite majority of each respective group of creditors and shareholders:

- reaching an agreement for an extension of secured Revolving Credit Facility ("RCF") with the lender;
- conversion of debts and claims into equity for unsecured creditors under the Scheme of Arrangement ("Scheme");
- partial conversion of claims into equity for Zero Coupon Noteholders under the Consent Solicitation Exercise ("CSE"); and
- requisite approval from the shareholders for the issuance of new shares in the restructuring proposal in Extraordinary General Meeting ("EGM").

On 30 December 2020, the RCF maturity date was extended for an initial period of 6 months to 30 June 2021 with a further extension to 30 June 2024 upon successful completion of restructuring. A Scheme was released by KrisEnergy on 20 November 2020 setting out the details of the proposed restructuring terms. On 14 January 2021, the unsecured creditors of KrisEnergy approved the Scheme through a Singapore court supervised process. The Scheme was effective on 15 February 2021, following the lodgment of a copy of the order of the Court approving the Scheme with the Registrar of Companies. The CSE process for KrisEnergy's zero coupon note holders that was launched on 20 January 2021 has been approved on 11 February 2021. As at the date of these financial statements, the final component of the restructuring which is the EGM to seek KrisEnergy shareholders' approval for the issuance of new shares pursuant to the Scheme and the CSE has not yet taken place.

Management performed an impairment assessment to estimate the recoverable amount of the Group's exposures in KrisEnergy as at 31 December 2020. Management reviewed the cash flow projections prepared by its financial advisor who estimated the amount of cash available from producing assets and forecasted production from assets under development, taking into consideration the relative priority of each group of stakeholders to these cash flows based on their respective rights. The cash flow estimates were based on forecasted oil prices, determined by taking reference from external information sources, ranging from US$50 to US$62 per barrel for 2021 to 2029 (2019: US$63 to U$70 per barrel for 2020 to 2028). The impairment assessment has taken into consideration the terms of restructuring.

Based on the impairment assessment, an impairment provision of $39,200,000 was recognised for the year ended 31 December 2020, and the carrying amount of the Group's investment in the zero-coupon notes was reduced to $35,084,000. No impairment allowance was made against the loan receivable, contract assets and no liabilities were recorded for the Group's guarantee given to the bank for the loan granted to KrisEnergy as the Group has priority over the cash flows on the assets of KrisEnergy. In the financial year ended 31 December 2019, management had performed a similar assessment and recognised an impairment charge of $37,000,000 on the equity investment.

The estimates and assumptions used are subject to risk and uncertainty. If the oil prices were to decrease by 2% across the forecasted period of 2021 to 2029, the estimated cash available from producing assets and forecasted production from assets under development would decrease, and this would result in an additional impairment of $34,400,000.

(d) Keppel DC REIT

	2020 $'000	2019 $'000
Current assets	**304,561**	279,952
Non-current assets	**3,045,267**	2,648,042
Total assets	**3,349,828**	2,927,994
Current liabilities	**233,618**	108,157
Non-current liabilities	**1,133,968**	917,289
Total liabilities	**1,367,586**	1,025,446
Net assets	**1,982,242**	1,902,548
Less: Non-controlling interests	**(37,590)**	(34,530)
	1,944,652	1,868,018
Proportion of the Group's ownership	**21%**	23%
Group's share of net assets	**407,405**	434,688
Other adjustments	**12,719**	15,276
Carrying amount of equity interest	**420,124**	449,964
Revenue	**265,571**	194,826
Profit after tax	**171,728**	111,108
Other comprehensive income/(loss)	**7,491**	(33,789)
Total comprehensive income	**179,219**	77,319
Fair value of ownership interest (if listed) **	**961,363**	790,198
Dividends received	**22,367**	31,898

** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

(e) Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited

	2020 $'000	2019 $'000
Current assets	**1,173,770**	1,073,996
Non-current assets	**490,242**	478,339
Total assets	**1,664,012**	1,552,335
Current liabilities	**308,518**	324,787
Non-current liabilities	**26,475**	29,261
Total liabilities	**334,993**	354,048
Net assets	**1,329,019**	1,198,287
Less: Non-controlling interests	**-**	-
	1,329,019	1,198,287
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**664,510**	599,144
Other adjustments	**(28,144)**	(28,760)
Carrying amount of equity interest	**636,366**	570,384
Revenue	**575,559**	475,001
Profit after tax	**147,871**	155,705
Other comprehensive income	**-**	-
Total comprehensive income	**147,871**	155,705
Dividends received	**38,471**	27,351

10. Associated companies and joint ventures (continued)

(f) Floatel International Limited

	2020 $'000	2019 $'000
Current assets	109,865	137,367
Non-current assets	1,017,819	1,655,424
Total assets	1,127,684	1,792,791
Current liabilities	883,371	79,669
Non-current liabilities	366,279	1,105,306
Total liabilities	1,249,650	1,184,975
Net assets	(121,966)	607,816
Proportion of the Group's ownership	50%	50%
Group's share of net assets	(60,885)	303,422
Other adjustments	-	7,578
Carrying amount of equity interest	(60,885)	311,000
Loan receivable	156,553	-
	95,668	311,000
Revenue	112,384	250,286
Loss after tax	(730,863)	(100,572)
Other comprehensive loss	(19,419)	(1,039)
Total comprehensive loss	(750,282)	(101,611)
Dividends received	-	-

Investments in Floatel International Limited

		2020 $'000	2019 $'000
Equity interest		-	311,000
Loan receivable		95,668	-
Carrying amount		95,668	311,000
Other related exposures:			
Preference shares	Note 11	-	10,449
Loan receivable	Note 12	-	155,425

In February 2020, Floatel reported that its financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty as to whether Floatel will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which casts significant doubt on Floatel's ability to continue as a going concern. The long term viability of Floatel's business depends on it finding a solution to its financial situation.

On 5 December 2020, at the expiry of the forbearance under a Forbearance Agreement entered into between Floatel and certain bondholders, Floatel entered into a Lock-Up Agreement with FELS Offshore Pte Ltd (the member of the Group with the equity interest in Floatel), an ad hoc group (the "AHG") of holders of Floatel's 9% senior secured 1L Bondholders, and other consenting 1L Bondholders holding in aggregate over 56% by value of the 1L Bonds and 2L Bondholders holding in aggregate close to 13% of the 2L Bonds (the "Lock-Up Agreement"). The Lock-Up Agreement commits Floatel, the Group, the AHG and any acceding 1L Bondholders and 2L Bondholders to use reasonable endeavours to implement a comprehensive financial and corporate restructuring of the Floatel group (the "Restructuring"). As part of the Lock-Up Agreement, FELS Offshore Pte Ltd has committed to use reasonable endeavours to procure the provision and funding of a new US$100,000,000 revolving credit facility ("RCF") for Floatel and another member of the Group may provide credit support for the RCF in the form of a risk participation.

On 16 December 2020, Floatel announced an increased level of support of the Lock-Up Agreement by the 1L (more than $^2/_3$) and 2L Bondholders. In addition, the terms of new warrants to be issued were also agreed in a revised Lock-Up Agreement on 14 December 2020.

On 8 January 2021, bank lenders of Floatel agreed to accept a cash settlement of US$46,000,000 less Lenders' advisory fees for full settlement of amounts owing to them and release of the charge on one of the five vessels owned by Floatel.

On 12 February 2021, the 2L Bondholders approved the Restructuring.

As the loan from the relevant member of the Group to Floatel is considered as part of the Group's net investment in Floatel (i.e. settlement is neither planned nor foreseen), management has continued to equity account for its share of loss in Floatel's results against the carrying value of the loan to Floatel, after reducing the carrying value of the equity investment in Floatel to zero as of 30 June 2020. For the financial year ended 31 December 2020, the Group has recognised a total share of operating loss from Floatel of $82,779,000 and share of impairment loss of vessels of $228,107,000. The latter was estimated based on industry parameters provided by an independent industry advisor and adopted in the VIU calculation of the vessels. In addition, the carrying value of preference shares, based on the fair value assessment conducted by an independent financial advisor using the dividend discount model had similarly been written down to nil as at 31 December 2020.

The Group has considered that the recovery of its net investment in Floatel is dependent on Floatel successfully carrying out the Restructuring and continuing operation of its fleet of vessels. Management has retained an independent financial advisor to support the review of Floatel's business plan and cash flow projections. In the event that the Restructuring of Floatel fails to go through, Floatel would not have adequate cash from its operations and cash on hand to continue as a going concern beyond year 2021 and in this scenario the Group's investment in Floatel is not expected to be recoverable.

As at the date of these financial statements, the Restructuring is progressing positively and the Group is in advanced stages of discussion with financial institutions to provide the US$100,000,000 RCF.

Aggregate information about the Group's investments in other associated companies and joint ventures are as follows:

	2020 $'000	2019 $'000
Share of results	**42,459**	143,006
Share of other comprehensive income/(loss)	**17,903**	(12,439)
Share of total comprehensive income	**60,362**	130,567

Information relating to significant associated companies and joint ventures, including information on principal activities, country of operation/incorporation and proportion of ownership interest, and whose results are included in the financial statements is given in Note 39.

11. Investments

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Investments at fair value through other comprehensive income ("OCI"):				
- Quoted equity shares	**504,612**	12,336	**-**	-
- Unquoted equity shares	**212,609**	107,396	**22,196**	19,230
- Unquoted property funds	**105,070**	95,227	**-**	-
Total investments at fair value through OCI	**822,291**	214,959	**22,196**	19,230
Investments at fair value through profit or loss:				
- Quoted equity shares	**66,014**	82,399	**-**	-
- Unquoted equity shares	**319,300**	330,143	**-**	-
- Unquoted - others	**21,887**	21,568	**-**	-
Total investments at fair value through profit or loss	**407,201**	434,110	**-**	-
Total investments	**1,229,492**	649,069	**22,196**	19,230

The breakdown of the investments at fair value through other comprehensive income is as follows:

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Quoted equity units in a public infrastructure trust managed by a related company	**495,432**	-	**-**	-
Unquoted property funds managed by a related company	**105,070**	95,227	**-**	-
Unquoted equity shares in real estate industry	**76,693**	39,381	**22,196**	19,230
Quoted and unquoted equity shares in oil and gas industry	**32,139**	39,477	**-**	-
Others	**112,957**	40,874	**-**	-
	822,291	214,959	**22,196**	19,230

Quoted equity units in a public infrastructure trust refers to the Group's investment in Keppel Infrastructure Trust which was reclassified from associated company (Note 10(b)) to an investment carried at fair value through other comprehensive income arising from loss of significant influence during the current financial year.

Unquoted investments included a bond amounting to $21,887,000 (2019: $21,568,000) bearing interest at 4% (2019: 4%) per annum which is maturing in 2027.

Unquoted equity shares included preference shares issued by Floatel International Limited, an associated company (Note 10(f)) which was written down to $nil (2019: $10,449,000).

12. Long term assets

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Staff loans	**100**	277	**2**	50
Derivative assets	**48,723**	14,791	**39,288**	11,918
Contract assets	**73,458**	99,523	**-**	-
Call option	**156,643**	157,518	**-**	-
Service concession receivable	**362,366**	351,041	**-**	-
Trade receivables	**875,810**	638,973	**-**	-
Long term receivables and others	**254,753**	327,925	**540**	2,279
	1,771,853	1,590,048	**39,830**	14,247
Less: Amounts due within one year and included in debtors (Note 17)	**(15,454)**	(10,140)	**(2)**	(34)
	1,756,399	1,579,908	**39,828**	14,213

Included in staff loans are interest-free advances to directors of related corporations amounting to $2,000 (2019: $30,000) under an approved car loan scheme.

Contract assets primarily relate to the Group's right to consideration for development units delivered to customers under the pay-and-stay scheme, as well as for handset and equipment delivered and accepted by customers but not yet billed at the reporting date. As at 1 January 2019, the Group did not have a non-current contract assets balance.

The call option granted to the Group is in connection with the disposal of its 87.51% equity interest in Ocean Properties LLP (formerly known as Ocean Properties Private Limited) to Keppel REIT in 2011. The Group has an option to acquire the same shares exercisable at the price of $1 upon the expiry of 99 years from 14 December 2011 under the share purchase agreement. The call option may be exercised earlier upon the occurrence of certain specified events as stipulated in the call option deed. As at 31 December 2020, the fair value was determined by reference to the difference in valuations obtained from an independent professional valuer for the underlying investment property based on the remaining 841-year leasehold and 90-year leasehold (2019: based on the remaining 842-year leasehold and 91-year leasehold). The details of the valuation techniques and inputs used for the call option are disclosed in Note 34.

The service concession receivable relates to a service concession arrangement with a governing agency of the Government of Singapore (the grantor) to design, build, own and operate a desalination plant in Singapore, which has a capacity to produce 137,000 cubic metres of fresh drinking water per day. The plant has officially commenced operations on 29 June 2020. The Group has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period of 25 years irrespective of the output produced. At the end of the concession period, the grantor may require the plant to be handed over in a specified condition or to be demolished at reasonable costs borne by the grantor. In arriving at the carrying value of the service concession arrangement as at the end of the reporting year, effective interest rates of 4.08% (2019: 4.22%) per annum were used to discount the future expected cash flows.

Trade receivables are related to financing arrangements for delivered rigs where the Group has retained title. $369,508,000 (2019: $125,444,000) is due from one customer and bears floating interest at LIBOR plus a margin, and repayable in 2024 and 2025. The remainder is due from another customer, bears fixed interest and repayable in February 2024, December 2029 and on demand. The customer has options for early repayment. During the year, the Group recognised an expected credit loss allowance of $169,611,000 (2019: $nil) on the trade receivables as detailed in Note 2.28(b)(ii). As at 1 January 2019, the Group did not have a long term trade receivables balance.

Long term receivables are largely repayable after three years (2019: five years) and bears effective interest ranging from 4.00% to 15.00% (2019: 2.00% to 12.00%) per annum.

Included in other receivables is an unsecured, interest-free advance to an investee which matures on 31 December 2024. For the financial year ended 31 December 2020, the Group recognised $21,979,000 (2019: $nil) allowance for doubtful debt after taking into account the financial condition of the investee.

Included in other receivables is a secured loan receivable from KrisEnergy Limited, an associated company, repayable on 30 April 2024 and bears a fixed interest rate of 15.00% per annum, as disclosed in Note 10(c).

Included in other receivables are claims receivable which represents claims from customer for long term contracts. For the financial year ended 31 December 2020, the Group has written-back $3,893,000 (31 December 2019: recognised $15,021,000) of loss allowance on claims receivable arising from the unwinding of discounting effects due to changes to the expected timing of receipt.

In 2019, included in the other receivables is an unsecured, interest-bearing US Dollar loan amounting to $155,425,000 which is repayable in 2025 by Floatel International Limited, an associated company. During the financial year ended 31 December 2020, this loan was reclassified to investment in associated company as it is considered as part of the Group's net investment in Floatel, as disclosed in Note 10(f).

13. Intangibles

	Goodwill $'000	Development Expenditure $'000	Brand $'000	Spectrum Rights $'000	Customer Contracts and Relationships $'000	Others $'000	Total $'000
Group							
2020							
At 1 January	**1,047,558**	**16,811**	**269,853**	**141,935**	**189,025**	**17,799**	**1,682,981**
Additions	**-**	**1,558**	**-**	**301**	**-**	**-**	**1,859**
Impairment loss	**-**	**-**	**-**	**-**	**(23,015)**	**-**	**(23,015)**
Amortisation	**-**	**(1,456)**	**(9,252)**	**(17,683)**	**(24,670)**	**(88)**	**(53,149)**
Exchange differences	**-**	**(164)**	**-**	**-**	**312**	**-**	**148**
At 31 December	**1,047,558**	**16,749**	**260,601**	**124,553**	**141,652**	**17,711**	**1,608,824**
Cost	**1,047,558**	**38,258**	**277,563**	**130,031**	**227,598**	**17,873**	**1,738,881**
Accumulated amortisation	**-**	**(21,509)**	**(16,962)**	**(5,478)**	**(85,946)**	**(162)**	**(130,057)**
	1,047,558	**16,749**	**260,601**	**124,553**	**141,652**	**17,711**	**1,608,824**
2019							
At 1 January	59,270	18,017	-	-	34,963	16,757	129,007
Additions	-	662	-	-	-	-	662
Acquisition of a subsidiary	988,288	-	277,563	156,670	175,167	1,116	1,598,804
Amortisation	-	(1,693)	(7,710)	(14,735)	(21,032)	(74)	(45,244)
Exchange differences	-	(175)	-	-	(73)	-	(248)
At 31 December	1,047,558	16,811	269,853	141,935	189,025	17,799	1,682,981
Cost	1,047,558	36,885	277,563	156,670	228,334	17,873	1,764,883
Accumulated amortisation	-	(20,074)	(7,710)	(14,735)	(39,309)	(74)	(81,902)
	1,047,558	16,811	269,853	141,935	189,025	17,799	1,682,981

Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGU"s).

Out of the total goodwill of $1,047,558,000, goodwill allocated from the acquisition of M1 Limited amounted to $988,288,000.

During the year, the Group recognised an impairment loss of $23,015,000 (2019: $nil) on customer relationship in the Energy & Environment segment. In view that the subsidiary has been making losses since acquisition and the adverse global economic environment which was significantly affected by COVID-19, the recoverability of the intangible asset - customer relationship was uncertain. Accordingly, the intangible asset - customer relationship was fully impaired.

In 2019, the Group's 80% owned subsidiary, Konnectivity Pte Ltd, acquired approximately 81% equity interest in M1 Limited. The Group's wholly-owned subsidiary, Keppel Telecommunications and Transportation Ltd holds the remaining 19% equity interest in M1 Limited.

The recoverable amount of M1 as a CGU was determined based on its value-in-use using a discounted cash flow model based on cash flow projections by management covering a 5-year period, and cash flows beyond the 5-year period were extrapolated using a terminal growth rate of 1.46% (2019: 1.47%), premised on the estimated long term growth rate for the country where the CGU operates. Cash flows were discounted using a discount rate of 7% (2019: 8%) per annum.

The recoverable amount was estimated to be higher than the carrying value of the M1 CGU. Accordingly, no impairment of goodwill was recognised in 2020 and 2019. The calculation of value-in-use for the CGU is sensitive to the terminal growth rate and the discount rate applied. Any possible reasonable change in the terminal growth rate and discount rate used in the calculation of the value-in-use amount would not cause any impairment to goodwill.

14. Stocks

		Group	
		2020 $'000	2019 $'000
Consumable materials and supplies		190,370	141,876
Finished products for sale		99,087	114,854
Work-in-progress (net of provision)		1,072,890	653,814
Properties held for sale	(a)	3,597,080	4,632,211
		4,959,427	5,542,755

For work-in-progress balances, the Group determines the estimated net realisable value based on arrangements to market the work-in-progress and discounted cash flow models. The work-in-progress balance includes contract assets which were reclassified to stocks during the year, as disclosed in Note 15. The provision for consumable materials, finished products for sale and supplies work-in-progress to write down its carrying value to its net realisable value at the end of the financial year was $146,202,000 (2019: $100,530,000). See Note 2.28(b)(ix) for further disclosures on key estimates made in estimating NRV of the Group's work-in-progress.

(a) Properties held for sale

	Group	
	2020 $'000	2019 $'000
Properties under development		
Land cost	1,988,513	2,770,384
Development cost incurred to date	622,565	585,200
Related overhead expenditure	196,676	252,501
	2,807,754	3,608,085
Completed properties held for sale	809,313	1,049,343
	3,617,067	4,657,428
Provision for properties held for sale	(19,987)	(25,217)
	3,597,080	4,632,211

Movements in the provision for properties held for sale are as follows:

	Group	
	2020 $'000	2019 $'000
At 1 January	25,217	28,156
Charge to profit and loss account	2,252	-
Exchange differences	(127)	34
Amount written off	(1,253)	(2,973)
Subsidiary disposed	(6,102)	-
At 31 December	19,987	25,217

The provision for properties held for sale is arrived at after taking into account estimated selling prices and estimated total construction costs. Estimated selling prices are based on recent selling prices for the development project or comparable projects and the prevailing market conditions. Estimated total construction costs include contracted amounts plus estimated costs to be incurred based on historical trends. The provision is progressively reversed for those residential units sold above their carrying amounts.

During the year, properties amounting to $274,452,000 (2019: $nil) in value and included in the above balances were mortgaged to the banks as securities for borrowings as referred to in Note 22.

During the year, the Group reclassified $714,733,000 from properties held for sale to investment properties due to change of use of the assets from property trading to holding for capital gain and/or rental yield. The Group also reclassified $11,999,000 from property held for sale to fixed asset and $4,221,000 from fixed asset to property held for sale due to change in use of the assets.

Interest capitalised during the financial year amounted to $19,980,000 (2019: $24,258,000) at rates of 0.80% to 2.50% (2019: 2.18% to 3.97%) per annum for Singapore properties and 3.00% to 7.00% (2019: 2.74% to 7.00%) per annum for overseas properties.

15. Contract assets/liabilities

	Group		
	31 December		1 January
	2020 $'000	2019 $'000	2019 $'000
Contract assets	**2,657,231**	3,497,476	3,212,712
Contract liabilities	**2,072,303**	1,824,965	1,918,547

During the year, contract assets amounting to $447,337,000 (net of the expected credit loss allowance of $19,301,000), as described in Note 2.28(b)(ix), were reclassified to stocks – work-in-progress.

Contract assets relating to certain rigbuilding contracts where the scheduled dates of the rigs have been deferred and have higher counter-party risks amounted to $1,653,547,000 (2019: $1,431,744,000). See Note 2.28(b)(ii) – Other contracts for further disclosures on key estimates used in estimating the expected credit loss on these contract assets.

Contract liabilities included proceeds received from sale of properties of $971,638,000 (2019: $847,317,000). Remaining contract liabilities of $1,100,665,000 (2019: $977,648,000) are recorded when receipts from customers exceed the value of work transferred where the customer is invoiced on a milestone payment schedule.

Revenue recognised during the financial year ended 31 December 2020 in relation to contract liability balance at 1 January 2020 was $816,736,000 (2019: $583,878,000).

The aggregate amount of the transaction price allocated to the remaining performance obligation is $5,490,832,000 (2019: $5,568,204,000) and the Group expects to recognise this revenue over the next 1 to 4 years (2019: 1 to 5 years).

Movements in the allowance for expected credit loss for contract assets are as follows:

	Group		
	31 December		1 January
	2020 $'000	2019 $'000	2019 $'000
At 1 January	**21,000**	21,000	21,000
Charge to profit and loss account (Note 26)	**430,842**	-	-
Reclassified to stocks - work-in-progress (Note 14)	**(19,301)**	-	-
At 31 December	**432,541**	21,000	21,000

16. Amounts due from/to

	Company	
	2020 $'000	2019 $'000
Subsidiaries		
Amounts due from		
- trade	**112,547**	88,028
- advances	**9,698,763**	7,199,296
	9,811,310	7,287,324
Allowance for expected credit loss	**(6,600)**	(6,600)
	9,804,710	7,280,724
Amounts due to		
- trade	**4,138**	6,045
- advances	**197,821**	150,822
	201,959	156,867

Advances to and from subsidiaries are unsecured and are repayable on demand. Interest is charged at rates up to 4.00% (2019: up to 4.00%) per annum on interest-bearing advances.

16. Amounts due from/to (continued)

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Associated Companies and Joint Ventures				
Amounts due from				
- trade	**160,987**	140,502	**152**	705
- advances	**349,170**	439,556	**-**	-
	510,157	580,058	**152**	705
Allowance for expected credit loss	**(16,888)**	(16,480)	**-**	-
	493,269	563,578	**152**	705
Amounts due to				
- trade	**49,213**	78,187	**-**	-
- advances	**286,695**	412,099	**-**	-
	335,908	490,286	**-**	-
Movements in the allowance for expected credit loss are as follows:				
At 1 January	**16,480**	15,998	**-**	-
Charge to profit and loss account	**408**	482	**-**	-
At 31 December	**16,888**	16,480	**-**	-

Advances to and from associated companies and joint ventures are unsecured and are repayable on demand. Interest is charged at rates ranging from 0.09% to 15.00% (2019: 0.75% to 11.50%) per annum on interest-bearing advances.

17. Debtors

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Trade debtors	**1,806,269**	1,947,537	**7**	1
Allowance for expected credit loss	**(241,871)**	(261,680)	**-**	-
	1,564,398	1,685,857	**7**	1
Long term receivables due within one year (Note 12)	**15,454**	10,140	**2**	34
Sundry debtors	**271,238**	238,128	**1,042**	464
Prepayments	**159,834**	210,550	**85**	87
Tax recoverable	**5,029**	6,057	**-**	-
Value Added Tax receivable	**174,904**	107,177	**370**	-
Interest receivable	**17,043**	14,002	**21**	21
Deposits paid	**23,995**	30,600	**374**	380
Recoverable accounts	**39,142**	49,493	**8,166**	7,702
Accrued receivables	**225,951**	219,599	**2,206**	155
Purchase consideration receivable from disposal of a subsidiary	**-**	115,801	**-**	-
Advances to subcontractors	**48,037**	50,406	**-**	-
Advances to non-controlling shareholders of subsidiaries	**3,524**	26,528	**-**	-
	984,151	1,078,481	**12,266**	8,843
Allowance for expected credit loss	**(17,474)**	(15,854)	**-**	-
	966,677	1,062,627	**12,266**	8,843
Total	**2,531,075**	2,748,484	**12,273**	8,844

Movements in the allowance for expected credit loss are as follows:

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
At 1 January	**277,534**	264,017	**-**	-
Charge to profit and loss account	**29,989**	16,015	**-**	-
Amount written off	**(43,707)**	(7,443)	**-**	-
Subsidiary acquired	**-**	9,225	**-**	-
Subsidiaries disposed	**(257)**	(4,296)	**-**	-
Exchange differences	**(4,034)**	16	**-**	-
Reclassified to assets held for sale	**(180)**	-	**-**	-
Total	**259,345**	277,534	**-**	-

As at 1 January 2019, the Group's net trade debtors amounted to $1,584,149,000.

18. Short term investments

	Group	
	2020 $'000	2019 $'000
Total investments at fair value through other comprehensive income:		
Quoted equity shares	**35,802**	27,821
Investments at fair value through profit or loss:		
Quoted equity shares	**78,492**	74,300
Unquoted debt instrument	**20,340**	19,460
Total investments at fair value through profit or loss	**98,832**	93,760
Total short term investments	**134,634**	121,581

Investments at fair value through other comprehensive income are mainly in the oil and gas industry listed in Singapore.

19. Bank balances, deposits and cash

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Bank balances and cash	**1,211,166**	843,519	**574**	1,047
Fixed deposits with banks	**933,606**	760,421	**-**	-
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost, claims and liabilities	**71,242**	6,270	**-**	-
Amounts held under project accounts, withdrawals from which are restricted to payments for expenditures incurred on projects	**263,701**	173,304	**-**	-
	2,479,715	1,783,514	**574**	1,047

Fixed deposits with banks of the Group mature on varying periods, substantially between 1 day to 6 months (2019: 1 day to 6 months). This comprises Singapore Dollars fixed deposits of $148,389,000 (2019: $75,752,000) at interest rates substantially ranging from 0.05% to 0.19% (2019: 0.75% to 1.98%) per annum, and foreign currency fixed deposits of $785,217,000 (2019: $684,669,000) at interest rates substantially ranging from 0.01% to 6.80% (2019: 0.01% to 7.20%) per annum.

The bank balances at 31 December 2020 include an amount of $107,000 (2019: $384,000) pledged to a bank in relation to certain banking arrangement.

Cash and cash equivalents of $763,958,000 (2019: $470,497,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends and capital repatriation upon liquidations.

20. Creditors

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Trade creditors	746,994	854,892	1,433	4,816
Customers' advances and deposits	130,551	117,673	-	-
Sundry creditors	975,910	650,300	3,562	3,124
Accrued expenses	2,356,154	2,595,432	31,620	40,749
Advances from non-controlling shareholders	149,593	149,200	-	-
Retention monies	199,245	179,982	-	-
Interest payables	45,230	57,065	27,193	30,036
	4,603,677	4,604,544	63,808	78,725
Other non-current liabilities:				
Accrued expenses	94,164	168,176	24,114	25,000
Derivative liabilities	224,662	127,106	128,336	58,778
	318,826	295,282	152,450	83,778

The carrying amount of the non-current liabilities approximates their fair value.

Advances from non-controlling shareholders of certain subsidiaries are unsecured and are repayable on demand. Interest is charged at rates ranging from 1.80% to 4.94% (2019: 1.83% to 4.94%) per annum on interest-bearing advances.

21. Provisions for warranties

	Group 2020 $'000	Group 2019 $'000
At 1 January	36,448	69,614
Charge/(Write-back) to profit and loss account	2,352	(14,365)
Amount utilised	(13)	(18,601)
Exchange differences	662	(200)
At 31 December	39,449	36,448

22. Term loans

		2020 Due within one year $'000	2020 Due after one year $'000	2019 Due within one year $'000	2019 Due after one year $'000
Group					
Keppel Corporation Medium Term Notes	(a)	-	2,653,932	500,000	1,900,000
Keppel Land Medium Term Notes	(b)	-	629,617	99,904	629,507
Keppel Telecommunications & Transportation Medium Term Notes	(c)	-	100,000	-	100,000
Keppel GMTN Floating Rate Notes	(d)	-	-	273,240	-
Bank and other loans					
- secured	(e)	110,485	596,215	98,599	310,859
- unsecured	(f)	4,322,117	3,626,830	3,583,494	3,564,028
		4,432,602	7,606,594	4,555,237	6,504,394
Company					
Keppel Corporation Medium Term Notes	(a)	-	2,653,932	500,000	1,900,000
Unsecured bank loans	(f)	3,406,552	1,875,085	2,900,430	1,598,203
		3,406,552	4,529,017	3,400,430	3,498,203

(a) At the end of the financial year, notes issued under the US$5,000,000,000 Multi-Currency Medium Term Note Programme by the Company amounted to $2,653,932,000 (2019: $2,400,000,000). The notes denominated in Singapore Dollars, US Dollars and Japanese Yen, are unsecured and comprised fixed rate notes due from 2022 to 2042 (2019: from 2020 to 2042) with interest rates ranging from 0.88% to 4.00% (2019: 3.00% to 4.00%) per annum.

(b) At the end of the financial year, notes issued under the US$3,000,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited and its wholly-owned subsidiary, Keppel Land Financial Services Pte. Ltd. amounted to $329,767,000 (2019: $399,737,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due in 2023 (2019: 2020 to 2023), with interest rates ranging from 2.68% to 2.84% (2019: 2.68% to 2.84%) per annum.

At the end of the financial year, notes issued under the US$800,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited amounted to $299,850,000 (2019: $329,674,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2022 to 2024 (2019: 2022 to 2024) with interest rates ranging from 3.80% to 3.90% (2019: 3.80% to 3.90%) per annum.

(c) At the end of the financial year, notes issued under the $500,000,000 Multi-Currency Medium Term Note Programme by Keppel Telecommunications & Transportation Ltd, amounted to $100,000,000 (2019: $100,000,000). The fixed rates notes, due in 2024, are unsecured and carried an interest rate of 2.85% per annum from September 2017 to September 2022 and 3.85% per annum from September 2022 to September 2024 (2019: 2.85% per annum from September 2017 to September 2022 and 3.85% per annum from September 2022 to September 2024).

(d) As at 31 December 2019, there were US$200,000,000 notes issued under the US$2,000,000,000 Euro Medium Term Note Programme by Keppel GMTN Pte Ltd that amounted to $273,240,000. The floating rate notes due in 2020 were unsecured and bore interest rate payable quarterly at 3-month US Dollar London Interbank Offered Rate plus 0.89% per annum and ranging from 2.92% to 3.69% per annum. The notes were repaid in April 2020 and no notes were issued thereafter.

(e) The secured bank loans consist of:

- A term loan of $50,000,000 drawn down by a subsidiary. The term loan is repayable in 2023 and is secured on certain assets of the subsidiary. Interest is based on money market rates range of 0.90% to 2.28% per annum.

- A term loan of $43,950,000 drawn down by a subsidiary. The term loan is repayable in 2032 and is secured on certain assets of the subsidiary. Interest is based on money market rates range of 2.38% to 4.43% per annum.

- A term loan of $41,726,000 drawn down by a subsidiary. The term loan is repayable in 2033 and is secured on certain assets of the subsidiary. Interest is based on money market rates range of 2.38% to 4.43% per annum.

- A term loan of $276,279,000 drawn down by a subsidiary. The term loan is repayable in 2035 and is secured on certain assets of the subsidiary. Interest is based on money market rates of 4.31% per annum.

- Other secured bank loans totalling $294,745,000 (2019: $268,446,000) comprised $84,088,000 (2019: $nil) of loans denominated in Singapore Dollars and $210,657,000 (2019: $268,446,000) of foreign currency loans. They are repayable within one to seven (2019: one to eight) years and are secured on investment properties and certain fixed and other assets of the subsidiaries. Interest on foreign currency loans is based on money market rates ranging from 0.70% to 13.25% (2019: 1.82% to 12.50%) per annum.

(f) The unsecured bank and other loans of the Group totalling $7,948,947,000 (2019: $7,147,522,000) comprised $4,972,916,000 (2019: $5,113,132,000) of loans denominated in Singapore Dollars and $2,976,031,000 (2019: $2,034,390,000) of foreign currency loans. They are repayable within one to eleven (2019: one to twelve) years. Interest on loans denominated in Singapore Dollars is based on money market rates ranging from 0.58% to 3.08% (2019: 1.08% to 3.38%) per annum. Interest on foreign currency loans is based on money market rates ranging from 0.50% to 8.58% (2019: 0.96% to 9.41%) per annum.

The unsecured bank loans of the Company totalling $5,281,637,000 (2019: $4,498,633,000) comprised $3,142,000,000 (2019: $3,186,162,000) of loans denominated in Singapore Dollars and $2,139,637,000 (2019: $1,312,471,000) of foreign currency loans. They are repayable within one to five years (2019: one to five years). Interest on loans denominated in Singapore Dollars is based on money market rates ranging from 0.58% to 3.08% (2019: 1.08% to 3.38%) per annum. Interest on foreign currency loans is based on money market rates ranging from 0.50% to 3.24% (2019: 0.96% to 3.24%) per annum.

The Group has mortgaged certain properties and assets of up to an aggregate amount of $2,220,363,000 (2019: $963,984,000) to banks for loan facilities.

The fair values of term loans for the Group and Company are $12,014,024,000 (2019: $10,875,283,000) and $7,845,496,000 (2019: $6,723,252,000) respectively. These fair values, under Level 2 of the fair value hierarchy, are computed on the discounted cash flow method using discount rates based upon the borrowing rates which the Group expect would be available as at the balance sheet date.

Loans due after one year are estimated to be repayable as follows:

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Years after year-end:				
After one but within two years	**2,036,433**	1,191,134	**1,000,000**	550,000
After two but within five years	**4,038,732**	4,048,673	**2,379,017**	1,798,203
After five years	**1,531,429**	1,264,587	**1,150,000**	1,150,000
	7,606,594	6,504,394	**4,529,017**	3,498,203

23. Deferred taxation

	Group 2020 $'000	Group 2019 $'000
Deferred tax liabilities	443,547	399,028
Deferred tax assets	(159,427)	(76,454)
Net deferred tax liabilities	284,120	322,574

Net deferred tax liabilities are determined by offsetting deferred tax assets against deferred tax liabilities of the same entities. Deferred tax assets are recognised for unutilised tax benefits carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has unrecognised deferred tax liabilities of $61,237,000 (2019: $76,713,000) for taxes that would be payable on the undistributed earnings of certain subsidiaries and associated companies as these earnings would not be distributed in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences.

The Group has unutilised tax losses and capital allowances of $890,221,000 (2019: $927,729,000) for which no deferred tax benefit is recognised in the balance sheet. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. Tax losses amounting to $212,649,000 (2019: $208,632,000) can be carried forward for a period of one to ten years subsequent to the year of the loss, while the remaining tax losses have no expiry date.

Included in the deferred tax assets are deferred tax credits recognised in FY 2020 amounting to approximately $74 million arising from expected credit losses on contract assets in relation to completed rigs from certain offshore & marine construction contracts (Note 2.28(b)(ii)). The Group has been actively seeking to deploy, including charter or sale of these completed rigs which in turn provide greater certainty of the crystallisation of the expected credit losses. Such cumulative expected credit losses are claimable as tax losses, when realised, and utilised against any taxable profits of the claimant or may be transferred to other Singapore incorporated related companies of the Group via group tax relief. The Group expects that there are sufficient taxable profits within the Group to utilise such tax losses within the next 2 to 3 years.

Movements in deferred tax liabilities and assets are as follows:

	At 1 January $'000	Charged/ (credited) to profit or loss $'000	Charged/ (credited) to other comprehensive income $'000	Subsidiaries disposed $'000	Subsidiaries acquired $'000	Reclassification $'000	Exchange differences $'000	At 31 December $'000
Group								
2020								
Deferred Tax Liabilities								
Accelerated tax depreciation	295,789	9,906	-	-	-	(4,197)	(67)	301,431
Investment properties valuation	75,175	38,354	-	-	-	(148)	3,316	116,697
Offshore income & others	79,430	2,377	73	-	-	-	893	82,773
Total	450,394	50,637	73	-	-	(4,345)	4,142	500,901
Deferred Tax Assets								
Other provisions	(18,043)	(94,206)	(212)	-	-	-	(642)	(113,103)
Unutilised tax benefits	(88,146)	8,972	-	-	-	(4,701)	(338)	(84,213)
Lease liabilities	(21,631)	(51)	-	-	-	-	2,217	(19,465)
Total	(127,820)	(85,285)	(212)	-	-	(4,701)	1,237	(216,781)
Net Deferred Tax Liabilities	322,574	(34,648)	(139)	-	-	(9,046)	5,379	284,120

	At 1 January $'000	Charged/ (credited) to profit or loss $'000	Charged/ (credited) to other comprehensive income $'000	Subsidiaries disposed $'000	Subsidiaries acquired $'000	Reclassification $'000	Exchange differences $'000	Adoption of SFRS(I) 16 $'000	At 31 December $'000
2019									
Deferred Tax Liabilities									
Accelerated tax depreciation	116,707	(20,122)	-	(2,307)	203,666	23	(108)	(2,070)	295,789
Investment properties valuation	49,843	26,857	-	-	-	-	(1,525)	-	75,175
Offshore income & others	80,163	(81)	(23)	-	-	(294)	(335)	-	79,430
Total	246,713	6,654	(23)	(2,307)	203,666	(271)	(1,968)	(2,070)	450,394
Deferred Tax Assets									
Other provisions	(34,740)	16,726	4	-	-	78	(111)	-	(18,043)
Unutilised tax benefits	(97,316)	5,667	-	-	-	1,196	2,307	-	(88,146)
Lease liabilities	-	(2,567)	-	580	-	(1,454)	860	(19,050)	(21,631)
Total	(132,056)	19,826	4	580	-	(180)	3,056	(19,050)	(127,820)
Net Deferred Tax Liabilities	114,657	26,480	(19)	(1,727)	203,666	(451)	1,088	(21,120)	322,574

24. Revenue

	Group 2020 $'000	Group 2019 $'000
Revenue from contracts with customers		
Revenue from construction contracts	**1,705,056**	2,418,931
Sale of property	**1,176,590**	1,207,359
Sale of goods	**396,346**	373,728
Sale of electricity, utilities and gases	**1,912,901**	2,172,045
Revenue from telecommunication services	**714,894**	620,475
Revenue from other services rendered	**575,234**	661,233
	6,481,021	7,453,771
Other sources of revenue		
Rental income from investment properties	**93,321**	122,500
Others	**-**	3,432
	6,574,342	7,579,703

Sales are made with credit terms that are consistent with market practice.

25. Staff costs

	Group 2020 $'000	Group 2019 $'000
Wages and salaries	**893,717**	924,839
Employer's contribution to Central Provident Fund	**77,722**	86,486
Share plans granted to Director and employees	**39,882**	37,255
Other staff benefits	**108,807**	114,651
	1,120,128	1,163,231

26. Operating profit

Operating profit is arrived at after charging/(crediting) the following:

	Group	
	2020 $'000	2019 $'000
Included in materials and subcontract costs:		
Fair value (gain)/loss on		
- investments	-	(4,462)
- forward foreign exchange contracts	(3,430)	13,675
Cost of stocks & contract assets recognised as expense	1,051,028	1,094,686
Direct operating expenses		
- investment properties that generated rental income	36,473	42,258
Included in staff costs:		
Key management's emoluments		
(including executive directors' remuneration)		
- short-term employee benefits	9,728	11,471
- post-employment benefits	92	105
- share plans granted	10,203	9,943
Included in impairment loss on financial assets and contract assets:		
Allowance for expected credit loss (Note 12 & 17)	219,668	31,036
Bad debts written-off	572	43,331
Allowance for expected credit loss for contract assets (Note 15)	430,842	-
Included in other operating income - net:		
Government grant income	(155,284)	(3,034)
Impairment/write-off of fixed and intangible assets	62,075	8,432
Impairment of associated companies (Note 10)	48,686	35,915
Provision for stocks	50,502	7,571
Fair value gain on investment properties * (Note 7)	(265,230)	(101,020)
Fair value (gain)/loss on		
- investments	61,023	15,328
- forward foreign exchange contracts	(11,578)	2,028
Gain on differences in foreign exchange	(29,806)	(39,632)
(Profit)/Loss on sale of fixed assets and an investment property	1,667	(6,277)
Profit on sale of investments	-	(164)
Gain on disposal of subsidiaries	(63,995)	(64,469)
(Gain)/Loss on disposal of associated companies	(34,419)	22
Gain from sale of units in associated companies	(48,010)	-
(Gain)/Loss from change in interest in associated companies	1,615	(27,114)
Fair value gain on remeasurement of previously held interest upon acquisition of a subsidiary	-	(158,376)
Fair value gain on remeasurement of remaining interest in an associated company	(26,034)	-
Gain from reclassification of associated companies to investments carried at fair value through other comprehensive income	(124,769)	-
Fees and other remuneration to Directors of the Company	2,323	2,537
Contracts for services rendered by Directors or with a company in which a Director has a substantial financial interest	3,753	2,332
Auditors' remuneration		
- auditors of the Company	3,545	3,343
- other auditors of subsidiaries	2,099	1,833
Non-audit fees paid to		
- auditors of the Company	1,730	611
- other auditors of subsidiaries	178	150

Government grant income of $105,327,000 (2019: $nil) was recognised during the financial year under the Jobs Support Scheme ("JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

* The effect of rental guarantee of $3,200,000 to be provided to Keppel REIT, an associated company, as part of the sale consideration for Keppel Bay Tower Pte. Ltd was included in the fair value gain on Keppel Bay Tower. Details of the divestment transaction are disclosed in Note 36.

27. Investment income, interest income and interest expenses

	Group 2020 $'000	Group 2019 $'000
Investment income from:		
Shares - quoted	20,763	42
Shares - unquoted	8,583	64,552
	29,346	64,594
Interest income from:		
Bonds, debentures, deposits and others	81,112	101,548
Associated companies and joint ventures	66,745	63,664
Service concession arrangement	14,196	12,463
	162,053	177,675
Interest expenses on notes, loans and overdrafts	(260,126)	(277,143)
Interest expenses on lease liabilities	(31,964)	(35,732)
Fair value gain on interest rate caps and swaps	(176)	159
	(292,266)	(312,716)

28. Taxation

(a) Income tax expense

	Group 2020 $'000	Group 2019 $'000
Tax expense comprised:		
Current tax	181,889	175,880
Adjustment for prior year's tax	(14,168)	(88,696)
Others	14,779	5,934
	182,500	93,118
Deferred tax (Note 23)		
Current deferred tax	(57,355)	26,480
Adjustment for prior year's tax	22,707	-
	(34,648)	26,480
Land appreciation tax:		
Current year	105,555	72,731
	253,407	192,329

The income tax expense on the results of the Group differ from the amount of income tax expense determined by applying the Singapore standard rate of income tax to profit before tax due to the following:

	Group 2020 $'000	Group 2019 $'000
Profit/(Loss) before tax	(254,687)	953,467
Share of (profit)/loss of associated companies and joint ventures, net of tax	162,221	(147,413)
Profit/(Loss) before tax and share of profit of associated companies and joint ventures	(92,466)	806,054
Tax calculated at tax rate of 17% (2019: 17%)	(15,719)	137,029
Income not subject to tax	(102,858)	(89,266)
Expenses not deductible for tax purposes	216,061	125,067
Unrecognised tax benefits	37,444	32,169
Effect of different tax rates in other countries	30,774	21,478
Adjustment for prior year's tax	8,539	(88,696)
Effects of changes in tax rates	-	-
Land appreciation tax	105,555	72,731
Effect of tax reduction on land appreciation tax	(26,389)	(18,183)
	253,407	192,329

28. Taxation (continued)

(b) Movement in current income tax liabilities

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
At 1 January	**248,425**	297,922	**31,523**	43,519
Exchange differences	**3,528**	(6,506)	**-**	-
Tax expense	**181,889**	175,880	**5,744**	15,800
Adjustment for prior year's tax	**(14,168)**	(88,696)	**(13,900)**	(27,796)
Land appreciation tax	**105,555**	72,731	**-**	-
Net income taxes paid	**(177,284)**	(263,856)	**5,788**	-
Subsidiaries acquired	**-**	47,832	**-**	-
Subsidiaries disposed	**-**	(164)	**-**	-
Reclassification				
- tax recoverable and others	**19,803**	12,831	**-**	-
- deferred tax	**(4,701)**	451	**-**	-
- liabilities directly associated with assets classified as held for sale	**(4,245)**	-	**-**	-
At 31 December	**358,802**	248,425	**29,155**	31,523

29. Earnings per ordinary share

	Group			
	2020 $'000		2019 $'000	
	Basic	**Diluted**	Basic	Diluted
Net profit/(loss) attributable to shareholders	**(505,860)**	**(505,860)**	706,975	706,975
	Number of Shares '000		Number of Shares '000	
Weighted average number of ordinary shares (excluding treasury shares)	**1,818,398**	**1,818,398**	1,815,701	1,815,701
Adjustment for dilutive potential ordinary shares	**-**	**9,267**	-	9,668
Weighted average number of ordinary shares used to compute earnings per share (excluding treasury shares)	**1,818,398**	**1,827,665**	1,815,701	1,825,369
Earnings per ordinary share	**(27.8) cts**	**(27.7) cts**	38.9 cts	38.7 cts

30. Dividends

A final cash dividend of 7.0 cents per share tax exempt one-tier (2019: final cash dividend of 12.0 cents per share tax exempt one-tier) in respect of the financial year ended 31 December 2020 has been proposed for approval by shareholders at the next annual general meeting to be convened.

Together with the interim cash dividend of 3.0 cents per share tax exempt one-tier (2019: interim cash dividend of 8.0 cents per share tax exempt one-tier), total distributions paid and proposed in respect of the financial year ended 31 December 2020 will be 10.0 cents per share (2019: 20.0 cents per share).

During the financial year, the following distributions were made:

	$'000
A final cash dividend of 12.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the previous financial year	218,462
An interim cash dividend of 3.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the current financial year	54,616
	273,078

In the prior year, total distributions of $417,938,000 were made.

31. Commitments

(a) Capital commitments

	Group 2020 $'000	Group 2019 $'000
Capital expenditure/commitments not provided for in the financial statements:		
In respect of contracts placed:		
- for purchase and construction of investment properties	**179,635**	130,682
- for purchase of other fixed assets	**6,426**	6,777
- for purchase/subscription of shares mainly in property development companies	**165,437**	329,685
- for commitments to private funds	**1,235,373**	357,634
Amounts approved by Directors in addition to contracts placed:		
- for purchase and construction of investment properties	**931,732**	155,213
- for purchase of other fixed assets	**265,833**	246,436
- for purchase/subscription of shares mainly in property development companies	**58,450**	175,658
	2,842,886	1,402,085
Less: Non-controlling shareholders' share	**(36,962)**	(33,225)
	2,805,924	1,368,860

There was no significant future capital expenditure/commitment for the Company.

(b) Lessee's lease commitments

The Group has adopted SFRS(I) 16 *Leases* on 1 January 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised on balance sheet. The right-of-use assets and lease liabilities are disclosed in Note 8.

32. Contingent liabilities and guarantees (unsecured)

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Guarantees in respect of banks and other loans granted to subsidiaries, associated companies and joint ventures	**730,002**	615,611	**823,419**	1,685,269
Bank guarantees	**299,082**	73,319	**-**	-
Share of lease rental guarantees granted by associated companies and joint ventures	**172,518**	-	**-**	-
	1,201,602	688,930	**823,419**	1,685,269

See Note 2.28(b)(vi) for further disclosures relating to the Group's claims and litigations.

Included in the above guarantees is a bilateral agreement between the Group and a bank which guaranteed a bank loan granted to KrisEnergy Limited, an associated company, amounting to $247,340,000 (2019: $262,825,000). The guarantee is secured on the assets of KrisEnergy Limited. See further details in Note 10(c).

The financial effects of SFRS(I) 9 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

33. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group has significant related party transactions as follows:

	Group	
	2020 $'000	2019 $'000
Sales of goods and/or services to		
- associated companies and joint ventures	**187,708**	246,684
- other related parties	**77,721**	73,164
	265,429	319,848
Purchase of goods and/or services from		
- associated companies and joint ventures	**255,347**	145,853
- other related parties	**130,038**	126,981
	385,385	272,834
Treasury transactions with		
- associated companies and joint ventures	**22,368**	36,378

34. Financial risk management

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer of the Company and includes Chief Financial Officers of the Group's key operating companies and Head Office specialists.

Market Risk

(i) Currency risk

The Group has receivables and payables denominated in foreign currencies via US Dollars, Renminbi and other currencies. The Group's foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the functional currencies of the respective Group entities. To hedge against the volatility of future cash flows caused by changes in foreign currency rates, the Group utilises forward foreign currency contracts, cross currency swap agreements and other foreign currency hedging instruments to hedge the Group's exposure to specific currency risks relating to investments, receivables, payables and other commitments. Group Treasury Department monitors the current and projected foreign currency cash flow of the Group and aims to reduce the exposure of the net position in each currency by borrowing in foreign currency and other currency contracts where appropriate.

As at the end of the financial year, the Group has outstanding forward foreign exchange contracts with notional amounts totalling $4,704,600,000 (2019: $4,333,439,000). The net positive fair value of forward foreign exchange contracts is $39,872,000 (2019: net positive fair value of $3,796,000) comprising assets of $76,769,000 (2019: $30,022,000) and liabilities of $36,897,000 (2019: $26,226,000). These amounts are recognised as derivative assets and derivative liabilities. As at the end of the financial year, the Company has outstanding forward foreign exchange contracts with notional amounts totalling $4,704,600,000 (2019: $4,205,443,000). The net positive fair value of forward foreign exchange contracts is $39,872,000 (2019: net positive fair value of $4,839,000) comprising assets of $76,769,000 (2019: $30,022,000) and liabilities of $36,897,000 (2019: $25,183,000). These amounts are recognised as derivative assets and derivative liabilities.

As at the end of the financial year, the Group has outstanding cross currency swap agreements with notional amounts totalling $930,757,000 (2019: $361,644,000). The net negative fair value of cross currency swap agreements is $32,952,000 (2019: net negative fair value of $13,002,000) comprising assets of $15,870,000 (2019: $7,918,000) and liabilities of $48,822,000 (2019: $20,920,000). These amounts are recognised as derivative assets and derivative liabilities.

Other than the above hedged foreign currency contracts, the unhedged currency exposure of financial assets and financial liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	2020				2019			
	USD $'000	**RMB $'000**	**BRL $'000**	**Others $'000**	USD $'000	RMB $'000	BRL $'000	Others $'000
Group								
Financial Assets								
Debtors	**40,209**	**759**	**312,242**	**137,781**	535,178	1,629	318,767	119,434
Investments	**410,654**	**-**	**-**	**197,823**	439,487	-	-	149,314
Bank balances, deposits & cash	**89,452**	**613**	**37**	**18,949**	47,303	41,209	53	38,380
	540,315	**1,372**	**312,279**	**354,553**	1,021,968	42,838	318,820	307,128
Financial Liabilities								
Creditors	**40,885**	**1,105**	**19,538**	**11,381**	136,595	1,052	18,542	12,362
Term loans	**1,787,903**	**-**	**-**	**148,939**	997,104	9,683	-	180,882
Lease Liabilities	**-**	**157**	**-**	**-**	-	215	-	726
	1,828,788	**1,262**	**19,538**	**160,320**	1,133,699	10,950	18,542	193,970

	2020			2019		
	USD $'000	**RMB $'000**	**Others $'000**	USD $'000	RMB $'000	Others $'000
Company						
Financial Assets						
Debtors	**1,274**	**71**	**-**	579	54	-
Investments	**-**	**-**	**-**	-	-	-
Bank balances, deposits & cash	**-**	**163**	**6**	612	219	1
	1,274	**234**	**6**	1,191	273	1
Financial Liabilities						
Creditors	**4,454**	**163**	**75**	4,333	207	10
Term loans	**1,784,895**	**-**	**97,662**	965,903	9,683	89,370
Lease Liabilities	**-**	**157**	**-**	-	215	-
	1,789,349	**320**	**97,737**	970,236	10,105	89,380

Sensitivity analysis for currency risk

If the relevant foreign currency change against SGD by 5% (2019: 5%) with all other variables held constant, the effects will be as follows:

	Profit before tax		Equity	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Group				
USD against SGD				
- Strengthened	**(72,729)**	(13,259)	**8,161**	7,631
- Weakened	**72,729**	13,259	**(8,161)**	(7,631)
RMB against SGD				
- Strengthened	**6**	1,594	**-**	-
- Weakened	**(6)**	(1,594)	**-**	-
BRL against SGD				
- Strengthened	**12,149**	12,462	**-**	-
- Weakened	**(12,149)**	(12,462)	**-**	-
Company				
USD against SGD				
- Strengthened	**(89,604)**	(48,801)	**-**	-
- Weakened	**89,604**	48,801	**-**	-
RMB against SGD				
- Strengthened	**(4)**	(474)	**-**	-
- Weakened	**4**	474	**-**	-

34. Financial risk management (continued)

(ii) Interest rate risk

The Group is exposed to interest rate risk for changes in interest rates primarily for debt obligations, placements in the money market and investments in bonds. The Group policy is to maintain a mix of fixed and variable rate debt instruments with varying maturities. Where necessary, the Group uses derivative financial instruments to hedge interest rate risks.

The Group enters into interest rate swap agreements to hedge the interest rate risk exposure arising from its Singapore dollar and US dollar variable rate term loans (Note 22). As at the end of the financial year, the Group has interest rate swap agreements with notional amount totalling $3,750,209,000 (2019: $2,489,733,000) whereby it receives variable rates equal to SOR and LIBOR (2019: SOR and LIBOR) and pays fixed rates of between 0.19% and 3.62% (2019: 1.41% and 3.62%) on the notional amount. These interest rate swap agreements are held for hedging interest rate risk arising from variable rate borrowings, with interest rates ranging from 1-month to 6-month SOR and 1-month to 6-month USD-LIBOR. This amounts to 25% (2019: 22%) of the Group's total amount of borrowings excluding notional amounts of $667,720,000 (2019: $nil) relating to highly probable future borrowings.

The net negative fair value of interest rate swaps for the Group is $175,861,000 (2019: net negative fair value of $108,661,000) comprising assets of $583,000 (2019: $444,000) and liabilities of $176,444,000 (2019: $109,105,000). These amounts are recognised as derivative assets and derivative liabilities.

Sensitivity analysis for interest rate risk

If interest rates increase/decrease by 0.5% (2019: 0.5%) with all other variables held constant, the Group's profit before tax would have been lower/higher by $22,950,000 (2019: $24,025,000) as a result of higher/lower interest expense on floating rate loans.

(iii) Price risk

The Group hedges against fluctuations arising on the purchase of natural gas that affect cost. Exposure to price fluctuations is managed via fuel oil forward contracts, whereby the price of natural gas is indexed to benchmark fuel price indices, HSFO 180-CST and Dated Brent. As at the end of the financial year, the Group has outstanding HSFO and Dated Brent forward contracts with notional amounts totalling $476,200,000 (2019: $690,044,000) and $37,602,000 (2019: $63,885,000) respectively. The net positive fair value of HSFO forward contracts for the Group is $53,373,000 (2019: net negative fair value of $96,885,000) comprising assets of $70,890,000 (2019: $7,592,000) and liabilities of $17,517,000 (2019: $104,477,000). These amounts are recognised as derivative assets and derivative liabilities. The net positive fair value of Dated Brent forward contracts for the Group of $5,071,000 (2019: net negative fair value of $2,361,000) comprising assets of $7,253,000 (2019: $2,305,000) and liabilities of $2,182,000 (2019: $4,666,000). These amounts are recognised as derivative assets and derivative liabilities.

The Group hedges against fluctuations in electricity prices via its daily sales of electricity. Exposure to price fluctuations is managed via electricity futures contracts. As at the end of the financial year, the Group has outstanding electricity futures contracts with notional amounts totalling $43,492,000 (2019: $142,980,000). The net negative fair value of electricity futures contracts is $187,000 (2019: net positive fair value of $5,447,000) comprising assets of $1,763,000 (2019: $7,560,000) and liabilities of $1,950,000 (2019: $2,113,000). These amounts are recognised as derivative assets and derivative liabilities.

The Group is exposed to equity securities price risk arising from equity investments classified as investments at fair value through profit or loss and investments at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis for price risk

If prices for HSFO and Dated Brent increase/decrease by 5% (2019: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been higher/lower by $26,479,000 (2019: $29,658,000) and $2,118,000 (2019: $3,075,000) respectively as a result of fair value changes on cash flow hedges.

If prices for electricity futures contracts increase/decrease by 5% (2019: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been lower/higher by $2,154,000 (2019: $6,877,000) as a result of fair value changes on cash flow hedges.

If prices for quoted investments increase/decrease by 5% (2019: 5%) with all other variables held constant, the Group's profit before tax would have been higher/lower by $7,226,000 (2019: $7,835,000) as a result of higher/lower fair value gains on investments at fair value through profit or loss, and the Group's fair value reserve in other comprehensive income would have been higher/lower by $27,021,000 (2019: $2,008,000) as a result of higher/lower fair value gains on investments at fair value through other comprehensive income.

The various sensitivity rates used in the sensitivity analysis for currency, interest rate and price risks represent rates generally used internally by management when assessing the various risks.

Credit Risk
Credit risk refers to the risk that debtors will default on their obligation to repay the amount owing to the Group. A substantial portion of the Group's revenue is on credit terms. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered. The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers.

The Group assesses on a forward-looking basis the ECLs associated with its financial assets which are mainly debtors, amounts due from associated companies and joint ventures and bank balances, deposits and cash.

ECLs are probability-weighted estimates 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 the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI 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. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

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 undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group uses a provision matrix to measure the ECLs. In measuring the ECLs, assets are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

The Group's credit risk exposure in relation to debtors under SFRS(I) 9 as at 31 December 2020 that have not been assessed on a contract-by-contract basis are set out in the provision matrix as follows:

		Trade receivables				
	Contract assets $'000	**Current $'000**	**1 to 3 months $'000**	**3 to 6 months $'000**	**> 6 months $'000**	**Total $'000**
Energy & Environment						
Expected loss rate	-	2.3%	10.0%	21.6%	30.5%	
Gross carrying amount	-	85,649	20,470	1,583	5,893	113,595
Loss allowance	-	1,932	2,052	342	1,798	6,124
Connectivity						
Expected loss rate	1.4%	0.4%	2.7%	19.7%	29.3%	
Gross carrying amount	177,642	123,005	42,643	14,665	24,851	382,806
Loss allowance	2,402	543	1,165	2,894	7,281	14,285

For the remaining subsidiaries which transact with low volume of customers and customers are monitored individually for credit loss assessment, the receivables (including concession service receivable and contract assets) are assessed individually for lifetime expected credit losses at each reporting date. In calculating the expected credit loss, the Group uses a probability-weighted amount that is determined by evaluating a range of possible outcomes. The possible outcomes include an unbiased estimate of the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss.

Individual customer will be evaluated periodically for its credit risk and the credit risk assessment is based on historical, current and forward-looking information such as:

- Historical financial and default rate of the customer
- Any publicly available information on the customer
- Any macroeconomic or geopolitical information relevant to the customer
- Any other objectively supportable information on the quality and abilities of the customer's management relevant for its performance

34. Financial risk management (continued)

Urban Development
For investment properties, the Group manages credit risks arising from tenants defaulting on their rental by requiring the tenants to furnish cash deposits, and/or banker's guarantees. The Group also has a policy of regular review of debt collection and rental contracts are entered into with customers with an appropriate credit history.

In measuring the ECL, trade debtors and contract assets are grouped based on shared credit risk characteristics and days past due. The Group has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

In calculating the ECL rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors and contract assets are written off when there is no reasonable expectation of recovery.

Debtors and amounts due from associated companies and joint ventures that are neither past due nor impaired are substantially companies with good collection track record with the Group or have strong financial capacity.

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations and hence does not expect significant credit losses.

Asset Management
The Group minimises credit risk by dealing with companies with good payment track record and by placing cash balances with financial institutions.

In respect of credit exposure to the associated companies and joint ventures, the Group minimises credit risk through regular monitoring of the associated companies and joint ventures' financial standing.

As at 31 December 2020 and 2019, there are no significant financial assets that are past due and/or impaired.

Liquidity Risk
Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, internally generated cash flows, and the availability of funding resources through an adequate amount of committed credit facilities. Group Treasury Department also maintains a mix of short-term money market borrowings and medium/long term loans to fund working capital requirements and capital expenditures/investments. Due to the dynamic nature of business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

Information relating to the maturity profile of loans is given in Note 22. The following table details the liquidity analysis for derivative financial instruments and borrowings of the Group and the Company based on contractual undiscounted cash inflows/(outflows).

	Within one year $'000	Within one to two years $'000	Within two to five years $'000	After five years $'000
Group				
2020				
Gross-settled forward foreign exchange contracts				
- Receipts	2,609,428	2,029,812	122,527	-
- Payments	(2,604,977)	(1,990,822)	(116,080)	-
Net-settled HSFO forward contracts				
- Receipts	61,533	9,035	322	-
- Payments	(13,667)	(3,840)	(10)	-
Net-settled Dated Brent forward contracts				
- Receipts	7,253	-	-	-
- Payments	(2,182)	-	-	-
Net-settled electricity futures contracts				
- Receipts	1,685	78	-	-
- Payments	(1,851)	(99)	-	-
Borrowings	(4,664,730)	(2,218,566)	(4,351,381)	(1,924,124)

	Within one year $'000	Within one to two years $'000	Within two to five years $'000	After five years $'000
Group				
2019				
Gross-settled forward foreign exchange contracts				
- Receipts	3,113,245	773,921	478,026	-
- Payments	(3,107,938)	(766,231)	(468,296)	-
Net-settled HSFO forward contracts				
- Receipts	5,583	1,808	200	-
- Payments	(91,720)	(11,095)	(1,661)	-
Net-settled Dated Brent forward contracts				
- Receipts	2,305	-	-	-
- Payments	(3,581)	(1,085)	-	-
Net-settled electricity futures contracts				
- Receipts	6,701	859	-	-
- Payments	(1,639)	(474)	-	-
Borrowings	(4,775,144)	(1,403,358)	(4,359,758)	(1,597,868)
Company				
2020				
Gross-settled forward foreign exchange contracts				
- Receipts	**2,609,428**	**2,029,812**	**122,527**	**-**
- Payments	**(2,604,977)**	**(1,990,822)**	**(116,080)**	**-**
Borrowings	**(3,538,694)**	**(1,106,646)**	**(2,586,867)**	**(1,412,822)**
2019				
Gross-settled forward foreign exchange contracts				
- Receipts	2,986,032	773,921	478,026	-
- Payments	(2,979,943)	(766,231)	(468,296)	-
Borrowings	(3,525,789)	(656,062)	(1,986,035)	(1,455,148)

In addition to the above, creditors (Note 20) of the Group and the Company have a maturity profile of within one year from the balance sheet date.

Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Group's current strategy remains unchanged from the previous financial year. The Group and the Company are in compliance with externally imposed capital undertakings for the financial year ended 31 December 2020. Externally imposed capital undertakings are mainly debt covenants included in certain loans of the Group and the Company requiring the Group or certain subsidiaries of the Company to maintain net gearing to total equity not exceeding ratios ranging from 2.00 to 3.00 times.

Management monitors capital risk based on the Group's net gearing. Net gearing is calculated as net debt divided by total equity. Net debt is calculated as total term loans (Note 22) and total lease liabilities (Note 8) less bank balances, deposits & cash (Note 19).

	Group	
	2020 $'000	2019 $'000
Net debt	**10,123,385**	9,873,556
Total equity	**11,155,904**	11,646,031
Net gearing ratio	**0.91x**	0.85x

Fair Value of Financial Instruments and Investment Properties

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined by reference to the net tangible assets of the investments.

34. Financial risk management (continued)

The following table presents the assets and liabilities measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2020				
Financial assets				
Derivative financial instruments	-	173,270	-	173,270
Call option	-	-	156,643	156,643
Investments				
- Investments at fair value through other comprehensive income	504,611	-	317,680	822,291
- Investments at fair value through profit or loss	66,014	102,749	238,438	407,201
Short term investments				
- Investments at fair value through other comprehensive income	35,802	-	-	35,802
- Investments at fair value through profit or loss	78,492	20,340	-	98,832
	684,919	296,359	712,761	1,694,039
Financial liabilities				
Derivative financial instruments	-	283,805	-	283,805
Non-financial assets				
Investment Properties				
- Commercial and residential, completed	-	-	1,166,637	1,166,637
- Commercial, under construction	-	-	2,507,438	2,507,438
- Assets classified as held for sale	-	650,062	-	650,062
	-	650,062	3,674,075	4,324,137
Group				
2019				
Financial assets				
Derivative financial instruments	-	55,841	-	55,841
Call option	-	-	157,518	157,518
Investments				
- Investments at fair value through other comprehensive income	12,336	-	202,623	214,959
- Investments at fair value through profit or loss	82,399	54,975	296,736	434,110
Short term investments				
- Investments at fair value through other comprehensive income	27,821	-	-	27,821
- Investments at fair value through profit or loss	74,300	19,460	-	93,760
	196,856	130,276	656,877	984,009
Financial liabilities				
Derivative financial instruments	-	246,587	-	246,587
Non-financial assets				
Investment Properties				
- Commercial and residential, completed	-	-	1,667,822	1,667,822
- Commercial, under construction	-	-	1,354,269	1,354,269
	-	-	3,022,091	3,022,091
Company				
2020				
Financial assets				
Derivative financial instruments	-	77,494	-	77,494
Investments				
- Investments at fair value through other comprehensive income	-	-	22,196	22,196
	-	77,494	22,196	99,690
Financial liabilities				
Derivative financial instruments	-	158,950	-	158,950
2019				
Financial assets				
Derivative financial instruments	-	30,462	-	30,462
Investments				
- Investments at fair value through other comprehensive income	-	-	19,230	19,230
	-	30,462	19,230	49,692
Financial liabilities				
Derivative financial instruments	-	78,766	-	78,766

There have been no significant transfers between Level 1, Level 2 and Level 3 for the Group and Company in 2020 and 2019.

The following table presents the reconciliation of financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Group		Company	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
At 1 January	**656,877**	520,356	**19,230**	16,957
Subsidiaries acquired	**-**	23,884	**-**	-
Purchases	**73,091**	225,294	**-**	-
Sales	**(19,224)**	(39,171)	**-**	-
Fair value gain/(loss) recognised in other comprehensive income	**60,350**	(73,059)	**2,966**	2,273
Fair value gain/(loss) recognised in profit or loss	**(36,852)**	18,197	**-**	-
Reclassification				
- Associates/Joint Ventures	**(44,750)**	-	**-**	-
- Others	**(559)**	(865)	**-**	-
Exchange differences	**(978)**	366	**-**	-
Distribution	**(1,965)**	(10,366)	**-**	-
Return on capital	**(3,429)**	(7,759)	**-**	-
Capitalisation of interest on advances extended to an investee	**30,200**	-	**-**	-
At 31 December	**712,761**	656,877	**22,196**	19,230

The following table presents the reconciliation of investment properties measured at fair value based on significant unobservable inputs (Level 3).

	Group	
	2020 $'000	2019 $'000
At 1 January	**3,022,091**	2,857,145
Development expenditure	**266,219**	304,803
Fair value gain	**268,430**	101,020
Disposal	**-**	(834)
Reclassification		
- Assets held for sale	**(650,062)**	-
- Stocks & WIP	**714,733**	-
- Fixed assets	**-**	(217,121)
Exchange differences	**52,664**	(22,922)
At 31 December	**3,674,075**	3,022,091

The fair value of financial instruments categorised under Level 1 of the fair value hierarchy is based on published market bid prices at the balance sheet date.

The fair value of financial instruments categorised under Level 2 of the fair value hierarchy are fair valued under valuation techniques with market observable inputs. These include forward pricing and swap models utilising present value calculations using inputs such as observable foreign exchange rates (forward and spot rates), interest rate curves and forward rate curves and discount rates that reflects the credit risks of various counterparties.

34. Financial risk management (continued)

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments and investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2020 $'000	Valuation Techniques	Unobservable Inputs	Range of unobservable Inputs
Investments	556,118	Net asset value, discounted cash flow and binomial option pricing, market comparative	Net asset value *	Not applicable
			Discount rate	8.00%
			Growth rate	6.24%
			Cost of equity	15.85%
			Adjusted market multiple	1.4x
Call option	156,643	Direct comparison method and investment method	Transacted price of comparable properties (psf)	$1,600 to $3,721
			Capitalisation rate	3.50%
Investment Properties				
- Commercial and residential, completed	1,166,637	Investment method, discounted cash flow method and/or direct comparison method;	Discount rate	7.25% to 12.50%
			Capitalisation rate	4.25% to 10.50%
			Net initial yield	6.20%
		Residual method;	Transacted price of comparable properties (psm)	$4,914 to $6,615
		Capitalisation method	Transacted price of comparable properties (psf)	$2,835 to $3,046
			Terminal capitalisation rate	9.00%
- Commercial, under construction	2,507,438	Direct comparison method, discounted cash flow method, and/or residual value method	Transacted price of comparable land plots (psm)	$7,930 to $18,770
			Gross development value ($'million)	$527 to $2,042
			Discount rate	12.50% to 18.00%

* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investment properties stated at fair value.

Description	Fair value as at 31 December 2019 $'000	Valuation Techniques	Unobservable Inputs	Range of unobservable Inputs
Investments	499,359	Net asset value, discounted cash flow, and/or market comparative	Net asset value *	Not applicable
			Discount rate	11%
			Adjusted market multiple	1.4x
			Terminal growth rate	2.5%
Call option	157,518	Direct comparison method and investment method	Transacted price of comparable properties (psf)	$2,200 to $2,865
			Capitalisation rate	3.50%
Investment Properties				
- Commercial and residential, completed	1,667,822	Investment method, discounted cash flow method and/or direct comparison method;	Discount rate	5.60% to 12.76%
			Capitalisation rate	3.75% to 9.00%
			Net initial yield	3.93% to 5.85%
		Residual method	Price of comparable land plots (psm)	$5,032 to $6,773
			Transacted price of comparable properties (psf)	$1,616 to $3,502
- Commercial, under construction	1,354,269	Direct comparison method, discounted cash flow method, and/or residual value method	Price of comparable land plots (psm)	$8,121 to $19,219
			Gross development value ($'million)	$510 to $1,897

* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investment properties stated at fair value.

The financial instruments and investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in significant change to the fair value of the respective asset/liability.

The Group's finance team assessed the fair value of investments at fair value through other comprehensive income on a quarterly basis.

Valuation process of investment properties is described in Note 7.

35. Segment analysis

The Group is organised into business units based on their products and services. On 28 May 2020, the Group unveiled its Vision 2030 to drive its strategy as one integrated business providing solutions for sustainable urbanisation. As part of Vision 2030, the Group reorganised its businesses under five main segments, namely Energy & Environment, Urban Development, Connectivity, Asset Management, and Corporate & Others. The objective of the reorganisation was for the Group to streamline and focus its business units on the key business areas. The revised segment reporting will now comprise five main segments with six reportable operating segments as follows:

(i) Energy & Environment
The Energy & Environment segment is focused on business areas relating to the safe and efficient harvesting of energy sources, serving the offshore & marine industry with an array of vessel solutions and services, renewables, and providing cities with power, as well as solutions for waste and water & wastewater treatment. The segment comprises two reportable operating segments, being Offshore & Marine and Infrastructure & Others.

Offshore & Marine - Principal activities include offshore production facilities and drilling rig design, construction, fabrication and repair, ship conversions and repair, and specialised shipbuilding. The operating segment has operations in Brazil, China, Singapore, the United States and other countries.

Infrastructure & Others - Principal activities include power generation, renewables, environmental engineering and infrastructure operation and maintenance. The operating segment has operations in China, Singapore, Switzerland, the United Kingdom, and other countries.

(ii) Urban Development
Principal activities include property development and investment, as well as master development. The segment has operations in China, India, Indonesia, Singapore, Vietnam and other countries.

(iii) Connectivity
Principal activities include the provision of telecommunications services, retail sales of telecommunications equipment and accessories, development and operation of data centres and provision of logistics solutions. The segment has operations in China, Singapore and other countries. Keppel Logistics ("KLOG") contributed about 2% and 4% of the Group's total revenue and net loss respectively for the financial year ended 31 December 2020. KLOG accounted for about 1% of the Group's total assets and total liabilities as at 31 December 2020.

(iv) Asset Management
Principal activities include management of private funds and listed real estate investment and business trusts. The segment operates mainly in Singapore.

(v) Corporate & Others
The Corporate & Others segment consists mainly of treasury operations, research & development, investment holdings and provision of management and other support services.

Management monitors the results of each of the above main segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss. Information regarding the Group's reportable operating segments is presented in the following table, with the segment information for the prior year ended 31 December 2019 restated to reflect the change in composition of the reportable segments.

	Energy & Environment								
	Offshore & Marine $'000	Infrastructure & Others $'000	Subtotal $'000	Urban Development $'000	Connectivity $'000	Asset Management $'000	Corporate & Others $'000	Elimination $'000	Total $'000
2020									
Revenue									
External sales	1,573,455	2,369,889	3,943,344	1,275,473	1,220,011	134,784	730	-	6,574,342
Inter-segment sales	526	10,335	10,861	9,407	5,280	295	76,422	(102,265)	-
Total	1,573,981	2,380,224	3,954,205	1,284,880	1,225,291	135,079	77,152	(102,265)	6,574,342
Segment Results									
Operating profit	(909,633)	87,263	(822,370)	605,488	46,010	273,601	(93,891)	(437)	8,401
Investment income	3,449	-	3,449	1,035	175	23,273	1,414	-	29,346
Interest income	60,429	61,414	121,843	39,518	1,972	6,001	393,668	(400,949)	162,053
Interest expenses	(196,885)	(9,859)	(206,744)	(56,055)	(33,224)	(39,700)	(357,929)	401,386	(292,266)
Share of results of associated companies and joint ventures	(330,421)	(16,594)	(347,015)	129,917	13,689	40,476	712	-	(162,221)
Profit before tax	(1,373,061)	122,224	(1,250,837)	719,903	28,622	303,651	(56,026)	-	(254,687)
Taxation	93,667	(28,262)	65,405	(278,745)	(13,917)	(26,169)	19	-	(253,407)
Profit for the year	(1,279,394)	93,962	(1,185,432)	441,158	14,705	277,482	(56,007)	-	(508,094)
Attributable to:									
Shareholders of Company	(1,274,847)	94,178	(1,180,669)	437,796	13,244	279,525	(55,756)	-	(505,860)
Non-controlling interests	(4,547)	(216)	(4,763)	3,362	1,461	(2,043)	(251)	-	(2,234)
	(1,279,394)	93,962	(1,185,432)	441,158	14,705	277,482	(56,007)	-	(508,094)
External revenue from contracts with customers									
- At a point in time	112,699	10,644	123,343	1,032,449	380,812	12,388	100	-	1,549,092
- Over time	1,460,756	2,359,245	3,820,001	159,962	829,570	122,396	-	-	4,931,929
	1,573,455	2,369,889	3,943,344	1,192,411	1,210,382	134,784	100	-	6,481,021
Other sources of revenue	-	-	-	83,062	9,629	-	630	-	93,321
Total	1,573,455	2,369,889	3,943,344	1,275,473	1,220,011	134,784	730	-	6,574,342
Other Information									
Segment assets	8,777,983	2,484,217	11,262,200	14,516,978	4,020,059	3,974,802	11,359,061	(13,027,221)	32,105,879
Segment liabilities	9,436,503	1,960,318	11,396,821	7,956,375	2,819,371	1,868,694	9,935,935	(13,027,221)	20,949,975
Net assets	(658,520)	523,899	(134,621)	6,560,603	1,200,688	2,106,108	1,423,126	-	11,155,904
Investment in associated companies and joint ventures	360,838	205,170	566,008	2,300,945	203,330	2,920,330	-	-	5,990,613
Additions to non-current assets	61,835	91,090	152,925	537,537	156,757	384,483	1,397	-	1,233,099
Depreciation and amortisation	119,566	31,312	150,878	39,461	213,461	2,655	7,051	-	413,506
Impairment loss/(write-back of impairment loss) on non-financial assets	521,411	42,225	563,636	9,184	27,853	(8,487)	(81)	-	592,105
Allowance for expected credit loss and bad debt written-off	186,818	1,385	188,203	22,902	9,153	-	(18)	-	220,240

Geographical information

	Singapore $'000	China/ Hong Kong $'000	Brazil $'000	Other Far East & ASEAN countries $'000	Other countries $'000	Elimination $'000	Total $'000
External sales	4,563,849	1,161,182	47,252	258,109	543,950	-	6,574,342
Non-current assets	8,400,031	3,660,816	240,893	1,878,137	392,094	-	14,571,971

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2020.

Information about a major customer

No single external customer accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2020.

Note: Pricing of inter-segment goods and services is at fair market value.

35. Segment analysis (continued)

	Energy & Environment								
	Offshore & Marine $'000	Infrastructure & Others $'000	Subtotal $'000	Urban Development $'000	Connectivity $'000	Asset Management $'000	Corporate & Others $'000	Elimination $'000	Total $'000
2019									
Revenue									
External sales	2,219,397	2,749,175	4,968,572	1,336,236	1,128,158	144,922	1,815	-	7,579,703
Inter-segment sales	321	13,436	13,757	11,187	1,840	13	93,693	(120,490)	-
Total	2,219,718	2,762,611	4,982,329	1,347,423	1,129,998	144,935	95,508	(120,490)	7,579,703
Segment Results									
Operating profit	76,848	38,585	115,433	507,174	210,342	120,034	(76,602)	120	876,501
Investment income	4,988	-	4,988	215	1,410	47,920	10,061	-	64,594
Interest income	74,444	64,911	139,355	48,697	1,982	955	352,570	(365,884)	177,675
Interest expenses	(195,664)	(11,230)	(206,894)	(62,430)	(47,058)	(39,467)	(322,631)	365,764	(312,716)
Share of results of associated companies and joint ventures	(56,823)	(116,894)	(173,717)	181,963	29,452	109,715	-	-	147,413
Profit before tax	(96,207)	(24,628)	(120,835)	675,619	196,128	239,157	(36,602)	-	953,467
Taxation	32,515	(13,848)	18,667	(175,406)	(22,592)	(25,527)	12,529	-	(192,329)
Profit for the year	(63,692)	(38,476)	(102,168)	500,213	173,536	213,630	(24,073)	-	761,138
Attributable to:									
Shareholders of Company	(63,190)	(38,304)	(101,494)	483,235	135,693	214,373	(24,832)	-	706,975
Non-controlling interests	(502)	(172)	(674)	16,978	37,843	(743)	759	-	54,163
	(63,692)	(38,476)	(102,168)	500,213	173,536	213,630	(24,073)	-	761,138
External revenue from contracts with customers									
- At a point in time	96,643	12,383	109,026	999,497	340,149	32,915	1,312	-	1,482,899
- Over time	2,122,754	2,736,792	4,859,546	223,302	779,348	108,676	-	-	5,970,872
	2,219,397	2,749,175	4,968,572	1,222,799	1,119,497	141,591	1,312	-	7,453,771
Other sources of revenue	-	-	-	113,437	8,661	3,331	503	-	125,932
Total	2,219,397	2,749,175	4,968,572	1,336,236	1,128,158	144,922	1,815	-	7,579,703
Other Information									
Segment assets	9,491,154	2,189,734	11,680,888	13,819,442	4,246,087	3,591,131	9,102,783	(11,118,771)	31,321,560
Segment liabilities	8,787,599	1,798,314	10,585,913	6,408,601	2,909,821	1,826,692	9,063,273	(11,118,771)	19,675,529
Net assets	703,555	391,420	1,094,975	7,410,841	1,336,266	1,764,439	39,510	-	11,646,031
Investment in associated companies and joint ventures	645,946	215,377	861,323	2,176,732	170,507	3,140,738	1,545	-	6,350,845
Additions to non-current assets	95,440	13,640	109,080	622,622	105,691	357,098	10,101	-	1,204,592
Depreciation and amortisation	121,126	31,222	152,348	38,275	174,900	2,761	7,010	-	375,294
Impairment loss/(write-back of impairment loss) of non-financial assets	6,827	37,769	44,596	4,908	3,729	(1,315)	-	-	51,918
Allowance for expected credit loss and bad debt written-off	9,115	15,602	24,717	385	5,652	547	43,066	-	74,367

Geographical information

	Singapore $'000	China/ Hong Kong $'000	Brazil $'000	Other Far East & ASEAN countries $'000	Other countries $'000	Elimination $'000	Total $'000
External sales	5,704,097	1,005,803	83,769	429,351	356,683	-	7,579,703
Non-current assets	8,741,671	3,111,521	286,862	1,891,462	686,175	-	14,717,691

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2019.

Information about a major customer

No single external customer accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2019.

Note: Pricing of inter-segment goods and services is at fair market value.

36. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

(i) Chengdu Hilltop Development Co Ltd ("CHD")
On 10 November 2020, the Company announced that its indirect wholly-owned subsidiary, Hillwest Pte Ltd, is divesting 100% of the equity interest in CHD to Chengdu Longfor Development Co Ltd, with the divestment occurring in two tranches. The first tranche divestment comprising 50% equity interest in CHD has been completed as at 31 December 2020. The transfer of the remaining 50% interest was completed on 4 February 2021 (Note 38).

(ii) Dong Nai Waterfront City LLC ("DNWC")
On 1 December 2020, the Company announced that its indirect wholly-owned subsidiary, Portsville Pte. Ltd., is divesting its remaining 30% interest in DNWC to Nam Long Investment Corporation. The divestment is expected to be completed in the first half of 2021, conditional upon certain conditions precedent being fulfilled, including but not limited to, the issuance of a new Enterprise Registration Certificate by the relevant Vietnamese authorities.

(iii) Keppel Bay Tower Pte. Ltd. ("KBTPL")
On 23 December 2020, Agathese Pte. Ltd. and Keppel Land (Singapore) Pte. Ltd., both indirect wholly-owned subsidiaries of the Company, entered into a sale and purchase agreement with RBC Investor Services Trust Singapore Limited (acting in its capacity as trustee of Keppel Real Estate Investment Trust ("Keppel REIT")), to divest 100% of the issued and paid-up share capital of KBTPL to Keppel REIT.

The transaction is subject to and conditional upon, among others, the approval of the Unitholders of Keppel REIT at an extraordinary general meeting, and approvals from the relevant authorities. Upon approval, the transaction is expected to be completed in the second quarter of 2021.

(iv) First King Properties Limited ("First King")
On 24 December 2020, the Company announced that its indirect wholly-owned subsidiary, West Gem Properties Limited, is divesting its 100% equity interest in First King to ZGC King William Holdings Limited. The divestment was completed on 29 January 2021 (Note 38).

In accordance to SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of KBTPL and First King have been presented separately as "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale", and the investments in CHD and DNWC that are accounted for as associated companies have been presented as "assets classified as held for sale" in the consolidated balance sheet as at 31 December 2020. Details of the assets classified as held for sale and liabilities directly associated with assets classified as held for sale are as follows:

	As at 31 December 2020 $'000
Assets classified as held for sale	
Fixed assets	54,160
Investment properties	650,062
Right-of-use assets	154,281
Associated companies	125,882
Debtors	7,999
Bank balances, deposits & cash	16,308
	1,008,692
Liabilities directly associated with assets classified as held for sale	
Creditors	7,987
Term loans	91,967
Taxation	4,245
Deferred tax liabilities	4,345
Other non-current liabilities	6,676
	115,220

The assets and liabilities classified as held for sale are included in Urban Development for the purpose of segmental reporting.

37. New accounting standards and interpretations

At the date of authorisation of these financial statements, the following new/revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s that are relevant to the Group and the Company were issued but not effective:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16: *Interest Rate Benchmark Reform - Phase 2* (effective for annual periods beginning on or after 1 January 2021)

  Hedge relationships
  As described in Note 2.2, the Group adopted the 'Phase 1' amendments on 1 January 2020 which provided temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform.

  The 'Phase 2' amendments, which will become effective for the Group for the annual period beginning on 1 January 2021, address issues arising during interest rate benchmark reform, including specifying when the 'Phase 1' amendments will cease to apply, when hedge designations and documentation should be updated, and when hedges of the alternative benchmark rate as the hedged risk are permitted.

  Financial instruments and lease liabilities
  For financial instruments measured using amortised cost measurement, the 'Phase 2' amendments provide a practical expedient which require changes to the basis for determining the contractual cash flows required by interest rate benchmark reform to be reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. This practical expedient exists for lease liabilities as well. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

- Amendments to SFRS(I) 1-16 *Property, Plant and Equipment - Proceeds before Intended Use* (effective for annual periods beginning on or after 1 January 2022)

  The amendment to SFRS(I) 1-16 *Property, Plant and Equipment (PP&E)* prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

  Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

- Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract* (effective for annual periods beginning on or after 1 January 2022)

  An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

- Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current* (effective for annual periods beginning on or after 1 January 2023)

  The narrow-scope amendments to SFRS(I) 1-1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The management anticipates that the adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

38. Subsequent events

(i) On 28 January 2021, the Group announced that, amidst the global energy transition and major disruptions facing the oil industry, it will carry out a comprehensive transformation of its wholly-owned subsidiary, Keppel Offshore & Marine Ltd ("KOM"), to better align it to the Group's Vision 2030 and to create a more competitive KOM that is well-placed to support the energy transition. As part of the transformation, KOM's business will be reorganised into three parts, being a Rig Co and a Development Co ("Dev Co"), which will be transient entities created to hold assets including its approximately $2.9 billion worth of completed and uncompleted rig assets, and an Operating Co ("Op Co") comprising the rest of KOM. This reorganisation into distinct parts provides better clarity for the Group to focus on the requisite resources to deliver on the respective plans.

KOM's completed rigs will be placed under the Rig Co, which will put the completed rigs to work, or sell them if there are suitable opportunities. Uncompleted rigs will come under the Dev Co, which will focus on completing the rigs, while prudently managing cashflow. Op Co will progressively transit to a developer and integrator role, focusing on design, engineering and procurement, exit the offshore rigbuilding business and progressively exit low value adding repairs including other activities with low bottom line contribution. Op Co will seek opportunities in floating infrastructure and infrastructure-like projects that can deliver predictable streams of cashflow, including renewables projects such as offshore wind farms and solar farms, gas solutions, production assets and new energy solutions such as hydrogen and tidal energy.

The reorganisation has commenced and the transformation is expected to be executed over the next two to three years. Reflecting its new focus, KOM will carry out a rebranding exercise and refine its vision and purpose.

(ii) On 29 January 2021, the Group completed the divestment of its 100% equity interest in First King Properties Limited ("First King") at a consideration of GBP73.6 million (approximately S$131.1 million). The consideration was arrived on a willing-buyer and willing-seller basis. The assets and liabilities of First King have been presented separately as "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale" on the balance sheet as at 31 December 2020 (Note 36).

(iii) On 1 February 2021, Myanmar declared a one year State of Emergency. The situation in Myanmar and international reactions (including economic sanctions, if any) remain fluid. The impact on the economy, foreign investments and the Group's investments in Myanmar remain unclear at the date of this financial report. The Group will continue to assess the impact of the State of Emergency on the Group's investments in Myanmar.

As at 31 December 2020, the Group has a hospitality asset and an investment in a joint venture whose primary business is in property investment with a carrying value of $107 million and $22 million respectively in Myanmar. These two investments accounted for about 0.4% and 1.2% of the Group's total assets and net assets respectively.

(iv) On 4 February 2021, the Group completed the divestment of its remaining 50% interest in Chengdu Hilltop Development Co Ltd ("CHD") for a consideration of RMB630 million (approximately S$130.1 million). The consideration was arrived on a willing-buyer and willing-seller basis. The Group's share of net book value of CHD has been presented separately as "assets classified as held for sale" on the balance sheet as at 31 December 2020 (Note 36).

39. Significant subsidiaries, associated companies and joint ventures

Information relating to significant subsidiaries consolidated in these financial statements and significant associated companies and joint ventures whose results are equity accounted for is given in the following pages.