



**Surbana Jurong Private Limited
and its Subsidiaries**

Registration Number: 201428879H

**Annual Report
Year ended 31 December 2020**

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2020.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS104 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Chaly Mah Chee Kheong (Appointed on 1 January 2021)
Eric Ang Teik Lim
Desmond Choo Pey Ching
Fong Heng Boo
Gan Chee Yen
Guy Daniel Harvey-Samuel
Ku Moon Lun
Neo Gim Huay
Tan Gee Paw
Tan Kong Yam
Yaacob bin Ibrahim
Wong Heang Fine

Liew Mun Leong, Tan See Leng and Philip Anthony Jeyaretnam resigned as a director on 10 September 2020, 27 July 2020 and 31 December 2020, respectively.

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Eric Ang Teik Lim		
Singapore Telecommunications Ltd		
- ordinary shares		
- interest held	2,420	2,420
- deemed interests	62,900	52,710
Singapore Airlines Ltd		
- ordinary shares		
- deemed interests	2,000	7,000
Singapore Airlines		
- bond		
- deemed interests	250,000	250,000
Mapletree Commercial Trust		
- units		
- deemed interests	183,000	115,000
Mapletree Logistics Trust		
- units		
- deemed interests	56,715	—
Mapletree Commercial Trust Treasury		
- bond		
- deemed interests	250,000	250,000
Mapletree Treasury Services		
- bond		
- deemed interests	250,000	250,000
Capitaland Integrated Commercial Trust		
- units		
- interest held	—	56,160
- deemed interests	—	634,120
Temasek Financial (IV) Private Limited		
- bond		
- interest held	—	6,000
- deemed interests	—	6,000

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Fong Heng Boo		
SIA Engineering Company Ltd		
- ordinary shares		
- interest held	5,000	5,000
Singapore Airlines Ltd		
- ordinary shares		
- interest held	—	30,078
Singapore Technologies Engineering Ltd		
- ordinary shares		
- interest held	10,000	10,000
Singapore Telecommunications Ltd		
- ordinary shares		
- interest held	9,690	9,690
- deemed interests	190	190
- special discount shares		
- interest held	1,610	1,610
- deemed interests	1,360	1,360
CapitaLand China Trust (formerly known as Capitaland Retail China Trust)		
- units		
- interest held	79,842	97,104
Mapletree Industrial Trust		
- units		
- interest held	4,000	4,000
Astrea IV Pte Ltd		
- bond		
- interest held	5,000	5,000
Gan Chee Yen		
Ascendas India Trust		
- units		
- interest held	50,000	50,000
Capitaland Limited		
- ordinary shares		
- interest held	103,297	107,777
Capitaland Integrated Commercial Trust		
- units		
- interest held	380,000	380,000

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Gan Chee Yen (cont'd)		
Eugenics Ltd		
- ordinary shares		
- interest held	30,000	–
Mapletree Commercial Trust		
- units		
- interest held	411,083	411,083
Mapletree Industrial Trust		
- units		
- interest held	324,000	324,000
Mapletree Logistics Trust		
- units		
- interest held	472,500	472,500
Singapore Technologies Engineering Ltd		
- ordinary shares		
- interest held	336,396	336,396
Singapore Telecommunications Ltd		
- ordinary shares		
- interest held	1,490	1,490
- deemed interests	1,360	1,360
Starhub Ltd		
- ordinary shares		
- interest held	15,730	15,730
Guy Daniel Harvey-Samuel		
Mapletree Logistics Trust		
- units		
- interest held	19,500	19,500
Ku Moon Lun		
Temasek Financial (I) Ltd		
- bond		
- interest held	250,000	250,000
Olam International Ltd		
- bond		
- interest held	–	1,000,000

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Ku Moon Lun (cont'd)		
Singapore Airlines Ltd		
- bond		
- interest held	250,000	500,000
Capitaland Limited		
- ordinary shares		
- interest held	12,692	12,692
Capitaland Mall Asia Treasury		
- bond		
- interest held	250,000	250,000
Ascott Residence Trust		
- units		
- interest held	90,294	90,294
Neo Gim Huay		
Astrea IV Pte Ltd		
- bond		
- interest held	5,000	5,000
Temasek Financial (IV) Private Limited		
- bond		
- interest held	6,000	6,000
Desmond Choo Pey Ching		
Singapore Telecommunications Ltd		
- ordinary shares		
- interest held	30,890	28,890
Singapore Airlines Ltd		
- ordinary shares		
- interest held	2,940	7,940
Capitaland Limited		
- ordinary shares		
- interest held	3,000	3,000
CapitaLand China Trust (formerly known as Capitaland Retail China Trust)		
- units		
- interest held	14,000	14,000
Capitaland Integrated Commercial Trust		
- units		
- interest held	20,000	20,000

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Desmond Choo Pey Ching (cont'd)		
Temasek Financial (IV) Pte Ltd		
- bond		
- interest held	6,000	6,000
Tan Kong Yam		
CapitaLand China Trust (formerly known as Capitaland Retail China Trust)		
- units		
- interest held	39,425	55,565
Wong Heang Fine		
Singapore Telecommunications Ltd		
- ordinary shares		
- interest held	1,360	1,360
Ascott Residence Trust		
- units		
- interest held	64,000	64,000
Capitaland Limited		
- ordinary shares		
- interest held	527,721	527,721
- deemed interests	–	5,000
Capitaland Commercial Trust		
- units		
- interest held	80,000	–
Capitaland Integrated Commercial Trust		
- units		
- interest held	–	67,680
CapitaLand China Trust (formerly known as Capitaland Retail China Trust)		
- units		
- interest held	43,000	43,000

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

- (a) no options granted by the Company and its subsidiaries to any person to take up unissued shares in the Company and its subsidiaries; and
- (b) no shares issued by virtue of any exercise of option to take up unissued shares of the Company and its subsidiaries.

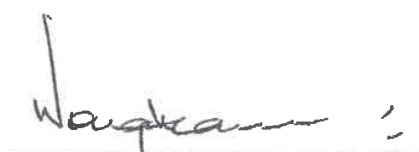
As at the end of the financial year, there were no unissued shares of the Company and its subsidiaries under option.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Chaly Mah Chee Kheong
Director

Wong Heang Fine
Director

16 April 2021



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Independent auditors' report

Member of the Company
Surbana Jurong Private Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Surbana Jurong Private Limited ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS104.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Impairment assessment of goodwill (\$350.6 million) (Refer to Note 5 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The assessment of the recoverability of goodwill requires significant judgement in determining the forecast future performance of the cash generating unit (CGU) to which goodwill is allocated. Management's impairment assessment involves significant estimation, principally relating to the key assumptions for revenue growth rates, terminal growth rates and discount rates. With the COVID-19 pandemic and the resulting health, social and economic uncertainties, the business environment in the next few years may still stay challenging. The subjectivity of the principal assumptions required a significant amount of judgement.	We assessed the appropriateness of management's determination of CGUs. Our work focused on detailed analysis of the Group's value-in-use (VIU) calculations and we challenged the assumptions used by the Group in conducting the impairment review. Our procedures for challenging management's key assumptions, in light of the COVID-19 pandemic, included: ▪ developing independent expectations for the key assumptions driving the cash flow projections, in particular discount rates, and comparing our independent expectations to those used by the Group; ▪ challenging key assumptions for revenue growth rates and terminal growth rates with reference to economic and industry forecasts; ▪ assessing the historical accuracy of the Group's estimates in the previous period; and ▪ performing sensitivity analysis around the key assumptions including revenue growth rates and discount rates to assess the extent of the change that would be required for the assets to be impaired. We also assessed whether the Group's disclosures about the CGU's key assumptions used and sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.
<i>Our findings</i>	
We found that the assumptions and resulting estimates were appropriate. The CGU's key assumptions were appropriately disclosed.	



Expected credit loss on trade receivables and contract assets (\$59.0 million) (Refer to Notes 11 and 19 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The Group applies expected credit loss ("ECL") model for impairment allowances of trade receivables and contract assets under SFRS(I) 9 <i>Financial Instruments</i>. Trade receivables and contract assets are significant to the Group's consolidated financial statements both in amount and nature, and estimation of expected credit loss entails a significant degree of judgement of the inability of the customers to make the required payments.	We assessed the appropriateness of the ECL model by reviewing the assumptions used in the model and tested the completeness and accuracy of data inputs in the model. We evaluated whether all supportable information, which includes historical, current and forecast information were considered. We also tested the mathematical accuracy of the ECL allowance calculations as at 31 December 2020, including examination, on a sample basis, of evidence related to the post year end cash receipts.
<i>Our findings</i>	
We found the key judgements and assumptions used by management in the expected credit loss model and the calculated expected credit loss to be supportable based on the available evidence.	



Revenue recognition (\$1,708.6 million) (Refer to Note 20 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
The Group's revenue from design, architectural and engineering consultancy services is recognised in profit or loss using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total cost for the contract. Project delays have been noted from the current COVID-19 pandemic conditions. Hence, the prolongation costs have been accounted for based on the extension of time needed to complete the affected projects. Significant judgement is applied in assessing the total costs to be incurred and the effect on revenue to be recognised for the current financial year for each of the projects.	We tested the controls over the Group's processes for budgeting contract costs and for determining the dollar amount of revenue attributable to the percentage of work done to be recognised in profit or loss. For selected significant new contracts undertaken during the current financial year, we assessed the appropriateness of the identification, separation and valuation of contract elements and the timing of revenue recognition by management. We challenged and assessed the qualification of performance obligations in those selected contracts. We made inquiries with management to understand changes made to the long-term contracts in response to the impact of the COVID-19 pandemic, in particular the prolongation costs to be incurred to complete the projects with delays based on the estimated extension of time. We focused on those contracts with low and negative margins. For contracts with negative margins, we recomputed management's estimation of expected losses and assessed whether such losses have been accounted for. For the projects with less or no adverse impact from the COVID-19 pandemic, we assessed the reliability of management's estimation of contract costs by comparing the final outcome of projects completed during the year to previous estimates made on those projects. We also assessed the adequacy and accuracy of the Group's revenue recognition disclosures as presented in the consolidated financial statements.
<i>Our findings</i>	
We found the Group's estimates of its budgeted contract costs and the revenue recognised attributable to the percentage of work done from design, architectural and engineering consultancy services recognised in profit or loss to be appropriate.	



Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained Directors' statement prior to the date of the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The Engagement Partner on the audit resulting in this independent auditors' report is Quek Shu Ping.

A handwritten signature in dark ink, appearing to read 'Quek Shu Ping', written over the printed name and title.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
16 April 2021

Statements of financial position
As at 31 December 2020

		Group		Company	
	Note	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000
Assets					
Property, plant and equipment	4	60,378	68,699	723	1,085
Right-of-use assets	28	120,031	124,884	9	15
Intangible assets and goodwill	5	498,196	490,661	8,650	7,112
Subsidiaries	6	–	–	819,217	817,631
Associates and joint venture	7	32,329	33,960	–	–
Other investments	8	288,801	307,681	–	–
Deferred tax assets	9	59,034	51,635	799	898
Derivative financial asset	17	3,063	1,030	–	–
Trade and other receivables	11	1	35	260,000	300,000
Non-current assets		1,061,833	1,078,585	1,089,398	1,126,741
Other investments	8	–	–	–	–
Derivative financial asset	17	–	79	–	–
Inventories	10	1,579	1,408	–	–
Contract assets	12	343,503	347,228	–	–
Trade and other receivables	11	510,421	411,940	167,277	101,506
Cash and cash equivalents	13	612,596	362,080	16,915	24,282
Current assets		1,468,099	1,122,735	184,192	125,788
Total assets		2,529,932	2,201,320	1,273,590	1,252,529
Equity					
Share capital	14	894,813	934,813	894,813	934,813
Reserves	14	21,066	(55,674)	(80,499)	(85,363)
Equity attributable to owner of the Company		915,879	879,139	814,314	849,450
Non-controlling interests	6	28,289	20,065	–	–
Total equity		944,168	899,204	814,314	849,450
Liabilities					
Loans and borrowings	15	666,264	663,530	382,610	382,404
Trade and other payables	16	17,451	21,309	–	–
Derivative financial liabilities	17	14,693	10,142	1,546	64
Provisions	18	3,777	2,433	–	–
Deferred tax liabilities	9	43,136	37,256	99	418
Non-current liabilities		745,321	734,670	384,255	382,886
Loans and borrowings	15	145,664	43,394	50,006	6
Trade and other payables	16	506,803	331,319	25,015	20,187
Contract liabilities	12	125,894	136,235	–	–
Derivative financial liabilities	17	1,037	197	–	–
Provisions	18	39,499	39,269	–	–
Current tax liabilities		21,546	17,032	–	–
Current liabilities		840,443	567,446	75,021	20,193
Total liabilities		1,585,764	1,302,116	459,276	403,079
Total equity and liabilities		2,529,932	2,201,320	1,273,590	1,252,529

The accompanying notes form an integral part of these financial statements.

Consolidated statement of profit or loss
Year ended 31 December 2020

		Group	
	Note	2020	2019
		\$'000	\$'000
Revenue	20	1,708,583	1,677,338
Cost of sales		(1,306,934)	(1,250,268)
Gross profit		401,649	427,070
Other income	21	87,170	17,578
Administrative expenses		(368,075)	(352,104)
Other expenses	22	(39,031)	(12,811)
Results from operating activities		81,713	79,733
Finance income		39,987	20,789
Finance costs		(34,943)	(33,552)
Net finance income/(costs)	23	5,044	(12,763)
Share of profit of associates (net of tax)	7	289	305
Share of loss of joint ventures (net of tax)	7	(2,864)	(20)
Profit before tax		84,182	67,255
Tax expense	24	(19,656)	(29,435)
Profit for the year	25	64,526	37,820
Profit attributable to:			
Owner of the Company		61,667	36,117
Non-controlling interests		2,859	1,703
Profit for the year		64,526	37,820

The accompanying notes form an integral part of these financial statements.

Consolidated statement of comprehensive income
Year ended 31 December 2020

	Group	
	2020	2019
	\$'000	\$'000
Profit for the year	64,526	37,820
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income ("FVOCI") – net change in fair value	(513)	(9,400)
	<u>(513)</u>	<u>(9,400)</u>
Items that are or may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges	(4,622)	(4,079)
Net change in fair value of cash flow hedges reclassified to profit or loss	–	674
Net gain on hedge of net investment in foreign operation	–	684
Foreign currency translation differences relating to translation of the financial statements of foreign operations	18,837	(14,892)
Share of capital reserve – joint venture	3	–
Share of foreign currency translation differences - joint venture	651	(418)
Share of foreign currency translation differences - associate	27	(36)
	<u>14,896</u>	<u>(18,067)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>14,383</u>	<u>(27,467)</u>
Total comprehensive income for the year	<u>78,909</u>	<u>10,353</u>
Total comprehensive income attributable to:		
Owner of the Company	76,740	7,777
Non-controlling interests	2,169	2,576
Total comprehensive income for the year	<u>78,909</u>	<u>10,353</u>

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity
Year ended 31 December 2020

Group	Share capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Statutory reserve \$'000	Retained earnings/ (Accumulated losses) \$'000	Total attributable to Company \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2019	634,813	(11,762)	(2,473)	(3,496)	572	(41,177)	576,477	17,802	594,279
Adjustment on initial application of SFRS(I) 16 (net of tax)	–	–	–	–	–	(4,885)	(4,885)	(245)	(5,130)
Adjustment on initial application of SFRS(I) INT 23	–	–	–	–	–	(230)	(230)	–	(230)
Adjusted balance at 1 January 2019	634,813	(11,762)	(2,473)	(3,496)	572	(46,292)	571,362	17,557	588,919
Total comprehensive income/(loss) for the year									
Profit for the year	–	–	–	–	–	36,117	36,117	1,703	37,820
Other comprehensive (loss)/income									
Equity investments at FVOCI – net change in fair value	–	–	–	(9,400)	–	–	(9,400)	–	(9,400)
Effective portion of changes in fair value of cash flow hedges	–	–	(4,079)	–	–	–	(4,079)	–	(4,079)
Net change in fair value of cash flow hedges reclassified to profit or loss	–	–	674	–	–	–	674	–	674
Net gain on hedge of net investment in foreign operation	–	684	–	–	–	–	684	–	684
Foreign currency translation differences	–	(15,765)	–	–	–	–	(15,765)	873	(14,892)
Share of foreign currency translation differences – joint venture	–	(418)	–	–	–	–	(418)	–	(418)
Share of foreign currency translation differences – associate	–	(36)	–	–	–	–	(36)	–	(36)
Total other comprehensive (loss)/income	–	(15,535)	(3,405)	(9,400)	–	–	(28,340)	873	(27,467)
Total comprehensive income/(loss) for the year	–	(15,535)	(3,405)	(9,400)	–	36,117	7,777	2,576	10,353
Transactions with owner of the Company, recognised directly in equity									
Contributions by and distributions to owner									
Issue of redeemable convertible preference shares	300,000	–	–	–	–	–	300,000	–	300,000
Dividends declared by a subsidiary company to non-controlling interests	–	–	–	–	–	–	–	(424)	(424)
Total transactions with owner of the Company	300,000	–	–	–	–	–	300,000	(424)	299,576
Changes in ownership interests in subsidiaries									
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	–	356	356
Total transactions with owner of the Company	–	–	–	–	–	–	–	356	356
At 31 December 2019	934,813	(27,297)	(5,878)	(12,896)	572	(10,175)	879,139	20,065	899,204

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity (cont'd)
Year ended 31 December 2020

Group	Share capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Fair value reserve \$'000	Statutory reserve \$'000	Retained earnings/ (Accumulated losses) \$'000	Total attributable to owners of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
At 1 January 2020	934,813	(27,297)	(5,878)	(12,896)	572	(10,175)	879,139	20,065	899,204
Total comprehensive income/(loss) for the year									
Profit for the year	–	–	–	–	–	61,667	61,667	2,859	64,526
Other comprehensive income/(loss)									
Equity investments at FVOCI – net change in fair value	–	–	–	(513)	–	–	(513)	–	(513)
Effective portion of changes in fair value of cash flow hedges	–	–	(4,622)	–	–	–	(4,622)	–	(4,622)
Foreign currency translation differences	–	19,527	–	–	–	–	19,527	(690)	18,837
Share of statutory reserve – joint venture	–	–	–	–	3	–	3	–	3
Share of foreign currency translation differences – joint venture	–	651	–	–	–	–	651	–	651
Share of foreign currency translation differences – associate	–	27	–	–	–	–	27	–	27
Total other comprehensive income/(loss)	–	20,205	(4,622)	(513)	3	–	15,073	(690)	14,383
Total comprehensive income/(loss) for the year	–	20,205	(4,622)	(513)	3	61,667	76,740	2,169	78,909
Transactions with owner of the Company, recognised directly in equity									
Contributions by and distributions to owner									
Capital reduction	(40,000)	–	–	–	–	–	(40,000)	–	(40,000)
Dividends declared by a subsidiary company to non-controlling interests	–	–	–	–	–	–	–	(906)	(906)
Total transactions with owner of the Company	(40,000)	–	–	–	–	–	(40,000)	(906)	(40,906)
Changes in ownership interests in subsidiaries									
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	–	6,920	6,920
Disposal of controlling interest in subsidiary	–	–	–	–	–	–	–	41	41
Total transactions with owner of the Company	–	–	–	–	–	–	–	6,961	6,961
At 31 December 2020	894,813	(7,092)	(10,500)	(13,409)	575	51,492	915,879	28,289	944,168

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows
Year ended 31 December 2020

	Note	Group 2020 \$'000	2019 \$'000
Cash flows from operating activities			
Profit for the year		64,526	37,820
Adjustments for:			
Depreciation of property, plant and equipment	4	16,098	16,451
Depreciation of right-of-use assets	28	36,839	35,038
Amortisation of intangible assets	5	12,166	16,862
Gain on disposal of property, plant and equipment	21	(48)	(212)
Loss/(gain) on derivative financial instruments	25	2,632	(391)
Loss on disposal of subsidiary	27	184	–
Impairment loss on goodwill	5	30,468	–
Impairment loss on joint venture	7	6,280	1,800
Impairment loss on associate	7	405	–
Recognition of impairment loss on trade receivables	25	19,542	5,178
Allowance/ (reversal) of expected loss on contract assets	25	18	(925)
Allowance/ (reversal) of provision for onerous contracts	18	2,589	(838)
Share of profit of associate, net of income tax	7	(289)	(305)
Share of loss of joint venture, net of income tax	7	2,864	20
Dividend income	21	(946)	(363)
Finance income		(39,987)	(20,789)
Finance costs		34,943	33,552
Tax expense		19,656	29,435
		207,940	152,333
Changes in:			
Inventories		(171)	(271)
Contract assets		7,691	(40,863)
Trade and other receivables		(107,945)	9,215
Trade and other payables		149,201	42,740
Contract liabilities		(10,356)	20,974
Derivative financial instruments		(1,449)	(401)
Cash generated from operations		244,911	183,727
Tax paid		(11,206)	(22,354)
Net cash from operating activities		233,705	161,373

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows (cont'd)
Year ended 31 December 2020

		Group	
	Note	2020	2019
		\$'000	\$'000
Cash flows from investing activities			
Interest received		13,286	11,668
Acquisition of subsidiaries, net of cash acquired upon acquisition of subsidiaries	26	(16,757)	(25,767)
Disposal of subsidiary, net of cash disposed	27	(202)	–
Payment for acquisition of joint ventures	7	(6,922)	(13,077)
Acquisition of debt investment at fair value through profit or loss		–	(300,000)
Acquisition of equity investments at fair value through other comprehensive income		(219)	(294)
Purchase of property, plant and equipment	4	(7,568)	(22,388)
Purchase of intangible assets	5	(5,078)	(5,669)
Proceeds from redemption of debt investment		40,807	–
Proceeds from disposal of property, plant and equipment		3,409	3,436
Proceeds from disposal of intangible asset		3	47
Dividends received		946	363
Dividends from associates		454	610
Dividends from a joint venture		–	714
Net cash from/ (used in) investing activities		22,159	(350,357)
Cash flows from financing activities			
Payments to repurchase shares from non-controlling interests		–	(2,171)
Proceeds from issuance of redeemable convertible preference shares	14	–	300,000
Redemption of redeemable convertible preference shares	14	(40,000)	–
Repayment of loans and borrowings	15	–	(71,225)
Proceeds from loans and borrowings	15	100,000	69,949
Payment of lease liabilities	15	(34,825)	(30,850)
Interest paid		(27,997)	(32,828)
Dividends paid to non-controlling interests		(906)	(424)
Changes in pledged deposits		106	–
Net cash (used in)/ from financing activities		(3,622)	232,451
Net increase in cash and cash equivalents		252,242	43,467
Cash and cash equivalents at 1 January		355,435	312,735
Effect of exchange rate fluctuations on cash held		1,039	(767)
Cash and cash equivalents at 31 December	(i)	608,716	355,435

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows (cont'd)
Year ended 31 December 2020

(i) Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	Group	
	2020	2019
	\$'000	\$'000
Cash and cash equivalents in the consolidated statement of financial position	612,596	362,080
Less: bank overdraft	(3,880)	(6,539)
Less: pledged deposits/restricted cash	—	(106)
Cash and cash equivalents in the consolidated statement of cash flows	<u>608,716</u>	<u>355,435</u>

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 16 April 2021.

1 Domicile and activities

Surbana Jurong Private Limited (the “Company”) is a company incorporated in Singapore. The address of the Company’s registered office is 168 Jalan Bukit Merah, #01-01, Connection One, Singapore 150168.

The ultimate holding company and the immediate holding company during the financial year are Temasek Holdings (Private) Limited and Glenville Investments Pte Ltd, respectively. Both holding companies are incorporated in Singapore.

The financial statements of the Group as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associates and joint ventures.

The principal activities of the Company are those relating to provision of management services and investment holding. The principal activities of the subsidiaries are those relating to provision of feasibility studies, urban planning, architectural and engineering consultancy services, contract administration services, property consultancy services, land survey, project management, site supervision services, blast consultancy services, environmental design consultancy services, facility management services, quality, environmental, health and safety (“QEHS”) services, integrated estate management services, management advisory services, armed and unarmed guard services, training and consultancy and provision of security services and products.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except where otherwise described in Note 3.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company’s functional currency. The Company has subsidiaries, associates and joint ventures in foreign countries, whose functional currencies included but not limited to Australian dollar, Indian Rupee, Chinese Yuan Renminbi, South African Rand, Canadian dollar, British Pound Sterling and US dollar.

All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Notes 3.12 (i) and 20 – revenue recognition of consultancy contracts;
- Note 5 – impairment test on goodwill: key assumptions underlying recoverable amounts;
- Note 12 – expected losses on consultancy contracts;
- Note 18 – provisions; and
- Note 19 – measurement of expected credit loss (“ECL”) allowances for trade and other receivables and contract assets.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The accounting team led by the Group Chief Finance Officer has overall responsibility for all significant fair value measurements, including Level 3 fair values, where applicable.

The accounting team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 19 – Financial instruments; and
- Note 26 – Acquisitions of subsidiaries

2.5 Changes in accounting policies

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business (Amendments to SFRS(I) 3)*
- *Definition of a Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)*
- *COVID-19-Related Rent Concessions (Amendment to SFRS(I) 16)*

Other than the amendment relating to definition of a business, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

The Group applied the amendments relating to definition of a business to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in note 3.1 (i). See also note 26 for details of the Group's acquisition of subsidiaries during the year.

The Group has early adopted COVID-19-Related Rent Concessions – Amendment to SFRS(I) 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Group has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see Note (ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of activities and assets acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a “concentration test” that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests (“NCI”) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation are measured either at fair value or at the NCI’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed off as incurred.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not include the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Investment in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investee, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an equity investment designated at FVOCI
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective (see note below); or
- qualifying cash flow hedges to the extent the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

(iii) Hedge of a net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent remeasurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, and trade and other payables.

(iii) **Derecognition**

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which either substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as interest expense in profit or loss as accrued.

(vii) Derivative financial instruments, including hedge accounting

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values, and changes therein are generally recognised in profit or loss.

Designation of hedges

At inception or upon reassessment of the hedge arrangement, the Group documents the relationship between hedging instrument and hedged item, and the methods that will be used to measure the effectiveness of the hedged relationship, as well as risk management policies and strategies in undertaking various hedged transactions.

The Group also documents its assessment, both at inception and on an ongoing basis, the economic relationship between hedging instruments and hedged item, including whether derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged item.

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cashflow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cashflows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the amendments to its effectiveness assessment of the hedging relationship at the earlier of, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and hedging instrument; and when the hedging relationship is discontinued.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within equity.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

Refer to Note 3.2 (iii).

(viii) Intra-group financial guarantees in the separate financial statements

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until it becomes probable that the Company will be required to make a payment under the guarantee.

A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Land	Freehold
Building and property	28 to 50 years
Furniture and fittings	2 to 10 years
Office equipment and machinery	1 to 20 years
Plant and equipment	5 to 20 years
Computer equipment	1 to 6 years
Motor vehicles	2 to 8 years
Office renovation	1 to 20 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1 (i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite lives are measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets with indefinite lives are not amortised.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, a brand and exclusive license with indefinite useful lives from the date that they are available for use. The estimated useful lives for the current financial year and comparative financial period are as follows:

Brand	10 years to Indefinite
Intellectual property	5 years
Order backlogs	3 to 19 years
Customer relationship	5 to 10 years
Exclusive license	Indefinite
Software	1 to 9 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Inventories

Inventories comprise materials and supplies to be consumed in the rendering of services and goods held for resale. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

3.7 Contract assets/liabilities

A contract asset is a Group entity's right to consideration in exchange for goods or services that the Group entity has transferred to a customer when that right is conditioned on something other than the passage of time. A contract liability is a Group entity's obligation to transfer goods or services to a customer for which the Group entity has received consideration (or the amount is due) from the customer.

Contracts work-in-progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 3.12(i)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Contracts work-in-progress is presented as contract assets in the statement of financial position for all contracts in which costs incurred plus recognised profits (less recognised losses) exceed progress billings. If progress billings exceed costs incurred plus recognised profits (less recognised losses), then the difference is presented as contract liabilities.

Progress billings not yet paid by customers and retention sums are included within trade and other receivables.

3.8 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit loss ("ECL") on:

- financial assets measured at amortised costs;
- contract assets (as defined in SFRS(I) 15); and
- intra-group financial guarantee contracts ("FGC").

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

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.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the recoverable amount increases.

Goodwill that forms part of the carrying amount of an investment in an associate and a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or a joint venture may be impaired.

3.9 Asset held for sale

Non-current assets that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as asset held for sale. Immediately before classification as asset held for sale, the assets, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell (fair value less costs to distribute). Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.10 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

3.12 Revenue

(i) Revenue from provision of services

Revenue from provision of services in the ordinary course of business is recognised when the Group satisfies a performance obligation (“PO”) by transferring control of a promised service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised services. The individual standalone selling price of a service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the POs if it relates specifically to those POs.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised services. The transaction price may be fixed or variable. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Consultancy contracts

Contract revenue from consultancy contracts, which relate to the provision of architectural services, engineering consultancy, quantity surveying and project management, includes the initial amount agreed in the contract plus any variations in the contract work and claims, to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the percentage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The percentage of completion is determined by:

- (a) reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs; or
- (b) completion of a physical proportion of the contract work.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iii) Rendering of other services

Revenue from rendering of other services, which includes land survey services, site supervision service, facility management services, integrated estate management services, armed and unarmed guard services is recognised in profit or loss when the service is rendered.

(iv) Patent licence and royalty fees

Patent licence and royalty fees are recognised on an accrual basis in accordance with the substance of the relevant agreement.

(v) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3.13 Government grants

Government grants are recognised in profit or loss as other income when the grant becomes receivable.

Other government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

3.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property are carried at fair value.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of 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.

The Group presents right-of-use assets that do not meet the definition of investment property in 'right-of-use assets' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

COVID-19-related rent concessions

The Group has applied COVID-19-Related Rent Concessions – Amendment to SFRS(I) 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assess whether there is a lease modification.

3.15 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- the fair value gain/(loss) on contingent and deferred consideration classified as a financial liability;
- hedge ineffectiveness recognised in profit or loss; and
- the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Core Group, comprising Group Chief Executive Officer (GCEO), Group Chief Finance Officer (GCFO), Group Chief Corporate Officer (GCCO), Group Chief Officer, Integration, M&A (GCO), CEO, New Business and the Chief Executive Officers (CEOs) of the operating units, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Core Group include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate and support costs, finance income, finance costs and non-operating income and expenses such as government grants and gain or loss on disposal of property, plant and equipment, derivatives, impairment loss on goodwill and impairment on investments.

3.18 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *SFRS(I) 17 Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)*
- *Sale or Contribution of Assets between an investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28)*

4 Property, plant and equipment

Group	Land \$'000	Building and properties \$'000	Furniture and fittings \$'000	Office equipment and machinery \$'000	Plant and equipment \$'000	Computer equipment \$'000	Motor vehicles \$'000	Office renovation \$'000	Asset under construction \$'000	Total \$'000
Cost										
At 1 January 2019	373	30,877	11,969	2,610	10,313	21,341	8,481	9,560	4,721	100,245
Acquisitions through business combinations	–	–	10	31	–	55	–	250	–	346
Other additions	863	147	4,405	255	591	5,900	984	2,397	6,846	22,388
Disposals	(98)	(16)	(556)	(10)	(583)	(208)	(123)	(72)	(1,571)	(3,237)
Transfer from/(to) intangibles	–	–	(309)	–	2,050	1,262	–	129	(9,718)	(6,586)
Effect of movement in exchange rates	(20)	(34)	67	(10)	(170)	(159)	(187)	(14)	–	(527)
At 31 December 2019	1,118	30,974	15,586	2,876	12,201	28,191	9,155	12,250	278	112,629
Acquisitions through business combinations	–	238	–	–	409	601	–	–	–	1,248
Other additions	820	176	1,040	187	582	2,078	790	1,533	362	7,568
Disposals	(66)	(59)	(2,035)	(14)	(204)	(212)	(80)	(2,046)	–	(4,716)
Disposal of subsidiary	–	(239)	(98)	–	–	–	(792)	–	–	(1,129)
Transfer from/(to) intangibles or right-of-use assets	–	–	–	3	7	–	–	27	(97)	(60)
Effect of movement in exchange rates	131	64	2,569	18	228	182	171	20	–	3,383
At 31 December 2020	2,003	31,154	17,062	3,070	13,223	30,840	9,244	11,784	543	118,923
Accumulated depreciation										
At 1 January 2019	–	1,446	3,752	1,326	2,091	11,056	4,119	3,666	–	27,456
Depreciation for the year	–	1,160	2,570	456	2,307	5,933	1,900	2,125	–	16,451
Disposals	–	–	–	–	–	(4)	–	(9)	–	(13)
Transfer from/(to) intangibles	–	–	145	–	(145)	783	–	–	–	783
Effect of movement in exchange rates	–	(19)	(246)	(9)	(125)	(132)	(177)	(39)	–	(747)
At 31 December 2019	–	2,587	6,221	1,773	4,128	17,636	5,842	5,743	–	43,930
Depreciation for the year	–	1,258	2,778	423	2,306	5,370	1,658	2,305	–	16,098
Disposals	–	–	(79)	–	–	–	(9)	(1,267)	–	(1,355)
Disposal of subsidiary	–	(239)	(85)	–	–	–	(663)	–	–	(987)
Transfer from/(to) intangibles or right-of-use assets	–	–	–	–	10	–	–	–	–	10
Effect of movement in exchange rates	–	40	365	15	222	53	141	13	–	849
At 31 December 2020	–	3,646	9,200	2,211	6,666	23,059	6,969	6,794	–	58,545
Carrying amounts										
At 1 January 2019	373	29,431	8,217	1,284	8,222	10,285	4,362	5,894	4,721	72,789
At 31 December 2019	1,118	28,387	9,365	1,103	8,073	10,555	3,313	6,507	278	68,699
At 31 December 2020	2,003	27,508	7,862	859	6,557	7,781	2,275	4,990	543	60,378

Company	Furniture and fittings \$'000	Office equipment and machinery \$'000	Computer equipment \$'000	Office Renovation \$'000	Total \$'000
Cost					
At 1 January 2019	–	54	220	39	313
Additions	21	–	144	893	1,058
Disposals	(1)	(2)	(22)	(31)	(56)
At 31 December 2019	20	52	342	901	1,315
Additions	–	–	14	37	51
Disposals	(1)	–	–	–	(1)
At 31 December 2020	19	52	356	938	1,365
Accumulated depreciation					
At 1 January 2019	–	8	110	7	125
Depreciation for the year	–	18	69	31	118
Disposals	–	–	(4)	(9)	(13)
At 31 December 2019	–	26	175	29	230
Depreciation for the year	4	16	79	313	412
Disposals	–	–	–	–	–
At 31 December 2020	4	42	254	342	642
Carrying amounts					
At 1 January 2019	–	46	110	32	188
At 31 December 2019	20	26	167	872	1,085
At 31 December 2020	15	10	102	596	723

At 31 December 2020, building and properties of the Group with carrying amounts of \$25,718,000 (2019: \$26,754,000) are pledged as security to secure bank loans (see Note 15).

5 Intangible assets and goodwill

Group	Goodwill \$'000	Brand \$'000	Order backlog \$'000	Customer relationship \$'000	Exclusive license \$'000	Software \$'000	Intellectual property \$'000	Total \$'000
Cost								
At 1 January 2019	408,962	47,251	61,948	14,701	58,779	18,309	6,117	616,067
Acquisitions through business combinations (including measurement period adjustment)								
Other additions	27,685	1,249	7,738	–	–	(552)	–	36,120
Transfer from property, plant and equipment	–	–	–	–	–	3,840	1,829	5,669
Disposals	–	–	–	–	–	6,587	–	6,587
Effect of movement in exchange rates	(9,741)	(864)	(530)	51	–	(8,070)	–	(8,070)
At 31 December 2019	426,906	47,636	69,156	14,752	58,779	19,399	7,946	644,574
Acquisitions through business combinations (including measurement period adjustment)								
Other additions	23,538	–	79	–	–	35	–	23,652
Transfer from property, plant and equipment or right-of-use assets	–	–	–	–	–	2,343	2,735	5,078
Disposals	–	–	–	–	–	(252)	–	(252)
Effect of movement in exchange rates	21,099	2,266	1,365	6	–	(612)	–	(612)
At 31 December 2020	471,543	49,902	70,600	14,758	58,779	21,569	10,681	697,832
Accumulated amortisation and impairment losses								
At 1 January 2019	88,596	4,623	35,044	6,680	–	11,775	287	147,005
Amortisation for the year	–	1,416	8,396	2,452	–	4,051	547	16,862
Transfer to property, plant and equipment	–	–	–	–	–	(783)	–	(783)
Disposals	–	–	–	–	–	(8,023)	–	(8,023)
Effect of movement in exchange rates	–	–	(490)	6	–	(664)	–	(1,148)
At 31 December 2019	88,596	6,039	42,950	9,138	–	6,356	834	153,913
Amortisation for the year	–	1,427	4,130	1,809	–	3,603	1,197	12,166
Impairment charge	30,468	–	–	–	–	–	–	30,468
Transfer to property, plant and equipment or right-of-use assets	–	–	–	–	–	(54)	–	(54)
Disposals	–	–	–	–	–	(609)	–	(609)
Effect of movement in exchange rates	1,848	–	1,352	5	–	547	–	3,752
At 31 December 2020	120,912	7,466	48,432	10,952	–	9,843	2,031	199,636
Carrying amounts								
At 1 January 2019	320,366	42,628	26,904	8,021	58,779	6,534	5,830	469,062
At 31 December 2019	338,310	41,597	26,206	5,614	58,779	13,043	7,112	490,661
At 31 December 2020	350,631	42,436	22,168	3,806	58,779	11,726	8,650	498,196

	Intellectual property \$'000
Company	
Cost	
At 1 January 2019	6,117
Additions	1,829
At 31 December 2019	7,946
Additions	2,735
At 31 December 2020	10,681
Accumulated amortisation	
At 1 January 2019	287
Amortisation for the year	547
At 31 December 2019	834
Amortisation for the year	1,197
At 31 December 2020	2,031
Carrying amounts	
At 1 January 2019	5,830
At 31 December 2019	7,112
At 31 December 2020	8,650

In 2017, the Group commenced a development project called Smart City in a Box (“Project” or “SC in a Box”). The Project is a digital application programme that allows monitoring of residential/office buildings, collating and analysing data and deploying solutions to specific problems in a timely manner. The Group expects to commercialise the outputs of the Project. As such, the costs incurred on the Project, mainly manpower costs, have been capitalised as intangible asset – intellectual property.

In 2020, the Group obtained control over Prostruct Consulting Pte Ltd (“Prostruct”) and Atelier Ten Ltd (“A10 subgroup”). The Group elects to complete the purchase price allocation (“PPA”) exercise for these acquisitions within the 12-month measurement period from the date of acquisition. Provisional amounts of goodwill were recognised upon the completion of acquisitions (see Note 26 for details of these acquisitions). The A10 subgroup and Prostruct were identified as separate CGUs in the impairment testing of goodwill as at 31 December 2020.

Impairment loss

Impairment loss of \$30,468,000 was recognised in relation to the CGUs comprising SMEC subgroup (“SMEC CGU”) and B+H subgroup (“B+H CGU”) following the Group’s impairment testing.

Based on management’s assessment, the recoverable amount of the SMEC CGU and B+H CGU as at 31 December 2020 was determined to be \$27,481,000 and \$2,987,000 lower than their respective carrying amounts. The impairment loss was fully allocated to goodwill and included in “other expenses” (see Note 22).

Impairment assessment for cash-generating units containing goodwill

The acquisition of the A10 subgroup was completed on 12 November 2020, within two months to the current financial year end. The fair value less cost to sell of the A10 CGU was assessed with reference to the consideration agreed between the Group and the selling shareholders, and was used as the recoverable amount of the A10 CGU for the purpose of impairment testing. The recoverable amounts of the remaining CGUs were determined based on their value in use.

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	2020 \$'000	2019 \$'000
SJ CGU	88,596	88,596
Impairment loss	(88,596)	(88,596)
	—	—
Singapore CGU comprising the KTP subgroup	16,245	16,245
SMEC CGU comprising the SMEC subgroup and PDR	233,788	244,053 ⁽ⁱ⁾
AETOS CGU comprising the AETOS subgroup	93	93
RBG CGU comprising the RBG subgroup	27,101	25,138 ⁽ⁱ⁾
B+H CGU comprising the B+H subgroup	24,172	27,087 ⁽ⁱ⁾
SAA CGU	25,694	25,694
Prostruct CGU	60	—
A10 CGU comprising the A10 subgroup	23,478	— ⁽ⁱ⁾
Carrying amount	350,631	338,310

⁽ⁱ⁾Including effect of movement in exchange rates totalling \$19,251,000 (2019: -\$9,741,000).

Key assumptions used in discounted cash flow projection calculations

The key assumptions used in the estimation of recoverable amounts are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	Singapore CGU		SMEC CGU		RBG CGU		B+H CGU		SAA CGU	
Group	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Forecast years	5	5	5	5	5	5	5	5	5	5
Discount rate	9.5%	10.0%	10%	10.0%	10.2%	10.5%	9.1%	9.3%	7.8%	10.0%
Terminal value growth rate	1.0%	1.5%	3.0%	3.6%	3.0%	3.0%	1.0%	1.0%	1.0%	1.0%
Average yearly revenue growth rate	3.0%	3.8%	5.3%	5.0%	5.3%	5.0%	1.6%	2.8%	4.4%	4.7%

Discount rate

The discount rate was a post-tax measure estimated based on past experience, and industry weighted average cost of capital.

Terminal value growth rate

A long-term growth rate into perpetuity had been determined based on management's estimate of the long-term compound annual growth rate in EBITDA which management believed was consistent with the assumption that a market participant would make.

Average yearly revenue growth rate

Average yearly revenue growth is expressed as the average annual revenue growth rates in the forecast year of the plans used for impairment testing and had been based on past experience.

Sensitivity analysis

Management is of the view that reasonably possible changes in the key assumptions, such as an increase in the discount rate by 1%, would not cause the respective recoverable amounts for the Group to fall below the carrying amounts as at 31 December 2020.

6 Subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Equity investments at cost	907,813	906,227
Impairment loss	(88,596)	(88,596)
	<u>819,217</u>	<u>817,631</u>

Details of the significant subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2020 %	2019 %
Surbana International Consultants Holdings Pte Ltd	Singapore	100	100
Surbana Consultants Pte Ltd	Singapore	100	100
Surbana Technologies Pte Ltd	Singapore	100	100
Surbana Site Supervisors Pte Ltd	Singapore	100	100
Threesixty Cost Management Pte. Ltd.	Singapore	100	100
Surbana Jurong Consultants Pte Ltd	Singapore	100	100
SIPM Consultants Pte Ltd	Singapore	100	100
CESMA International Private Limited	Singapore	100	100
Threesixty Contract Advisory Pte. Ltd.	Singapore	100	100
Surbana International Consultants (India) Pvt Ltd	India	100	100
Surbana (Shanghai) Planning & Design Consultants Ltd	People's Republic of China ("PRC")	100	100

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2020 %	2019 %
Shanghai Surbana Jurong Entity Management Co., Ltd	PRC	100	100
Surbana Jurong Malaysia Sdn. Bhd. (formerly known as Surbana International Consultants (Malaysia) Sdn. Bhd.)	Malaysia	100	100
Surbana Jurong Consultants Sdn. Bhd. (formerly known as Surbana Consultants Sdn. Bhd.)	Malaysia	100	100
Surbana International Consultants (Vietnam) Co. Ltd	Vietnam	100	100
Surbana International Consultants (Brunei) Sdn Bhd	Brunei	100	100
Surbana International Consultants (Myanmar) Co Ltd	Myanmar	100	100
PT Surbana Jurong Indonesia	Indonesia	100	100
Surbana Jurong International Holdings Pte Ltd (formerly known as Jurong International Holdings Pte Ltd)	Singapore	100	100
Surbana Jurong Infrastructure Pte Ltd	Singapore	100	100
Jurong Overseas Pte Ltd	Singapore	100	100
Jurong Aextra Investments Pte Ltd	Singapore	100	100
Surbana Jurong Services Pte Ltd (formerly known as Portella Pte Ltd)	Singapore	100	100
Jurong International Constructors (Suzhou) Co Ltd	PRC	100	100
Jurong Consultants (India) Private Limited	India	100	100
Jurong International Consulting Pte Ltd	Singapore	100	100
Surbana Jurong Campus Pte Ltd	Singapore	100	100
SMM Pte Ltd	Singapore	100	100
Jurong Integrated Solutions Pte Ltd	Singapore	100	100
MMR Services Pte Ltd	Singapore	100	100

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2020 %	2019 %
SJ Defence Services Pte Ltd	Singapore	100	100
Surbana Jurong Capital (Holdings) Pte. Ltd	Singapore	100	100
Surbana Jurong Capital (JID) Pte. Ltd.	Singapore	100	100
Surbana Jurong Capital (Aviation) Pte. Ltd.	Singapore	100	100
Surbana Jurong Capital (Enso Q) Pte. Ltd.	Singapore	100	100
SJ Capital (Funds) Pte. Ltd. ⁽ⁱ⁾	Singapore	100	–
Surbana Jurong Bangladesh Ltd	Bangladesh	100	100
Surbana Jurong Lanka (Pvt) Ltd	Sri Lanka	100	100
Surbana Jurong Holdings (Australia) Pty Ltd	Australia	100	100
Surbana Jurong Finance Pty Ltd ⁽ⁱⁱ⁾	Australia	–	100
SMEC Holdings Pty Ltd	Australia	100	100
Global Maintenance Consulting Pty Ltd	Australia	100	100
PDR Engineers Pty Ltd	Australia	100	100
Robert Bird Group Pty Ltd	Australia	100	100
SMEC Australia Pty Ltd	Australia	100	100
SMEC International Pty Ltd	Australia	100	100
SMEC Services Pty Ltd	Australia	100	100
SMEC Testing Services Pty Ltd ⁽ⁱⁱⁱ⁾	Australia	–	51
SMECTS Holdings Pty Ltd ⁽ⁱⁱⁱ⁾	Australia	–	51
STS Geoenvironmental Pty Ltd ⁽ⁱⁱⁱ⁾	Australia	–	51
Ace Consultants Limited	Bangladesh	100	100
SMEC Bangladesh Ltd	Bangladesh	100	100
Engineering Consultants Underwriters Ltd	Bermuda	100	100
VKE Botswana Pty Ltd	Botswana	100	100
SMEC International (Canada) Inc	Canada	100	100
SMEC Chile Limitada (formerly known as Global Maintenance Consulting Chile Limitada)	Chile	100	100

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2020 %	2019 %
SMEC Georgia LLC	Georgia	100	100
Robert Bird Group Hong Kong Ltd	Hong Kong	100	100
SMEC Asia Ltd	Hong Kong	100	100
Leadrail Infra Solutions Private Ltd	India	100	100
SMEC India (Pvt) Ltd	India	100	100
PT SMEC Denka Indonesia	Indonesia	100	100
SMEC Central Asia LLP	Kazakhstan	100	100
SMEC Kenya Limited	Kenya	100	100
SMEC Macau Engineering Consulting Limited	Macau	100	100
Robert Bird Group (Malaysia) Sdn Bhd	Malaysia	100	100
SMEC (Malaysia) Sdn Bhd	Malaysia	100	100
SMEC Energy Sdn Bhd	Malaysia	100	100
SMEC International (Malaysia) Sdn Bhd	Malaysia	100	100
Energy Holdings Limited	Mauritius	100	100
SMEC Servicios De Ingenieria De Mexico	Mexico	100	100
SMEC Mongolia LLC	Mongolia	100	100
SMEC Myanmar Company Limited	Myanmar	100	100
VKE Namibia Consulting Engineers Pty Ltd	Namibia	100	100
Vincpro (Pty) Ltd	Namibia	100	100
SMEC New Zealand Ltd	New Zealand	100	100
Robert Bird Group (New Zealand) Limited	New Zealand	100	100
SMEC Nigeria Limited	Nigeria	100	100
South Asia Middle East Management Company LLC	Oman	100	100
Engineering General Consultants (Pvt) Ltd	Pakistan	100	100
SMEC Oil and Gas (Private) Limited	Pakistan	100	100
SMEC Pakistan (Pvt) Ltd	Pakistan	100	100

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2020 %	2019 %
SMEC PNG Ltd	Papua New Guinea	100	100
SMEC Philippines Inc	Philippines	100	100
ECCL Singapore Pty Ltd	Singapore	100	100
Global Maintenance Consulting Singapore Pte Ltd	Singapore	100	100
SMEC South Africa Pty Ltd	South Africa	75	75
SMEC International (Africa) (Pty) Ltd	South Africa	100	100
Soillab Pty Ltd	South Africa	75	75
Ocyana Consultants Pvt Ltd	Sri Lanka	100	100
SMEC (Tanzania) Limited	Tanzania	100	100
SMEC Uganda Limited	Uganda	100	100
Robert Bird & Partners Ltd	United Kingdom	100	100
Robert Bird Group (USA) Inc.	United States of America	100	100
Global Maintenance Consulting – America, Inc	United States of America	100	100
SMEC Vietnam Joint Stock Company	Vietnam	100	100
AETOS Holdings Pte. Ltd.	Singapore	100	100
AETOS Security Management Pte. Ltd.	Singapore	100	100
AETOS Guard Services Pte. Ltd.	Singapore	100	100
AETOS Training Academy Pte. Ltd.	Singapore	100	100
AETOS Technologies and Solutions Pte. Ltd.	Singapore	100	100
AETOS Assets Management Pte Ltd	Singapore	100	100
KTP Consultants Pte Ltd (“KTPC”)	Singapore	100	100
KTP (Tianjin) Architectural Design Co. Ltd	PRC	100	100
KTP (Beijing) Consultants Co. Pte. Ltd.	PRC	100	100
KTP International Pte. Ltd.	Singapore	100	100
T&T Civil & Structural Pte. Ltd.	Singapore	100	100
KTP Civil & Structural Sdn. Bhd. ^(vi)	Malaysia	100	100

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2020 %	2019 %
Surbana Jurong Holdings (Canada) Inc.	Canada	100	100
B+H Architects Corp.	Canada	49	49
B+H International Corp.	Canada	65	65
B+H Architects Inc.	Canada	65	65
B+H Consulting Holdings Inc.	Canada	65	65
B+H Consulting International Inc.	PRC	65	65
B+H Architects Hong Kong Ltd.	Hong Kong	65	65
B+H Architects Singapore Pte. Ltd.	Singapore	65	65
B+H Architects Inc.	United States of America	65	65
B+H Architects (Washington) LLC	United States of America	65	65
B+H Architects Vietnam Co. Ltd	Vietnam	65	65
SAA Architects Pte. Ltd.	Singapore	100	100
Prostruct Consulting Pte. Ltd. ^(iv)	Singapore	55	—
Atelier Ten Ltd. ^(v)	United Kingdom	70	—
Atelier Ten International Limited. ^(v)	United Kingdom	70	—
Atelier Ten (Scotland) Limited. ^(v)	United Kingdom	70	—
Atelier Ten London Ltd. ^(v)	United Kingdom	70	—
Atelier Ten (Asia) Pte. Ltd. ^(v)	Singapore	70	—
Atelier Ten Australia Pty Ltd. ^(v)	Australia	70	—
Atelier Ten USA LLC ^(v)	United States of America	70	—

⁽ⁱ⁾ Incorporated in November 2020.

⁽ⁱⁱ⁾ Deregistered during the year.

⁽ⁱⁱⁱ⁾ Disposed in September 2020.

^(iv) Acquired on 3 January 2020.

^(v) Acquired on 12 November 2020.

^(vi) On 22 July 2015, two shareholders of KTP Civil & Structural Sdn. Bhd. (“KTPM”), each granted a power of attorney to KTPC in respect of their shareholdings in KTPM, the aggregate of which represents the entire issued share capital of KTPM. As such, KTPM is deemed as a subsidiary of KTPC and the Group. Accordingly, the assets and liabilities of KTPM were consolidated by the Group from 22 July 2015.

Non-controlling interests

In 2020, the Group acquired 55% equity interest in Prostruct Consulting Pte Ltd (“Prostruct”) and 70% equity interest in Atelier Ten subgroup (“A10”) (see Note 26). As at 31 December 2020, the Group has two subgroups, B+H and A10 (2019: one subgroup) that has non-controlling interests (“NCI”) that is material to the Group.

Name	Country of incorporation	Ownership held by NCI	
		2020 %	2019 %
B+H subgroup	Canada	35	35
A10 subgroup	United Kingdom	30	—

The following summarised financial information for B+H and A10 subgroups is prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition.

	B+H \$'000	A10 \$'000	Other individually immaterial subsidiaries \$'000	Total \$'000
2020				
Revenue	62,359	5,819		
Profit/(loss) for the year	6,919	(544)		
Other comprehensive income/(loss)	504	(91)		
Total comprehensive income/(loss)	7,423	(635)		
Attributable to NCI:				
- Profit/(loss)	2,396	(163)	626	2,859
- Other comprehensive income/(loss)	174	(27)	(837)	(690)
Total comprehensive income/(loss)	2,570	(190)	(211)	2,169
Non-current assets	59,912	11,008		
Current assets	60,067	30,633		
Non-current liabilities	(16,196)	(10,434)		
Current liabilities	(39,211)	(10,345)		
Net assets	64,572	20,862		
Net assets attributable to NCI	22,359	6,258	(328)	28,289
Cash flows from/(used in) operating activities	8,712	(306)		
Cash flows used in investing activities	(1,549)	(122)		
Cash flows used in financing activities				
(dividends to NCI: nil)	(4,395)	(269)		
Net increase/(decrease) in cash and cash equivalents	2,768	(697)		

	B+H \$'000	Other individually immaterial subsidiaries \$'000	Total \$'000
2019			
Revenue	68,547		
Profit for the year	3,798		
Other comprehensive income	—		
Total comprehensive income	3,798		
Attributable to NCI:			
- Profit	1,315	388	1,703
- Other comprehensive income	—	—	—
Total comprehensive income	1,315	388	1,703
Non-current assets	51,927		
Current assets	57,433		
Non-current liabilities	(19,558)		
Current liabilities	(32,658)		
Net assets	57,144		
Net assets attributable to NCI	19,789	276	20,065
Cash flows from operating activities	4,042		
Cash flows used in investing activities	(1,778)		
Cash flows used in financing activities (dividends to NCI: nil)	(3,261)		
Net decrease in cash and cash equivalents	(997)		

7 Associates and joint venture

	Group	
	2020 \$'000	2019 \$'000
Interest in associates	2,947	3,559
Interest in a joint venture	29,382	30,401
	32,329	33,960

Associates

As at 31 December 2020, the Group has two (2019: two) associates that are material and five associates (2019: five) that are individually immaterial to the Group. All are equity accounted.

	Banyan Caverns Storage Services Pte Ltd (“Banyan”)	CITICC (Africa) Holding Limited (“CITICC”)
Principal activities	Storage of petrochemical products	Investment platform to enable partnership with local housing developers to build affordable homes in Sub-Saharan Africa

	Banyan Caverns Storage Services Pte Ltd (“Banyan”)	CITICC (Africa) Limited (“CITICC”)	Holding
Principal place of business/ Country of incorporation	Singapore	Mauritius	
Ownership interest/ Voting rights held	20% (2019: 20%)	25% (2019: 20%)	

The following summarises the financial information of each of the Group’s material associates based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group’s accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of the remaining individually immaterial associates.

	Banyan \$’000	CITICC \$’000	Immaterial associates \$’000	Total \$’000
2020				
Revenue	14,151	–		
Profit/(loss) for the year	2,341	(684)		
Other comprehensive loss	–	(107)		
Total comprehensive income/(loss)	2,341	(791)		
Non-current assets	642	1		
Current assets	13,255	8,897		
Non-current liabilities	–	–		
Current liabilities	(9,864)	(76)		
Net assets	4,033	8,822		
Group’s interest in net assets of associates at beginning of the year	793	2,497	269	3,559
Effect of movement in exchange rates	–	–	(15)	(15)
Group’s share of:				
- profit/(loss) for the year	468	(171)	(8)	289
- other comprehensive loss	–	(27)	–	(27)
- total comprehensive income/(loss)	468	(198)	(8)	262
Impairment loss	–	(405)	–	(405)
Dividends received during the year	(454)	–	–	(454)
Carrying amount of interest in associates at end of the year	807	1,894	246	2,947

	Banyan \$'000	CITICC \$'000	Immaterial associates \$'000	Total \$'000
2019				
Revenue	13,861	–		
Profit/(loss) for the year	2,335	(604)		
Other comprehensive loss	–	(181)		
Total comprehensive income/(loss)	2,335	(785)		
Non-current assets	451	1		
Current assets	11,846	12,415		
Non-current liabilities	(3,908)	–		
Current liabilities	(4,427)	(184)		
Net assets	3,962	12,232		
Group's interest in net assets of associates at beginning of the year	858	2,654	381	3,893
Effect of movement in exchange rates	–	–	7	7
Group's share of:	–	–	–	–
- profit/(loss) for the year	467	(121)	(41)	305
- other comprehensive loss	–	(36)	–	(36)
- total comprehensive income/(loss)	467	(157)	(41)	269
Dividends received during the year	(532)	–	(78)	(610)
Carrying amount of interest in associates at end of the year	793	2,497	269	3,559

Joint venture

Details of the joint ventures are as follows:

Name of joint venture	Country of incorporation	Effective equity interest held by the Group	
		2020 %	2019 %
Sino-Sun Architects & Engineers Co., Ltd ("Sino-Sun")	PRC	60	60
China Highway-Surbana Jurong Transportation Design and Research Co. Ltd. ("China Highway")	PRC	49	49
Enso Capital Sdn Bhd	Malaysia	48	48
CCCC-SJ Pte Ltd	Singapore	50	50
Arcplus SJ Digital Ltd	PRC	49	49
Mitbana Pte Ltd	Singapore	50	50
Mitbana Urban Development Fund I Pte. Ltd.	Singapore	50	—
Great Mekong Consultancy Pte Ltd	Singapore	55	—

Sino-Sun is an unlisted joint venture in which the Group's wholly owned subsidiary, Surbana (Shanghai) Planning & Design Consultants Ltd ("Surbana Shanghai"), obtained joint control via a series of agreements between Surbana Shanghai and the existing shareholders of Sino-Sun on 1 September 2015. The principal activities of Sino-Sun are those relating to architectural design, planning, landscape and interior design in the PRC.

China Highway is an unlisted joint venture in which the Group's wholly owned subsidiary, Surbana Jurong Consultants Pte Ltd ("SJCHPL"), obtained joint control in January 2017. The principal activities of China Highway are those relating to provision of design and consultancy services for highway and municipal projects.

Enso Capital Sdn Bhd ("Enso Capital") is an unlisted joint venture in which the Group's wholly owned subsidiary, Surbana Jurong Capital Holdings Pte Ltd ("SJCHPL"), obtained joint control in April 2019. The principal activities of Enso Capital are those relating to investment holding. SJCHPL entered into the joint venture agreement to jointly undertake the acquisition and development of a mixed residential and commercial development in Malaysia through Enso Capital.

The Group's interests in Sino-Sun, China Highway and Enso Capital are structured as separate vehicles and the Group has a residual interest in their net assets respectively. Accordingly, the Group classified its interest in Sino-Sun, China Highway and Enso Capital as joint ventures, which are equity-accounted.

The following table summarises the financial information of each of the Group's material joint ventures, based on its financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of the remaining individually immaterial joint venture.

	Sino-Sun \$'000	China Highway \$'000	Enso Capital \$'000	Immaterial joint venture \$'000	Total \$'000
2020					
Revenue	11,813	13,835	–		
Profit/(loss) for the year ⁽ⁱ⁾	(1,671)	962	(1,479)		
Other comprehensive income/(loss)	449	744	(26)		
Total comprehensive income/(loss)	(1,222)	1,706	(1,505)		
Non-current assets	429	2,335	–		
Current assets ⁽ⁱⁱ⁾	14,819	21,433	69,114		
Non-current liabilities	–	(977)	(44,309)		
Current liabilities ⁽ⁱⁱⁱ⁾	(9,778)	(6,031)	(275)		
Net assets	5,470	16,760	24,530		
Group's interest in net assets of joint ventures at beginning of the year	10,796	7,390	10,914	1,301	30,401
Effect of movement in exchange rates	552	–	–	–	552
Investment during the year	–	–	1,583	5,339	6,922
Group's share of:					
- profit/(loss) for the year	(1,003)	472	(710)	(1,623)	(2,864)
- other comprehensive income/(loss)	269	364	(12)	30	651
- total comprehensive income/(loss)	(734)	836	(722)	(1,593)	(2,213)
Dividends received during the year	–	–	–	–	–
Impairment charge	(6,000)	–	–	(280)	(6,280)
Carrying amount of interest in joint ventures at end of the year	4,614	8,226	11,775	4,767	29,382
2019					
Revenue	23,453	11,619	–		
Profit/(loss) for the year ⁽ⁱ⁾	1,204	1,687	(197)		
Other comprehensive loss	(245)	(380)	(143)		
Total comprehensive income/(loss)	959	1,307	(340)		
Non-current assets	668	1,538	–		
Current assets ⁽ⁱⁱ⁾	18,257	17,892	62,863		
Non-current liabilities	–	–	(39,941)		
Current liabilities ⁽ⁱⁱⁱ⁾	(9,638)	(4,376)	(184)		
Net assets	9,287	15,054	22,738		
Group's interest in net assets of joint ventures at beginning of the year	13,053	6,750	–	791	20,594
Effect of movement in exchange rates	(319)	–	–	–	(319)
Investment during the year	–	–	11,077	2,000	13,077
Group's share of:					
- profit/(loss) for the year	723	826	(94)	(1,475)	(20)
- other comprehensive income/(loss)	(147)	(186)	(69)	(15)	(417)
- total comprehensive income/(loss)	576	640	(163)	(1,490)	(437)
Dividends received during the year	(714)	–	–	–	(714)
Impairment charge	(1,800)	–	–	–	(1,800)
Carrying amount of interest in joint ventures at end of the year	10,796	7,390	10,914	1,301	30,401

- (i) Includes:
 - depreciation and amortisation of \$263,000 (2019: \$218,000)
 - interest expense of \$3,000 (2019: \$4,000)
 - income tax expense of \$146,000 (2019: \$182,000).
- (ii) Includes cash and cash equivalents of \$14,587,000 (2019: \$6,825,000).
- (iii) Includes current financial liabilities (excluding trade and other payables and provisions) of \$1,578,000 (2019: \$1,605,000).

Impairment loss

Based on management's assessment, the recoverable amount of Sino-Sun CGU as at 31 December 2020 was determined to be \$5,054,000 (2019: \$10,730,000) using discounted cash flow projections. This is lower than the carrying amount by \$6,000,000 (2019: \$1,800,000) and as a result an impairment loss of \$6,000,000 (2019: \$1,800,000) was recognised in relation to the investment in Sino-Sun.

Key assumptions used in discounted cash flow projection calculations

The recoverable amount of Sino-Sun was based on its value in use. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Group	Sino-Sun CGU	
	2020	2019
Forecast years	5	5
Discount rate	9.5%	10%
Terminal value growth rate	3.0%	0.5%
Average yearly revenue growth rate	10%	5%

Discount rate

The discount rate was a post-tax measure based on past experience, and industry weighted average cost of capital.

Terminal value growth rate

A long-term growth rate into perpetuity had been determined based on management's estimate of the long-term compound annual growth rate in EBITDA which management believed was consistent with the assumption that a market participant would make.

Average yearly revenue growth rate

Average yearly revenue growth is expressed as the average annual revenue growth rates in the forecast year of the plans used for impairment testing and had been based on past experience.

8 Other investments

	Group	
	2020	2019
	\$'000	\$'000
Non-current investments		
Equity investments – at FVOCI	110	422
Debt investments – at FVTPL	288,691	307,259
	288,801	307,681

Equity investments designated as at FVOCI

The Group's equity investments included a 8.5% stake in Helix RE, Inc., a San Francisco-based architecture design software start-up. The Group's investment in Helix RE, Inc, comprises 2,092,000 Class B shares at a subscription price of US\$ 4.42 per share.

The Group elected an irrevocable option to account for the investment in Helix RE, Inc as financial asset at FVOCI because it represents an investment that the Group intends to hold for long-term strategic purpose. As at 31 December 2019, the Group has fully written down the value of its investment based on an indicative valuation of management buy-out option.

Debt investments designated as at FVTPL

In 2019, the Group, through a wholly owned subsidiary, entered into a subscription agreement to subscribe for up to S\$500,000,000 in aggregate principal amount of fixed rate bonds due 2029 (the "Bonds") and 300,000,000 detachable warrants (the "Warrants") issued by Changi Airports International Pte. Ltd. (the "Issuer").

The Bonds may be issued in one or more tranche(s), bear interest at the rate of 5.00% per annum and mature on the tenth anniversary of the date of issue of the first tranche of Bonds. The interest comprises a coupon payment of 3.75% per annum to be settled in cash and a payment-in-kind interest of 1.25% per annum to be settled by the incremental EBITDA value calculated and agreed between the Group and the Issuer in respect of the projects introduced by the Issuer to the Group. The Warrants will be issued subject to and with the benefit of a deed poll executed by the Issuer, and are exercisable by the Group to be converted into equity shares in the capital of certain subsidiaries of the Issuer that is worth up to \$400 million. Valuation will be performed and agreed between the Issuer and the Group at each time of conversion to determine the number of shares to be issued or transferred to the Group. The subscription of the Bonds and Warrants will enable the Group to potentially gain exposure to the Issuer's portfolio of international airport assets.

In 2019, the Group subscribed to \$300,000,000 of the bonds issued and 300,000,000 detachable warrants, funded by the redeemable convertible preference shares issued by the Company.

In 2020, the Issuer redeemed \$40,000,000 of the bonds previously issued. Refer to Note 33 for the redemption of the remaining bonds by the Issuer post the current financial year.

Refer to Note 19 for fair value measurement of the investments.

9 Deferred tax

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1/1/2019 \$'000	Adjusted on initial application of SFRS(1) 16 \$'000	Acquired in business combinations \$'000 (Note 26)	Recognised in profit or loss \$'000 (Note 24)	Transfer (to)/ from tax recoverable \$'000	Recognised directly in equity \$'000	Exchange difference \$'000	Set off of tax \$'000	At 31/12/2019 \$'000
Deferred tax assets									
Trade and other payables	8,482	–	1	(1,797)	–	–	98	–	6,784
Lease liabilities	–	22,672	222	7,095	–	–	(319)	–	29,670
Allowance for receivables and contract assets	5,096	–	–	943	(1)	–	(209)	–	5,829
Employee benefits	12,421	–	–	(3,935)	–	1,234	(357)	–	9,363
Tax loss carry-forwards	2,650	–	(8)	1,035	–	–	(38)	–	3,639
Other items	4,478	–	–	(2,878)	(64)	699	(120)	–	2,115
Set off of tax	(1,776)	–	–	–	–	–	–	(3,989)	(5,765)
	31,351	22,672	215	463	(65)	1,933	(945)	(3,989)	51,635
Deferred tax liabilities									
Property, plant and equipment	(3,142)	132	(70)	564	(117)	–	1	–	(2,632)
Right-of-use assets	–	(21,136)	(215)	(5,310)	–	–	280	–	(26,381)
Intangible assets	(9,268)	–	(1,528)	1,268	–	–	63	–	(9,465)
Deferred revenue	(6,066)	–	–	3,670	–	–	106	–	(2,290)
Taxable temporary difference arising from amount due from overseas subsidiary	(1,800)	–	–	–	–	–	–	–	(1,800)
Other items	(5,118)	–	–	4,468	(207)	–	404	–	(453)
Set off of tax	1,776	–	–	–	–	–	–	3,989	5,765
	(23,618)	(21,004)	(1,813)	4,660	(324)	–	854	3,989	(37,256)
Total	7,733	1,668	(1,598)	5,123	(389)	1,933	(91)	–	14,379

Group	At 1/1/2020 \$'000	Acquired in business combinations \$'000 (Note 26)	Disposal of subsidiary \$'000 (Note 27)	Recognised in profit or loss \$'000 (Note 24)	Transfer (to)/ from tax recoverable \$'000	Recognised directly in equity \$'000	Exchange difference \$'000	Set off of tax \$'000	At 31/12/2020 \$'000
Deferred tax assets									
Trade and other payables	6,784	-	(150)	(1,828)	-	-	695	-	5,501
Lease liabilities	29,670	-	-	(3,082)	-	-	2,013	-	28,601
Allowance for receivables and contract assets	5,829	-	-	347	-	-	342	-	6,518
Employee benefits	9,363	-	-	1,409	-	(23)	737	-	11,486
Tax loss carry-forwards	3,639	-	-	902	-	(102)	186	-	4,625
Other items	2,115	-	-	2,660	-	814	194	-	5,783
Set off of tax	(5,765)	-	-	-	-	-	-	2,285	(3,480)
	51,635	-	(150)	408	-	689	4,167	2,285	59,034
Deferred tax liabilities									
Property, plant and equipment	(2,632)	(92)	-	514	-	69	(15)	-	(2,156)
Right-of-use assets	(26,381)	-	-	2,699	-	(198)	(1,623)	-	(25,503)
Intangible assets	(9,465)	(13)	-	4,793	-	-	(40)	-	(4,725)
Deferred revenue	(2,290)	(1,579)	-	(2,004)	-	-	(415)	-	(6,288)
Taxable temporary difference arising from amount due from overseas subsidiary	(1,800)	-	-	-	-	-	-	-	(1,800)
Other items	(453)	-	153	(4,405)	(246)	(1)	(1,192)	-	(6,144)
Set off of tax	5,765	-	-	-	-	-	-	(2,285)	3,480
	(37,256)	(1,684)	153	1,597	(246)	(130)	(3,285)	(2,285)	(43,136)
Total	14,379	(1,684)	3	2,005	(246)	559	882	-	15,898

Company	At 1/1/2019 \$'000	Adjusted on initial application of SFRS(I) 16 \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Set off of tax \$'000	At 31/12/2019 \$'000	Recognised in profit or loss \$'000	Recognised directly in equity \$'000	Set off of tax \$'000	At 31/12/2020 \$'000
Deferred tax asset										
Derivative financial liabilities	1	—	—	10	—	11	—	252	—	263
Trade and other payables	82	3	4	—	—	89	(89)	—	—	—
Allowance for receivables	10	—	12	—	—	22	314	—	—	336
Tax loss carry-forwards	—	—	885	—	—	885	(350)	—	—	535
Set-off tax	(93)	—	—	—	(16)	(109)	—	—	(226)	(335)
	—	3	901	10	(16)	898	(125)	252	(226)	799
Deferred tax liability										
Property, plant and equipment	(333)	(3)	(191)	—	—	(527)	93	—	—	(434)
Set-off tax	93	—	—	—	16	109	—	—	226	335
	(240)	(3)	(191)	—	16	(418)	93	—	226	(99)
Total	(240)	—	710	10	—	480	(32)	252	—	700

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Deductible temporary differences	298	604	—	—
Tax losses	36,108	25,100	—	—
	<u>36,406</u>	<u>25,704</u>	<u>—</u>	<u>—</u>

Tax losses of \$15,483,000 (2019: \$12,425,000) expire between 1 and 7 years. The remaining tax losses and deductible temporary differences do not expire under current tax legislation. Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain Group entities operate. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group entities can utilise the benefits therefrom.

10 Inventories

	Group	
	2020	2019
	\$'000	\$'000
Consumables	1,235	906
Trading goods	344	502
	<u>1,579</u>	<u>1,408</u>

A total amount of \$2,408,000 (2019: \$1,555,000) was recognised as expense during the year and included in 'costs of sales'.

11 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Trade receivables	409,447	350,984	—	—
Impairment losses	(53,523)	(34,224)	—	—
Net trade receivables	<u>355,924</u>	<u>316,760</u>	<u>—</u>	<u>—</u>
Trade amounts due from:				
- related corporations	5,337	8,980	—	—
- related parties	485	768	—	—
Non-trade amounts due from:				
- related corporations	—	—	—	—
- related parties	—	96	24	34
- joint venture	1,934	2,514	—	—
- subsidiaries	—	—	424,247	400,997
Reinsurance receivable	25,443	26,878	—	—
Other receivables	95,046	31,511	1,114	422
Deposits	6,608	5,739	1	6
	<u>490,777</u>	<u>393,246</u>	<u>425,386</u>	<u>401,459</u>
Prepayments	19,645	18,729	1,891	47
	<u>510,422</u>	<u>411,975</u>	<u>427,277</u>	<u>401,506</u>

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Non-current	1	35	260,000	300,000
Current	510,421	411,940	167,277	101,506
	<u>510,422</u>	<u>411,975</u>	<u>427,277</u>	<u>401,506</u>

Current outstanding balances with subsidiaries, related corporations and related parties are unsecured, interest free and repayable on demand. The Company's amount due from subsidiaries relate to the management services rendered by the Company to the subsidiaries and advances to subsidiaries amounting to \$159.0 million (2019: \$91.8 million). The Company's non-current outstanding receivable of \$260 million (2019: \$300 million) relates to a loan due from a subsidiary that is repayable in 2029.

Reinsurance receivable amounts from third-party insurers, \$25,443,000 (2019: \$26,878,000), pertain to the SMEC subgroup's captive insurance arrangement, and are recognised when recovery is virtually certain. These amounts are recognised gross of the provision for insurance claims (see Note 18 for more information).

Other receivables include grants receivable of \$33,544,000 (2019: nil) relating to amounts granted to the Group under the COVID-19 Government Relief Measures, mainly the Jobs Support Scheme ("JSS") initiative by the Singapore Government (see Note 21). The initiative is intended to defray certain manpower costs.

The Group and the Company's exposure to credit and currency risks, relating to trade and other receivables (excluding prepayments), are disclosed in Note 19.

12 Contract assets/liabilities

	Group	
	2020	2019
	\$'000	\$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	5,345,282	5,015,409
Less: Progress billings	(5,127,673)	(4,804,416)
	<u>217,609</u>	<u>210,993</u>
Representing:		
Contract assets	343,503	347,228
Contract liabilities	(125,894)	(136,235)
	<u>217,609</u>	<u>210,993</u>

Contracts work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is determined based on costs incurred to date plus profit recognised to date less progress billings and recognised losses.

The estimation of the allowance for expected losses on long-term consultancy contracts requires management to prepare cost estimates to complete such contracts, and in making such estimates, judgments are required to evaluate contingencies such as potential variance in scheduling, staff costs, and the impact of change orders or liability claims. All known or anticipated losses based on these estimates are provided for in their entirety without regard to the stage of completion. These estimates are based on management's business practices as well as historical experience and contractual arrangements with suppliers. The estimated total costs for each contract are reviewed on a regular basis by management in order to determine the cost to be recognised in profit or loss at each reporting date and to assess whether allowance for expected losses is required to be set up. Actual costs could differ from the estimates.

Significant changes in the contract assets and the contract liabilities balances during the year are as follows.

	Contract assets		Contract liabilities	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	111,038	70,233
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	(92,259)	(91,027)
Contract assets reclassified to trade receivables	(139,088)	(117,840)	–	–
Changes in measurement of progress	1,669	(2,008)	973	(155)
Impairment loss on contract assets	18	(925)	–	–
Cumulative catch-up as a result of contract modifications	15,039	(6,865)	(5,446)	(1,157)

13 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	509,906	350,337	16,915	24,282
Fixed deposits	102,690	11,743	–	–
Cash and cash equivalents in the consolidated statement of financial position	612,596	362,080	16,915	24,282
Bank overdraft	(3,880)	(6,539)		
Restricted cash	–	(106)		
Cash and cash equivalents in the consolidated statement of cash flows	608,716	355,435		

Fixed deposits with financial institutions mature with varying dates between 10 days and 103 days (2019: 6 days and 82 days) from the financial year end.

14 Capital and reserve

Share capital	Ordinary shares		Redeemable convertible preference shares	
	2020	2019	2020	2019
Fully paid, with no par value	No of shares	No of shares	No of shares	No of shares
Company	'000	'000	'000	'000
In issue as at 1 January	124,700	124,700	810,633	510,633
Issued for cash	—	—	—	300,000
Capital reduction	—	—	(40,000)	—
As at 31 December	124,700	124,700	770,633	810,633

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Redeemable convertible preference shares

	Group and Company	
	2020	2019
	\$'000	\$'000
Issue of redeemable convertible preference shares	770,633	810,633
Transaction costs	(520)	(520)
Carrying amount as at 31 December	770,113	810,113

The redeemable convertible preference shares may be redeemed from time to time at the sole option of the Company at a conversion rate of 1 redeemable convertible preference share to 2 ordinary shares, subject to the written consent of each redeemable convertible preference share holder.

The holders of the redeemable convertible preference shares are entitled to receive, in preference to the holders of ordinary shares, a cumulative dividend to be determined by the Board of Directors from time to time ("Preference Dividend"). So long as any redeemable convertible preference shares are in issue, no dividends shall be declared and/or paid on the ordinary shares except with prior written consent of the holders of redeemable convertible preference shares. The holders of the redeemable convertible preference shares are not entitled to vote at any general meeting of the Company.

In 2020, the Company redeemed 40,000,000 redeemable convertible preference shares of \$1 each. All redeemed shares are fully paid in cash.

Reserves

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Foreign currency translation reserve	(7,092)	(27,297)	—	—
Hedging reserve	(10,500)	(5,878)	(1,283)	(53)
Fair value reserve	(13,409)	(12,896)	—	—
Statutory reserve	575	572	—	—
Accumulated profit/(losses)	51,492	(10,175)	(79,216)	(85,310)
	21,066	(55,674)	(80,499)	(85,363)

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign currency differences arising from hedges of net investment in foreign operations.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income until the assets are derecognised or impaired.

Statutory reserve

In accordance with the relevant PRC regulations, certain subsidiaries in the PRC are required to appropriate at least 10% of their profit after tax in their annual statutory financial statements, as determined in accordance with the PRC accounting standards and regulations applicable to the subsidiaries, to the statutory reserve until such reserve reaches 50% of the registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders.

15 Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Non-current				
Mid-term notes	350,000	350,000	350,000	350,000
Transaction costs	(956)	(1,157)	(956)	(1,157)
Carrying amount of bonds	349,044	348,843	349,044	348,843
Secured bank loans	35,000	35,000	—	—
Unsecured bank loans	186,774	177,736	33,563	33,553
Lease liabilities	95,446	101,951	3	8
	666,264	663,530	382,610	382,404
Current				
Bank overdrafts	3,880	6,539	—	—
Secured bank loans	—	—	—	—
Unsecured bank loans	101,198	—	50,000	—
Lease liabilities	40,586	36,855	6	6
	145,664	43,394	50,006	6
Total interest-bearing liabilities	811,928	706,924	432,616	382,410

The weighted average effective interest rates of bank overdrafts at the end of the reporting period were as follows:

	Group	
	2020	2019
Bank overdrafts	4.85%	5.65%

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

Group	Currency	Nominal interest rate %	Year of maturity \$'000	2020		2019	
				Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Mid-term notes	SGD	4.11%	2025	350,000	349,044	350,000	348,843
Secured bank loans	SGD	3-month SOR + 0.83%	2022	35,000	35,000	35,000	35,000
Unsecured bank loans	AUD	3-month AUD BBSY + 0.9%	2023	116,252	116,252	107,834	107,834
Unsecured bank loans	SGD	SOR + 0.8%	2024	70,000	69,923	70,000	69,902
Unsecured bank loans	SGD	1.85% - 2.00%	2021	100,000	100,000	—	—
Unsecured bank loans	USD	1.00%	2022	1,797	1,797	—	—
Lease liabilities	SGD	2.00% - 5.00%	2021-2046	19,107	16,676	29,813	26,768
Lease liabilities	AUD	4.26% - 4.99%	2021-2034	75,520	64,451	77,000	64,345
Lease liabilities	CAD	3.33% - 6.50%	2023-2029	1,663	1,573	757	708
Lease liabilities	USD	3.33% - 6.69%	2021-2031	20,944	16,439	12,713	10,264
Lease liabilities	GBP	4.58% - 4.78%	2022 - 2026	3,577	3,233	—	—
Lease liabilities	ZAR	10.25%-11.12%	2021-2028	23,843	16,626	28,285	18,814
Lease liabilities	Others	2.80%-20.14%	2021-2028	18,841	17,034	20,425	17,907
Bank overdrafts	CAD/INR	3.3% - 9.0%	Nil	3,880	3,880	6,539	6,539
				840,424	811,928	738,366	706,924

The secured bank loans of the Group are secured over building and property with carrying amount of \$25,718,000 (2019: \$26,754,000).

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risk is included in Note 19.

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

	Liabilities			Derivative (assets)/ liabilities held to hedge long-term borrowings			Total \$'000
	Bank overdrafts \$'000	Other loans and borrowings \$'000	Lease liabilities \$'000	Total loans and borrowings \$'000	Interest rate swaps, currency swaps and forward contracts used for hedging - assets \$'000	Interest rate swaps, currency swaps and forward contracts used for hedging - liabilities \$'000	
Balance at 1 January 2019	5,666	566,036	1,005	572,707	(304)	2,878	575,281
Recognition of lease liabilities on initial application of SFRS(I) 16	–	–	151,176	151,176	–	–	151,176
Restated balance at 1 January 2019	5,666	566,036	152,181	723,883	(304)	2,878	726,457
Changes from financing cash flows							
Proceeds from borrowings	–	69,949	–	69,949	–	–	69,949
Repayment of borrowings	–	(71,225)	–	(71,225)	–	–	(71,225)
Payment of lease liabilities	–	–	(30,850)	(30,850)	–	–	(30,850)
Payment of interest on lease liabilities	–	–	(7,990)	(7,990)	–	–	(7,990)
Other changes							
Acquisition through business combinations	–	–	1,422	1,422	–	–	1,422
Effect of movement in exchange rates	109	(3,335)	(1,209)	(4,435)	(5)	(10)	(4,450)
Change in bank overdrafts	764	–	–	764	–	–	764
New leases	–	–	17,262	17,262	–	–	17,262
Capitalised borrowing costs	–	154	–	154	–	–	154
Interest expense on lease liabilities	–	–	7,990	7,990	–	–	7,990
Others	–	–	–	–	230	4,277	4,507
Balance at 31 December 2019	6,539	561,579	138,806	706,924	(79)	7,145	713,990

	Liabilities			Derivative (assets)/ liabilities held to hedge long-term borrowings			Total
	Bank overdrafts \$'000	Other loans and borrowings \$'000	Lease liabilities \$'000	Total loans and borrowings \$'000	Interest rate swaps, currency swaps and forward contracts used for hedging - assets \$'000	Interest rate swaps, currency swaps and forward contracts used for hedging - liabilities \$'000	\$'000
Balance at 1 January 2020	6,539	561,579	138,806	706,924	(79)	7,145	713,990
Changes from financing cash flows							
Proceeds from borrowings	–	100,000	–	100,000	–	–	100,000
Payment of lease liabilities	–	–	(34,825)	(34,825)	–	–	(34,825)
Payment of interest on lease liabilities	–	–	(6,765)	(6,765)	–	–	(6,765)
Other changes							
Acquisition through business combinations	–	1,839	10,529	12,368	–	–	12,368
Disposal of subsidiary	–	–	(128)	(128)	–	–	(128)
Effect of movement in exchange rates	6	8,376	3,970	12,352	–	–	12,352
Change in bank overdrafts	(2,665)	–	–	(2,665)	–	–	(2,665)
New leases	–	–	18,904	18,904	–	–	18,904
Disposal/ termination of lease liabilities	–	–	(1,224)	(1,224)	–	–	(1,224)
Capitalised borrowing costs	–	222	–	222	–	–	222
Interest expense on lease liabilities	–	–	6,765	6,765	–	–	6,765
Others	–	–	–	–	79	6,291	6,370
Balance at 31 December 2020	3,880	672,016	136,032	811,928	–	13,436	825,364

16 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Non-current				
Contingent consideration for acquisition of:				
- a subsidiary	9,562	11,091	—	—
Deferred consideration for acquisition of:				
- a subsidiary	1,389	4,155	—	—
Share-based payment liability	1,195	1,272	—	—
Accrued expenses	5,305	4,791	—	—
	<u>17,451</u>	<u>21,309</u>	<u>—</u>	<u>—</u>
Current				
Trade payables	73,650	69,472	—	—
Trade amounts due to:				
- related corporations	91	142	—	—
- a related party	12	—	—	—
Other payables	62,267	40,758	6,577	6,719
Non-trade amounts due to:				
- subsidiaries	—	—	5,672	4,488
- related corporation	36,649	1,524	—	—
- related party	12	—	—	—
Advance payments received	104,032	25,278	883	—
Accrued project costs and expenses	216,105	189,749	11,883	8,980
Deferred consideration for acquisition of:			—	—
- subsidiaries	9,307	1,343	—	—
Contingent consideration for acquisition of:				
- a subsidiary	4,678	3,053	—	—
	<u>506,803</u>	<u>331,319</u>	<u>25,015</u>	<u>20,187</u>
	<u>524,254</u>	<u>352,628</u>	<u>25,015</u>	<u>20,187</u>

Non-current accrued expenses relate to long service leave payable upon employees leaving service.

Outstanding balances with subsidiaries, related corporations and a related party are unsecured, interest-free and repayable on demand.

Advance payments received includes deferred grants of \$59,306,000 (2019: nil), granted to the Group under the COVID-19 Government Relief Measures, mainly the Job Support Scheme (JSS) initiative by the Singapore Government (see Note 21). The incentive is intended to defray certain manpower costs.

The Group and Company's exposure to currency and liquidity risks relating to trade and other payables is disclosed in Note 19.

Contingent and deferred consideration for the acquisition of subsidiaries

The Group has agreed to pay the selling shareholders in 1 to 3 years' time contingent consideration up to \$23 million if the acquiree achieves certain EBITDA, new contracts secured, net cash contribution and orderbook targets in each of the financial years between 31 December 2018 and 2023. Contingent consideration of \$3 million was paid in 2020 (2019: \$4 million). The Group has included \$14.2 million (2019: \$14.1 million) as contingent consideration related to the additional consideration, which represents its fair value at 31 December 2020.

The consideration payable also includes deferred consideration of \$21.5 million (payable of \$22.1 million net of unamortised discount of \$0.6 million), which is to be paid within 1 to 2 years. Deferred consideration of \$11.4 million was paid in 2019. The Group has included \$10.7 million (2019: \$5.5 million) as deferred consideration payable as at 31 December 2020.

The fair value measurement for contingent and deferred consideration relating to acquisition of subsidiaries has been categorised as a Level 3 fair value. The following table shows a reconciliation from the beginning balance to the ending balance for the fair value measurements in Level 3 of the fair value hierarchy.

	Group		
	Contingent consideration \$'000	Deferred consideration \$'000	Total \$'000
At 1 January 2019	—	—	—
Acquisition through business combinations	17,414	16,468	33,882
Contingent consideration paid	(4,002)	—	(4,002)
Deferred consideration paid	—	(11,357)	(11,357)
Unwinding of discount	732	387	1,119
At 31 December 2019	14,144	5,498	19,642
At 1 January 2020	14,144	5,498	19,642
Acquisition through business combinations	4,167	5,008	9,175
Contingent consideration paid	(3,000)	—	(3,000)
Unwinding of discount	404	190	594
Change in fair value	(1,475)	—	(1,475)
At 31 December 2020	14,240	10,696	24,936

Share-based payment liability

Share-based payment liability pertains to a cash-settled share-based payment transaction that originated in 2017. It is measured at fair value at inception and at the end of the reporting period. Refer to Note 31 for details of the cash-settled share-based payment transaction.

17 Derivative financial instruments

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Assets				
Non-current				
Call options	3,063	1,030	—	—
	<u>3,063</u>	<u>1,030</u>	<u>—</u>	<u>—</u>
Current				
Forward exchange contracts used for hedging	—	79	—	—
	<u>—</u>	<u>79</u>	<u>—</u>	<u>—</u>
Liabilities				
Non-current				
Interest rate swaps used for hedging	12,399	6,948	1,546	64
Put options	2,294	3,194	—	—
	<u>14,693</u>	<u>10,142</u>	<u>1,546</u>	<u>64</u>
Current				
Interest rate swaps not used for hedging	—	132	—	—
Forward exchange contracts used for hedging	1,037	65	—	—
	<u>1,037</u>	<u>197</u>	<u>—</u>	<u>—</u>
Total	<u>(12,667)</u>	<u>(9,230)</u>	<u>(1,546)</u>	<u>(64)</u>

Derivative financial instruments, measured at fair value, include:

- (1) interest rate swaps entered into by the Group to manage the interest rate risk on the AUD-denominated and SGD-denominated floating rate bank loans;
- (2) forward exchange contracts;
- (3) put-and-call options to purchase the remaining equity interest in the B+H subgroup at a price to be determined by the financial performance of the B+H subgroup from 2018 to 2021.

Fair values of (1) to (2) are based on broker's quote. Fair values of (3) are based on independent valuations. The notional amounts and the fair value measurement are disclosed in Note 19.

18 Provisions

Group	Onerous contracts \$'000	Liquidated damages \$'000	Restoration costs \$'000	Insurance claims \$'000	Total \$'000
At 1 January 2019	6,542	132	2,111	25,587	34,372
Initial application of SFRS(I) 16	(256)	–	2,301	–	2,045
Addition through business combinations	3	–	102	–	105
Provisions made/(reversed) during the year	(838)	2,046	460	18,675	20,343
Provisions used during the year	(1,814)	(1,587)	–	(10,772)	(14,173)
Effect of movement in exchange rates	1	–	(59)	(932)	(990)
At 31 December 2019	3,638	591	4,915	32,558	41,702
Addition through business combinations	–	–	121	–	121
Provisions made during the year	2,589	716	848	14,673	18,826
Provisions used during the year	(309)	(1,057)	–	(18,876)	(20,242)
Effect of movement in exchange rates	(21)	–	227	2,663	2,869
At 31 December 2020	5,897	250	6,111	31,018	43,276
2019					
Non-current	–	–	2,433	–	2,433
Current	3,638	591	2,482	32,558	39,269
	3,638	591	4,915	32,558	41,702
2020					
Non-current	–	–	3,777	–	3,777
Current	5,897	250	2,334	31,018	39,499
	5,897	250	6,111	31,018	43,276

Onerous contracts

Provision for onerous contracts on long-term consultancy contracts are made when cost estimates to complete such contracts exceed revenue derived from these contracts.

A subsidiary of the Group has entered into non-cancellable contracts for the provision of qualified resident engineers to assist in the supervision of civil and structural works for various construction contracts for a client. The costs of employing the resident engineers are higher than the revenue derived from the contracts. The Group expects to incur the majority of the liability over the next year. A provision for the obligation for the future payments, net of expected revenue from the contracts, has been provided for.

Another subsidiary of the Group sublets its office space at an amount lower than its rental cost. A provision for the rental shortfall up to the end of the lease period, has been provided for.

Liquidated damages

Provision for liquidated damages is in respect of accrual for contractual obligations, and is expected to be utilised in the following financial year.

Restoration costs

The Group is required to restore certain offices to their original condition at the end of the respective lease terms.

Insurance claims

A provision for insurance claims is recognised in respect of the Group's wholly-owned captive insurance controlled entity. The provision covers claims incurred but not yet paid; claims incurred but not yet reported; and the anticipated direct and indirect costs of settling these claims (see Note 11 for related reinsurance receivable).

19 Financial instruments

Overview

The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. Management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Audit and Risk Committee is responsible for setting the objectives, policies and procedures of financial risk management for the Group. The Audit and Risk Committee and management establish the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Audit and Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Management establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed before entering into agreements with new customers. The reinsurance receivable of \$25,443,000 (2019: \$26,878,000) is with a leading global reinsurer and is considered not to include any amounts owing with significant credit risk.

The carrying amounts of financial assets and contract assets represent the Group and the Company's maximum exposures to credit risk, before taking into account any collateral held. The Group and the Company do not require any collateral in respect of their financial assets. The Group does not require collateral in respect of trade receivables.

Exposure to credit risk

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographical region was as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Singapore	226,355	124,776	419,010	397,212
Australia and New Zealand	56,507	68,386	4,162	2,846
South Asia and Middle East	64,832	61,662	7	3
Africa	39,530	47,161	637	346
Americas	54,319	45,550	690	—
Others	49,234	45,711	880	1,052
	<u>490,777</u>	<u>393,246</u>	<u>425,386</u>	<u>401,459</u>

Impairment

The ageing of trade and other receivables at the reporting date was:

	Impairment		Impairment	
	Gross	losses	Gross	losses
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Group				
Not past due	311,467	(5,544)	182,567	(662)
Past due < 3 months	91,276	(3,915)	110,496	(2,123)
Past due 3 to 6 months	32,516	(5,029)	35,082	(5,786)
Past due 6 to 12 months	31,608	(1,369)	19,157	(701)
Past due 1 to 2 years	27,441	(11,284)	26,191	(2,193)
Past due 2 to 3 years	15,217	(3,906)	20,955	(1,841)
Past due more than 3 years	34,775	(22,476)	33,022	(20,918)
	<u>544,300</u>	<u>(53,523)</u>	<u>427,470</u>	<u>(34,224)</u>
Company				
Not past due	418,651	–	395,925	–
Past due < 3 months	1,425	–	869	–
Past due 3 to 6 months	293	–	107	–
Past due 6 to 12 months	553	–	1,570	–
Past due 1 to 2 years	1,970	–	2,930	–
Past due 2 to 3 years	2,436	–	3	–
Past due more than 3 years	58	–	55	–
	<u>425,386</u>	<u>–</u>	<u>401,459</u>	<u>–</u>

Impairment losses in respect of the trade receivables of the Group related to customers where there is an indication that the customers may not be able to pay their outstanding balances, mainly due to economic circumstances.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade and other receivables, as those amounts mainly relate to customers that have good payment record with the Group.

No aging analysis of contract assets is presented as the balance as at 31 December 2020 is current.

The credit quality of trade and other receivables is assessed based on the credit policy established by the management. The Group monitors customer credit risk by grouping trade and other receivables based on their characteristics.

A summary of the Group's and the Company's exposures to credit risk for trade and other receivables are as follows:

	Group			
	2020		2019	
	Not credit-impaired \$'000	Credit-impaired \$'000	Not credit-impaired \$'000	Credit-impaired \$'000
Singapore *	233,562	—	126,727	—
Australia and New Zealand *	57,053	—	68,352	—
South Asia and Middle East *	66,125	—	61,683	—
Africa *	40,652	—	47,554	—
Americas *	54,793	—	45,980	—
Others *	50,659	—	46,606	—
High risk	—	41,456	—	30,568
	502,844	41,456	396,902	30,568
Loss allowance	(12,067)	(41,456)	(3,656)	(30,568)
	490,777	—	393,246	—

* excluding higher risk

Expected credit loss assessment for customers

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from customers, which comprise a very large number of balances.

The allowance matrix is based on actual credit loss experience over the past one year as opposed to over three years in prior years. The ECL computed is mainly derived from loss rates over the past one year due to the unforeseen bad debts impact arising from the COVID-19 pandemic.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables and contract assets as at 31 December 2020:

	Weighted average loss rate	Gross carrying amount \$'000	Impairment loss allowance \$'000	Credit impaired
Group				
2020				
Not past due (including contract assets)	1.6%	660,456	(11,030)	No
Past due < 3 months	4.3%	91,276	(3,915)	Yes
Past due 3 to 6 months	15.5%	32,516	(5,029)	Yes
Past due 6 to 12 months	4.3%	31,608	(1,369)	Yes
Past due 1 to 2 years	41.1%	27,441	(11,284)	Yes
Past due 2 to 3 years	25.7%	15,217	(3,906)	Yes
Past due more than 3 years	64.6%	34,775	(22,476)	Yes
		893,289	(59,009)	

	Weighted average loss rate	Gross carrying amount \$'000	Impairment loss allowance \$'000	Credit impaired
Group				
2019				
Not past due (including contract assets)	1.2%	535,340	(6,207)	No
Past due < 3 months	1.9%	110,496	(2,123)	Yes
Past due 3 to 6 months	16.5%	35,082	(5,786)	Yes
Past due 6 to 12 months	3.7%	19,157	(701)	Yes
Past due 1 to 2 years	8.4%	26,191	(2,193)	Yes
Past due 2 to 3 years	8.8%	20,955	(1,841)	Yes
Past due more than 3 years	63.3%	33,022	(20,918)	Yes
		<u>780,243</u>	<u>(39,769)</u>	
Company				
2020				
Not past due	0%	418,651	—	No
Past due < 3 months	0%	1,425	—	No
Past due 3 to 6 months	0%	293	—	No
Past due 6 to 12 months	0%	553	—	No
Past due 1 to 2 years	0%	1,970	—	No
Past due 2 to 3 years	0%	2,436	—	No
Past due more than 3 years	0%	58	—	No
		<u>425,386</u>	<u>—</u>	
2019				
Not past due	0%	395,925	—	No
Past due < 3 months	0%	869	—	No
Past due 3 to 6 months	0%	107	—	No
Past due 6 to 12 months	0%	1,570	—	No
Past due 1 to 2 years	0%	2,930	—	No
Past due 2 to 3 years	0%	3	—	No
Past due more than 3 years	0%	55	—	No
		<u>401,459</u>	<u>—</u>	

Movements in allowance for impairment in respect of trade and other receivables and contract assets during the year was as follows:

	Group \$'000
At 1 January 2019	36,549
Additions through business combinations	139
Effect of movement in exchange rates	(916)
Impairment loss recognised	4,253
Amounts written off	(256)
At 31 December 2019	<u>39,769</u>
At 1 January 2020	39,769
Additions through business combinations	315
Effect of movement in exchange rates	2,393
Impairment loss recognised	19,560
Amounts written off	(3,028)
At 31 December 2020	<u>59,009</u>

The higher impairment loss allowance in 2020 reflects the actual and expected impact of COVID-19 pandemic for the Group, including credit impaired balances arising from customers who have ceased operations or undergoing liquidation.

Non-trade amounts due from subsidiaries

The Company held non-trade amounts due from its subsidiaries of \$424,247,000 (2019: \$400,997,000). These balances comprise mainly loans to subsidiaries for investments as well as amounts lent to a subsidiary to satisfy its short term funding requirements. The Company applies the general approach for assessment of ECLs on these receivables. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

Cash and cash equivalent

The Group and Company held cash and cash equivalents of \$612,596,000 and \$16,915,000 as 31 December 2020, respectively (2019: \$362,080,000 and \$24,282,000). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Baa1 to Aa1, based on Moody's ratings. The Group and the Company used the general approach for assessment of ECLs for cash and cash equivalents. Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days; this excludes the potential impact in extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The steps taken by the Group to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the financial statements include the following:

- In April 2020, the Group drew down unsecured loans amounting to \$100,000,000 from the Group's existing credit facilities with the banks as contingency fund. These loans will mature in a year (see Note 15).
- In July 2020, the Group negotiated a \$200,000,000 committed revolving credit facility with a bank that can be drawn down to meet short-term financing needs. Commitment fee is payable on the unutilised facility amount on a quarterly basis.

The following are the contractual maturities of financial liabilities and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	1 to 3 years \$'000	More than 3 years \$'000
Group					
31 December 2020					
<i>Non-derivative financial instruments</i>					
Loans and borrowings	811,928	928,310	172,340	239,211	516,759
Trade and other payables ⁽ⁱ⁾	420,222	423,150	408,485	10,891	3,774
	<u>1,232,150</u>	<u>1,351,460</u>	<u>580,525</u>	<u>250,102</u>	<u>520,533</u>
	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	1 to 3 years \$'000	More than 3 years \$'000
Group					
31 December 2020					
<i>Derivative financial instruments</i>					
Interest rate swaps used for hedging (net-settled) - Liability	12,399	15,386	7,167	7,692	527
Forward exchange contracts used for hedging	1,037	1,037	1,037	–	–
Call options	(3,063)	(3,063)	–	–	(3,063)
Put options	2,294	2,294	–	–	2,294
	<u>12,667</u>	<u>15,654</u>	<u>8,204</u>	<u>7,692</u>	<u>(242)</u>
31 December 2019					
<i>Non-derivative financial instruments</i>					
Loans and borrowings	706,924	841,025	67,486	93,590	679,949
Trade and other payables ⁽ⁱ⁾	327,350	328,530	312,167	16,363	–
	<u>1,034,274</u>	<u>1,169,555</u>	<u>379,653</u>	<u>109,953</u>	<u>679,949</u>
<i>Derivative financial instruments</i>					
Interest rate swaps used for hedging (net-settled) - Liability	6,948	6,973	1,992	3,684	1,297
Forward exchange contracts used for hedging	(14)	(15)	(15)	–	–
Call options	(1,030)	(1,030)	–	–	(1,030)
Put options	3,194	3,194	–	–	3,194
	<u>9,098</u>	<u>9,122</u>	<u>1,977</u>	<u>3,684</u>	<u>3,461</u>
Company					
31 December 2020					
<i>Non-derivative financial instruments</i>					
Loans and borrowings	432,616	505,209	65,433	30,339	409,437
Trade and other payables ⁽ⁱ⁾	24,132	24,132	24,132	–	–
	<u>456,748</u>	<u>529,341</u>	<u>89,565</u>	<u>30,339</u>	<u>409,437</u>
<i>Derivative financial instruments</i>					
Interest rate swaps used for hedging (net-settled) - Liability	1,546	1,560	466	1,094	–

Company	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	1 to 3 years \$'000	More than 3 years \$'000
31 December 2019					
<i>Non-derivative financial instruments</i>					
Loans and borrowings	382,410	470,115	15,170	30,339	424,606
Trade and other payables ⁽ⁱ⁾	20,187	20,187	20,187	—	—
	<u>402,597</u>	<u>490,302</u>	<u>35,357</u>	<u>30,339</u>	<u>424,606</u>
<i>Derivative financial instruments</i>					
Interest rate swaps used for hedging (net-settled) - Liability	64	64	49	42	(27)

⁽ⁱ⁾ Excluding consultancy contracts due to customers and advance payments received

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity. It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings, including inter-company sales, purchases and inter-company balances that are denominated in a currency other than the respective functional currencies of the Group entities. The currencies in which these transactions primarily are denominated are the Singapore dollar (SGD), US dollar (USD), Indian Rupee (INR) and Chinese Yuan Renminbi (RMB).

The Group's centralised treasury unit manages intra-group foreign exchange transactions by netting off the foreign exchange exposures within the Group.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	SGD \$'000	USD \$'000	INR \$'000	RMB \$'000
Group				
2020				
Financial assets				
Trade and other receivables ⁽ⁱ⁾	11,140	48,568	11,123	7,794
Cash and cash equivalents	26	15,228	1,169	3,205
	11,166	63,796	12,292	10,999
Financial liabilities				
Trade and other payables	(30,213)	(29,358)	(9,664)	(2,810)
Net exposure	(19,047)	34,438	2,628	8,189
2019				
Financial assets				
Trade and other receivables ⁽ⁱ⁾	8,840	45,563	14,812	6,125
Cash and cash equivalents	53	9,320	1,081	1,765
	8,893	54,883	15,893	7,890
Financial liabilities				
Trade and other payables	(28,076)	(18,798)	(11,452)	(3,354)
Net exposure	(19,183)	36,085	4,441	4,536

⁽ⁱ⁾ Excluding prepayments

The Company is not exposed to significant foreign currency exposure.

Sensitivity analysis

A 10% weakening of the following currencies against the functional currency of each of the Group entities at the reporting date would increase/(decrease) profit or loss (before any tax effects) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 31 December, as indicated below:

	Profit or loss	
	2020	2019
	\$'000	\$'000
Group		
SGD	1,905	1,918
USD	(3,444)	(3,611)
INR	(263)	(444)
RMB	(819)	(454)

A 10% strengthening of the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group's interest rate risk arises primarily from the interest-bearing financial instruments. Interest rate risk is managed by management on an ongoing basis with the primary objective of limiting the extent to which interest income/expenses could be affected by movements in interest rates. The Group uses interest rate swaps as hedges for the variability in cash flows attributable to interest rate risk.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the critical terms method. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedge ineffectiveness may occur due to changes in the critical terms of either the interest rate swaps or borrowings.

Hedging relationships that are impacted by interest rate benchmark reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding interest rate benchmark reform transition. For further details, see "Managing interest rate benchmark reform and associated risks" below.

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform"). The Group's exposure to IBORs, that are widely referenced in financial contracts include Singapore swap offer rates ("SOR") and Australia bank bill swap bid rates ("BBSY"). There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

The Group's centralised treasury unit monitors and manages the Group's transition to alternative rates. The centralised treasury unit evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

Derivatives

The Group holds interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to SOR or BBSY. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association ("ISDA")'s master agreements. ISDA is currently reviewing its standardised contracts in the light of IBOR reform. When ISDA has completed its review, the Group expects to negotiate the inclusion of new fall-back clauses with its derivative counterparties. No derivative instruments have been modified as at 31 December 2020.

Hedge Accounting

The Group has evaluated to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 December 2020. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates which are SOR and BBSY.

The Group's SOR and BBSY cash flow hedging relationships extend beyond the anticipated cessation date for IBOR. However, there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship. The Group applies the amendments to SFRS(I) 9 issued in December 2019 to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and the hedged instrument, which may lead to hedge ineffectiveness.

The Group's exposure to Singapore-dollar SOR designated in hedging relationships is \$105,000,000 nominal amount at 31 December 2020, representing both the nominal amount of the hedging interest rate swap and the principal amount of the Group's hedged SGD-denominated bank loan liabilities maturing in 2022.

The Group is engaging with lenders to include appropriate fall-back provisions in its floating-rate liabilities with maturities after 2021. We expect that the hedging instrument will be modified as outlined under "Derivatives" above.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management was as follows:

	Group		Company	
	Nominal amount		Nominal amount	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Fixed rate instruments				
Loans and borrowings	(450,841)	(348,843)	(399,044)	(348,843)
Financial assets	391,381	319,002	—	—
Financial liabilities	(136,032)	(138,806)	(9)	(15)
Effect of interest rate swaps	(221,175)	(236,178)	(33,563)	(33,553)
	<u>(416,667)</u>	<u>(404,825)</u>	<u>(432,616)</u>	<u>(382,411)</u>
Variable rate instruments				
Financial assets	407,647	291,526	9,914	9,159
Financial liabilities	(225,055)	(219,276)	(33,563)	(33,553)
Effect of interest rate swaps	221,175	236,178	33,563	33,553
	<u>403,767</u>	<u>308,428</u>	<u>9,914</u>	<u>9,159</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instrument a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Group	Profit or loss		Equity	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
31 December 2020				
Variable rate instruments	4,038	(4,038)	–	–
Interest rate swap	–	–	2,212	(2,212)
Cash flow sensitivity (net)	4,038	(4,038)	2,212	(2,212)
31 December 2019				
Variable rate instruments	3,084	(3,084)	–	–
Interest rate swap	–	–	2,362	(2,362)
Cash flow sensitivity (net)	3,084	(3,084)	2,362	(2,362)
Company				
31 December 2020				
Variable rate instruments	99	(99)	–	–
Interest rate swap	–	–	336	(336)
Cash flow sensitivity (net)	99	(99)	336	(336)
31 December 2019				
Variable rate instruments	92	(92)	–	–
Interest rate swap	–	–	336	(336)
Cash flow sensitivity (net)	92	(92)	336	(336)

Derivative assets and liabilities designated as cash flow hedges

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to impact profit or loss and the fair value of the related hedging instruments.

	Carrying amount \$'000	Expected cash flows \$'000	Within 1 year \$'000	1-3 years \$'000	More than 3 years \$'000
2020					
Group					
Interest rate swaps					
Liabilities	12,399	15,386	7,167	7,692	527
Assets	–	–	–	–	–
	12,399	15,386	7,167	7,692	527
Company					
Interest rate swaps					
Liabilities	1,546	1,560	466	1,094	–

	Carrying amount \$'000	Expected cash flows \$'000	Within 1 year \$'000	1-3 years \$'000	More than 3 years \$'000
2019					
Group					
Interest rate swaps					
Liabilities	6,948	6,973	1,992	3,684	1,297
Assets	—	—	—	—	—
	<u>6,948</u>	<u>6,973</u>	<u>1,992</u>	<u>3,684</u>	<u>1,297</u>
Company					
Interest rate swaps					
Liabilities	<u>64</u>	<u>64</u>	<u>49</u>	<u>42</u>	<u>(27)</u>

Capital management

The Group defines “Capital” as including all components of equity. 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 or issue new shares.

There were no changes in the Group’s approach to capital management during the year.

The Group is required to maintain minimum consolidated net worth ranging between \$250 million to \$500 million at all times, as a condition for bank facilities offered by several banks to the Group.

Several Group entities are required to maintain a minimum tangible net worth ranging from positive net worth to \$70 million at all times.

Apart from maintaining minimum net worth as mentioned above, several Group entities have a requirement to maintain certain ratios such as interest coverage ratio of at least 2 times, debt not exceeding consolidated net worth by more than 0.8 times to 3 times, debt to capital ratio not exceeding 50%, leverage ratio not exceeding 2 times and debt service coverage ratio of at least 125% for operations in a certain region.

The Group had complied with these capital requirement conditions throughout the year.

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group	Carrying amount				Fair value			
	Amortised cost \$'000	FVOCI – equity instruments \$'000	Mandatorily at fair value \$'000	Fair value – hedging instrument \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000
31 December 2020								
Financial assets measured at fair value								
Equity investments – at FVOCI	–	110	–	–	–	110	–	–
Debt investment – at FVTPL	–	–	288,691	–	–	288,691	–	–
Call options	–	–	3,063	–	–	3,063	–	–
	–	110	291,754	–	–	291,864		
Financial assets not measured at fair value								
Cash and cash equivalents	612,596	–	–	–	–	612,596		
Trade and other receivables ⁽ⁱ⁾	490,777	–	–	–	–	490,777		
	1,103,373	–	–	–	–	1,103,373		
Financial liabilities measured at fair value								
Deferred and contingent consideration	–	–	–	–	(24,936)	(24,936)	–	–
Share-based payment liability	–	–	–	–	(1,195)	(1,195)	–	–
Forward exchange contracts used for hedging	–	–	–	(1,037)	–	(1,037)	–	(1,037)
Interest rate swaps used for hedging	–	–	–	(12,399)	–	(12,399)	–	(12,399)
Put options	–	–	(2,294)	–	–	(2,294)	–	–
	–	–	(2,294)	(13,436)	(26,131)	(41,861)		
Financial liabilities not measured at fair value								
Loans and borrowings	–	–	–	–	(811,928)	(811,928)		
Trade and other payables ⁽ⁱⁱ⁾	–	–	–	–	(394,091)	(394,091)		
	–	–	–	–	(1,206,019)	(1,206,019)		

⁽ⁱ⁾ Excluding prepayments

⁽ⁱⁱ⁾ Excluding advance payments received, deferred and contingent consideration and share-based payment liability.

	----- Carrying amount -----				----- Fair value -----					
	Amortised cost \$'000	FVOCI – equity instruments \$'000	Mandatorily at fair value \$'000	Fair value – hedging instrument \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Group										
31 December 2019										
Financial assets measured at fair value										
Equity investments – at FVOCI	–	422	–	–	–	422	–	–	422	422
Debt investment – at FVTPL	–	–	307,259	–	–	307,259	–	–	307,259	307,259
Forward exchange contracts used for hedging	–	–	–	79	–	79	–	79	–	79
Call options	–	–	1,030	–	–	1,030	–	–	1,030	1,030
	–	422	308,289	79	–	308,790				
Financial assets not measured at fair value										
Cash and cash equivalents	362,080	–	–	–	–	362,080				
Trade and other receivables ⁽ⁱ⁾	393,246	–	–	–	–	393,246				
	755,326	–	–	–	–	755,326				
Financial liabilities measured at fair value										
Deferred and contingent consideration	–	–	–	–	(19,642)	(19,642)	–	–	(19,642)	(19,642)
Share-based payment liability	–	–	–	–	(1,272)	(1,272)	–	–	(1,272)	(1,272)
Forward exchange contracts used for hedging	–	–	–	(65)	–	(65)	–	(65)	–	(65)
Interest rate swaps used for hedging	–	–	–	(7,080)	–	(7,080)	–	(7,080)	–	(7,080)
Put options	–	–	(3,194)	–	–	(3,194)	–	–	(3,194)	(3,194)
	–	–	(3,194)	(7,145)	(20,914)	(31,253)				
Financial liabilities not measured at fair value										
Loans and borrowings	–	–	–	–	(706,924)	(706,924)				
Trade and other payables ⁽ⁱⁱ⁾	–	–	–	–	(306,436)	(306,436)				
	–	–	–	–	(1,013,360)	(1,013,360)				

⁽ⁱ⁾ Excluding prepayments

⁽ⁱⁱ⁾ Excluding advance payments received, deferred and contingent consideration and share-based payment liability.

	----- Carrying amount -----			Fair value Level 2 \$'000
	Amortised cost \$'000	Fair value – hedging instruments \$'000	Other financial liabilities \$'000	Total carrying amount \$'000
Company				
31 December 2020				
Financial assets not measured at fair value				
Cash and cash equivalents	16,915	–	–	16,915
Trade and other receivables ⁽ⁱ⁾	425,386	–	–	425,386
	<u>442,301</u>	<u>–</u>	<u>–</u>	<u>442,301</u>
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	(1,546)	–	(1,546)
	<u>–</u>	<u>(1,546)</u>	<u>–</u>	<u>(1,546)</u>
Financial liabilities not measured at fair value				
Loans and borrowings	–	–	(432,616)	(432,616)
Trade and other payables	–	–	(24,132)	(24,132)
	<u>–</u>	<u>–</u>	<u>(456,748)</u>	<u>(456,748)</u>
31 December 2019				
Financial assets not measured at fair value				
Cash and cash equivalents	24,282	–	–	24,282
Trade and other receivables ⁽ⁱ⁾	401,459	–	–	401,459
	<u>425,741</u>	<u>–</u>	<u>–</u>	<u>425,741</u>
Financial liabilities measured at fair value				
Interest rate swaps used for hedging	–	(64)	–	(64)
	<u>–</u>	<u>(64)</u>	<u>–</u>	<u>(64)</u>
Financial liabilities not measured at fair value				
Loans and borrowings	–	–	(382,410)	(382,410)
Trade and other payables	–	–	(20,187)	(20,187)
	<u>–</u>	<u>–</u>	<u>(402,597)</u>	<u>(402,597)</u>

⁽ⁱ⁾ Excluding prepayments

Measurement of fair values

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Equity investments - FVOCI

The fair value is determined by indicative pricing of a management buy-out option.

Debt investment – FVTPL

The fair value is determined by valuation using discounted cash flow method.

Derivatives

In respect of interest rate swaps and foreign exchange contracts, the fair values are determined by reference to brokers' quote at the end of the reporting period.

In respect of put-and-call options relating to purchase of the remaining equity interest in a subsidiary, the fair value is determined using a binomial option pricing model.

Level 3 fair values

Level 3 fair values relate to equity investments designated at fair value through other comprehensive income, contingent consideration, share-based payment liability and put-and-call options which have no observable market prices.

During the financial years presented, there have been no transfers between level 1, 2 and 3.

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurements in Level 3 of fair value hierarchy:

	Equity investment - FVOCI \$'000	Debt investment - FVTPL \$'000	Contingent and deferred consideration \$'000	Share-based payment liability \$'000	Put-and call- options \$'000
At 1 January 2020	422	307,259	19,642	1,272	2,164
Acquisition through business combination	—	—	9,175	—	62
Additions	219	—	—	—	—
Consideration paid	—	—	(3,000)	—	—
Proceeds	—	(40,807)	—	—	—
Effect of movement in exchange rates	(18)	—	—	88	(7)
Unwinding of discount	—	—	594	—	—
Change in fair value	(513)	22,239	(1,475)	(165)	(2,987)
At 31 December 2020	110	288,691	24,936	1,195	(768)
At 1 January 2019	9,552	—	1,748	1,800	2,109
Acquisition through business combination	—	—	33,882	—	—
Additions	294	300,000	—	—	—
Consideration paid	—	—	(15,359)	—	—
Effect of movement in exchange rates	(5)	—	—	(53)	55
Unwinding of discount	—	—	1,233	—	—
Change in fair value	(9,419)	7,259	(1,862)	(475)	—
At 31 December 2019	422	307,259	19,642	1,272	2,164

The following table shows the valuation technique used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Interest rate swap used for hedging Forward exchange contracts	Reference to broker's quote	Not applicable.	Not applicable.
Equity investment - FVOCI	The fair value is determined based on indicative valuation of management buy-out option.	Price of management buy-out option	The estimated fair value would increase/decrease if there is increase/decrease in the price of management buy-out option.
Debt investment - FVTPL	The fair value is determined based on discounted cash flow method.	Discount rate of 10.63%	The estimated fair value would increase/decrease if there is decrease/increase in the discount rate.
Contingent and deferred consideration	The fair value is determined considering the probability of the acquiree meeting the specified earn-out targets.	Discount rate of 4.11% (2019: 4.11% - 6.35%)	The estimated fair value would increase/decrease if there is decrease/increase in the discount rate
Share-based payment liability	Refer to Note 31	Discount rate of 15.30% (2019: 15.30%)	The estimated fair value would increase/decrease if there is decrease/increase in the discount rate
Put-and-call options	The fair value is determined using a binomial option pricing model.	Enterprise Value ("EV") of CAD50m (2019: CAD58m); Volatility rate of 19% in share price	The estimated fair value would increase/ decrease if there is a decrease/increase in the EV and volatility rate

20 Revenue

	Group	
	2020 \$'000	2019 \$'000
Consultancy fees income	1,196,252	1,207,086
Revenue from other services rendered	512,331	470,252
	<u>1,708,583</u>	<u>1,677,338</u>

The Group provides feasibility studies, urban planning, architectural and engineering consultancy services, contract administration services, property consultancy services, land survey, project management, site supervision services, blast consultancy services, environmental design consultancy services, facility management services, quality, environmental, health and safety ("QEHS") services, integrated estate management services, management advisory services, armed and unarmed guard services, training and consultancy and provision of security services and products.

The Group has assessed that the consultancy contracts qualify for over time revenue recognition as there is no alternative use for the consultancy services provided to the customer, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract. Revenue from rendering other services, which includes land survey services, site supervision service, facility management services, integrated estate management services, armed and unarmed guard services is recognised over time when the service is rendered and all criteria for acceptance have been satisfied.

Progress billings to the customer for consultancy contracts are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value of the consultancy services rendered exceeds payments received from the customer, a contract asset is recognised. Invoices for rendering of other services are issued upon completion of services and payable within the agreed credit term days given to the customer. The period between satisfaction of performance obligation and payment by customer is not expected to exceed a year. Hence, the Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component.

No adjustment is made to the transaction price for time value of money as the contracts do not include significant financing component.

As at 31 December 2020, amounts of \$2.7 billion (2019: \$2.8 billion) were allocated to the performance obligations that are unsatisfied, or partially unsatisfied.

21 Other income

	Group	
	2020	2019
	\$'000	\$'000
Reinsurance recoveries and claims	4,634	7,957
Government grants	82,633	4,347
Dividend income	946	363
Management fee income	295	523
Gain on disposal of property, plant and equipment	48	212
Loss on disposal of subsidiary	(184)	–
(Loss)/gain on derivative financial instruments	(2,632)	391
Impairment loss in investment in associate	(405)	–
Impairment loss on investment in joint venture	(6,280)	(1,800)
Printing service income	218	246
Recovery of expenses from clients	1,470	1,503
Rent concession	2,130	–
Others	4,297	3,836
	<u>87,170</u>	<u>17,578</u>

Government grants

In 2020, the Group received government grants from the governments in the various jurisdictions in which the Group operates, with the intention to defray manpower costs during the COVID-19 global pandemic.

In Singapore, the Group received wage support of \$63,524,000 (2019: nil) for local employees under the JSS from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. JSS was recognised in profit or loss in 'other income' on a systematic basis over the period impacted by COVID-19 in which the related salary costs for which the grant is intended to compensate is recognised as expenses. There is outstanding balance of grant receivable \$33,544,000 (see Note 11) and deferred grant \$59,306,000 (see Note 16) as at 31 December 2020.

22 Other expenses

	Group	
	2020	2019
	\$'000	\$'000
Amortisation of intangible assets (excluding computer software)	8,563	12,811
Impairment loss on goodwill	30,468	–
	39,031	12,811

23 Finance income/(costs)

	Group	
	2020	2019
	\$'000	\$'000
Interest income from bank	2,217	3,199
Interest income from debt investment at FVTPL	11,069	8,469
Change in fair value of debt investment at FVTPL	22,239	7,259
Change in fair value of contingent consideration payable	1,475	1,862
Change in fair value of put-and-call options	2,987	–
Finance income	39,987	20,789
Interest and finance charges paid or payable for financial liabilities	(22,840)	(22,792)
Interest on lease liabilities	(6,765)	(7,990)
Unwinding of discount of contingent consideration payable	(594)	(1,233)
Unwinding of discount of provisions	(96)	(105)
Unwinding of capitalised borrowing costs	(222)	(208)
Change in fair value of share-based payment liability	165	475
Net foreign exchange loss	(4,591)	(1,699)
Finance costs	(34,943)	(33,552)
Net finance income/(costs)	5,044	(12,763)

24 Tax expense

	Group	
	2020	2019
	\$'000	\$'000
Current tax expense		
Current year	19,388	28,857
Withholding tax	5,044	2,297
(Over)/Under provided in prior years	(2,771)	3,404
	<u>21,661</u>	<u>34,558</u>
Deferred tax credit		
Origination and reversal of temporary differences	(5,126)	(5,123)
Under provision in respect of prior years	3,121	–
	<u>(2,005)</u>	<u>(5,123)</u>
Total tax expense	<u>19,656</u>	<u>29,435</u>

	Group	
	2020	2019
	\$'000	\$'000
<i>Reconciliation of effective tax rate</i>		
Profit before tax	<u>84,182</u>	<u>67,255</u>
Tax using Singapore tax rate of 17% (2019: 17%)	14,311	11,433
Effect of tax rates in foreign jurisdictions	1,256	6,872
Income not subject to tax	(17,329)	(3,783)
Non-deductible expenses	13,746	11,220
Withholding tax	5,044	2,297
Recognition of tax effect of previously unrecognised tax losses	(2,191)	(1,603)
Recognition of tax effect of previously unrecognised capital allowances	(399)	(187)
Deferred tax assets not recognised	5,674	396
Tax effect on share of profit of associates	(51)	(52)
Tax effect on share of profit of joint ventures	487	3
Tax incentives	(2,005)	(793)
Under provided in prior years	350	3,404
Others	763	228
	<u>19,656</u>	<u>29,435</u>

In the current financial year, the Group benefitted from various tax incentives such as the Mergers and Acquisitions Allowance (“M&A”) scheme and Development and Expansion Incentive (“DEI”).

Under the M&A scheme, an allowance will be granted to a company that acquires the ordinary shares of another company during the period 1 April 2010 to 31 March 2020. The M&A allowance is set at 25% of the value of acquisition and the maximum allowance is capped at \$10 million for all qualifying share acquisitions in the basis period for each year of assessment.

Under the DEI scheme, income derived from qualifying activities in excess of the base income will be taxed at a concessionary rate stipulated in the DEI certificate.

25 Profit for the year

The following items have been included in arriving at profit for the year:

	Note	Group 2020 \$'000	2019 \$'000
Recognition of impairment losses on trade receivables		(19,542)	(5,178)
(Provision)/reversal of expected losses on contracts		(18)	925
(Provision)/reversal for onerous contracts		(2,589)	838
Gain on disposal of property, plant and equipment		48	212
(Loss)/gain on derivative financial instruments		(2,632)	391
Loss on disposal of subsidiary	27	(184)	–
Amortisation of intangible assets included in other expenses	5	(8,563)	(12,811)
Amortisation of intangible assets included in administrative expenses	5	(3,603)	(4,051)
Depreciation of plant and equipment	4, 28	(52,937)	(51,489)
Impairment loss on goodwill	5	(30,468)	–
Staff costs		(1,063,799)	(1,024,365)
Contributions to defined contribution plans, included in staff costs		(47,911)	(47,916)

26 Acquisition of subsidiaries

Acquisition of Prostruct Consulting Pte. Ltd.

On 3 January 2020, a wholly-owned subsidiary of the Company acquired 55% equity interest in Prostruct Consulting Pte. Ltd. (“Prostruct”). The principal activities of Prostruct are those relating to provision of blast consultancy and testing services.

From the date of acquisition to 31 December 2020, Prostruct contributed revenue of \$1,171,000 and net profit of \$42,000 to the Group’s results.

Acquisition of Atelier Ten Ltd

On 12 November 2020, a wholly-owned subsidiary of the Company acquired 70% equity interest in Atelier Ten Ltd and the entities it controlled (collectively “A10”). The principal activities of A10 are those relating to environmental design consultancy services.

From the date of acquisition to 31 December 2020, A10 contributed revenue of \$5,819,000 and net loss of \$544,000 to the Group’s results.

The acquisition of Prostruct complements the Group’s civil and structural engineering capability and security services, allowing the Group to safeguard urban and infrastructure projects globally. The acquisition of A10 will help boost the designing of high-performance, sustainable buildings and smart infrastructure that conserve energy and resources.

If the acquisitions had occurred on 1 January 2020, management estimates that the consolidated revenue for the Group would have been \$1,746.9 million and the consolidated profit of the Group for the year would have been \$78.1 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2020.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Fair value of identifiable assets acquired and liabilities assumed

	2020 Prostruct \$'000	2020 A10 \$'000	2020 Total \$'000
Property, plant and equipment	42	1,206	1,248
Right-of-use assets	11	10,343	10,354
Intangible assets	114	–	114
Derivative financial asset	2	–	2
Trade and other receivables	812	13,519	14,331
Contract assets	202	3,842	4,044
Cash and cash equivalents	320	15,913	16,233
Deferred tax liabilities	(13)	(1,671)	(1,684)
Loans and borrowings	(11)	(12,357)	(12,368)
Current tax payable	–	(1,660)	(1,660)
Contract liability	(14)	–	(14)
Derivative financial liability	(64)	–	(64)
Trade and other payables	(351)	(7,517)	(7,868)
Provisions	–	(121)	(121)
Total identifiable net assets	1,050	21,497	22,547
Less: Non-controlling interest acquired	(471)	(6,449)	(6,920)
Identifiable net assets acquired	579	15,048	15,627

The amounts accounted for Prostruct and A10 business combination including the net identifiable assets acquired as shown above, are provisional and are based on the best available evidence that the Group had at the time of acquisition.

	2020 Prostruct \$'000	2020 A10 \$'000	2020 Total \$'000
Cash and cash equivalents of the subsidiaries acquired	320	15,913	16,233
Less: cash paid for acquisition of the subsidiaries	(639)	(29,351)	(29,990)
Net cash paid on acquisition of the subsidiaries	(319)	(13,438)	(13,757)
Contingent consideration paid for SAA			(3,000)
Net cash paid on acquisition of the subsidiaries, including contingent consideration paid for the prior year's acquisition			(16,757)

In respect of the acquired businesses of Prostruct and A10, the trade receivables comprise gross contractual amounts due of \$13,266,000, of which \$315,000 was impaired at the date of acquisition.

Acquisition of SAA Architects Pte. Ltd. in 2019

On 31 January 2019, a wholly-owned subsidiary of the Company acquired 100% equity interest in SAA Architects Pte. Ltd. (“SAA”). The principal activities of SAA are those relating to provision of architectural services.

During the 11 months from the date of acquisition to 31 December 2019, SAA contributed revenue of \$31,080,000 and net profit of \$6,453,000 to the Group’s results.

The acquisition of SAA will boost the Group’s ability to take on ambitious projects and deepen its urban capabilities, particularly in healthcare and transport. If the acquisition had occurred on 1 January 2019, management estimates that the consolidated revenue for the Group would have been \$1,679.4 million and the consolidated profit of the Group for the year would have been \$37.9 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Fair value of identifiable assets acquired and liabilities assumed

	2019 SAA \$’000
Property, plant and equipment	345
Right-of-use assets	1,289
Intangible assets	8,989
Deferred tax assets	223
Trade and other receivables	3,838
Contract assets	13,001
Cash and cash equivalents	4,633
Deferred tax liabilities	(1,743)
Loans and borrowings	(1,201)
Current tax payable	(1,001)
Contract liability	(2,479)
Trade and other payables	(2,601)
Provisions	(104)
Total identifiable net assets	23,189
Less: Non-controlling interest acquired	—
Identifiable net assets acquired	23,189

The amounts accounted for in the SAA business combination including the net identifiable assets acquired as shown above, are provisional and are based on the best available evidence that the Group had at the time of acquisition.

	2019 \$'000
Cash and cash equivalents of the subsidiary acquired	4,633
Less: cash paid for acquisition of the subsidiary	<u>(29,240)</u>
Net cash paid on acquisition of the subsidiary - SAA	(24,607)
Deferred consideration paid for:	
B+H	(875)
Acquisition of other subsidiaries in prior years	<u>(285)</u>
Net cash paid on acquisition of the subsidiaries, including deferred consideration paid for the prior year's acquisition	<u><u>(25,767)</u></u>

In respect of the acquired business of SAA, the trade receivables comprise gross contractual amounts due of \$3,399,000, of which \$139,000 was impaired at the date of acquisition.

Goodwill

Goodwill recognised as a result of the acquisitions was as follows:

	2020 Prostruct \$'000	2020 A10 \$'000	2020 Total \$'000
Total consideration paid and payable	639	38,526	39,165
Fair value of identifiable net assets	<u>(579)</u>	<u>(15,048)</u>	<u>(15,627)</u>
Goodwill	<u>60</u>	<u>23,478</u>	<u>23,538</u>

	2019 SAA \$'000
Total consideration paid and payable	48,883
Fair value of identifiable net assets	<u>(23,189)</u>
Goodwill	<u><u>25,694</u></u>

The goodwill is attributable mainly to the geographies presence, assembled workforce and synergies expected to be achieved from integrating the acquired subgroups into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs comprising mainly legal fees and due diligence costs amounting to \$545,000 (2019: \$330,000). These costs have been included in administrative expenses in the Group's consolidated statement of profit or loss.

Determination of fair values in purchase price allocation

(i) Property, plant and equipment

The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approach using quoted market prices for similar items when available and depreciated replacement cost when appropriate.

(ii) Intangible assets – order backlog

The fair value of order backlog is estimated using the multi-period excess earnings method based on the expected revenue to be received, less the costs to deliver the products and/or services. Contributory asset capital charges are deducted from the net income of the order backlog to estimate the cash flows attributable solely to the order backlog intangible asset.

(iii) Intangible assets – brand

The fair value of a brand is estimated based on the combined revenue of the entities associated with the brand, using the relief-from-royalty method. The value under this method is the present value of the future stream of royalty payments that the user saves by owning the brand.

(iv) Intangible assets – exclusive licence

The fair value of the exclusive licence is estimated using the multi-period excess earnings method based on 95% of the expected revenue to be received, less revenue from order backlog.

(v) Customer relationship

The fair value of the customer relationship is estimated using the multi-period excess earnings method. The customer attrition rate is set at 5%.

(vi) Trade and other receivables

The fair values of trade and other receivables, excluding contract work-in-progress, are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables are measured at the original invoice amount if the effect of discounting is immaterial.

(vii) Other non-derivative financial liabilities

Other non-derivative financial liabilities, excluding contingent consideration, are measured at fair value at the date of acquisition. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

27 Disposal of subsidiary

Disposal of SMEC Testing Services Pty Ltd

On 30 September 2020, a subsidiary of the Company disposed of its 51% equity interest in SMEC Testing Services Pty Ltd (“STS”).

Details of the disposal are as follow:

Fair value of identifiable assets and liabilities disposed

	Note	2020 STS \$'000
Property, plant and equipment	4	142
Deferred tax assets	9	150
Trade and other receivables		474
Contract assets		60
Cash and cash equivalents		588
Deferred tax liabilities	9	(153)
Loans and borrowings	15	(128)
Current tax payable		63
Trade and other payables		(320)
Total identifiable net assets disposed		876
Less: Non-controlling interest		41
Loss on disposal of subsidiary		(184)
Total consideration received or receivable		733
Less:		
Deferred consideration		(347)
Cash disposed		(588)
Net cash disposed on disposal of subsidiary		(202)

28 Leases

Leases as lessee

The Group leases a number of offices in the countries it operates in. These leases run for a period between 1 and 28 years, with an option to renew the lease after that date. The Group also has lease contracts for various items of plant and equipment, furniture and fittings, office equipment and machinery and motor vehicles used in its operations. These leases generally have lease terms between 2 and 6 years.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Group	Land \$'000	Building and property \$'000	Plant and equipment \$'000	Furniture and fittings \$'000	Office equipment and machinery \$'000	Computer equipment \$'000	Motor vehicle \$'000	Total \$'000
At 1 January 2019 – initial recognition	2,444	132,654	95	12	254	2,324	4,179	141,962
Acquisitions through business combinations	–	1,262	–	–	–	27	–	1,289
Additions to right-of-use assets	–	13,101	14	671	75	1,562	2,307	17,730
Depreciation charge for the year	(89)	(31,518)	(34)	(94)	(96)	(1,076)	(2,131)	(35,038)
Effect of movement in exchange rates	–	(1,003)	–	1	–	(34)	(23)	(1,059)
At 31 December 2019	2,355	114,496	75	590	233	2,803	4,332	124,884
At 1 January 2020	2,355	114,496	75	590	233	2,803	4,332	124,884
Acquisitions through business combinations	–	10,354	–	–	–	–	–	10,354
Additions to right-of-use assets	–	17,197	21	221	453	1,498	1,607	20,997
Derecognition of right-of-use assets	–	(1,307)	–	–	(1,271)	–	(64)	(2,642)
Depreciation charge for the year	(90)	(31,774)	(40)	(221)	(94)	(2,072)	(2,548)	(36,839)
Effect of movement in exchange rates	–	2,811	–	2	–	146	50	3,009
Transfer from/(to) property, plant and equipment or intangibles	–	(1,077)	–	(120)	1,197	268	–	268
At 31 December 2020	2,265	110,700	56	472	518	2,643	3,377	120,031

Company	Office equipment and machinery \$'000
At 1 January 2019	20
Depreciation charge for the year	(5)
At 31 December 2019	<u>15</u>
At 1 January 2020	15
Depreciation charge for the year	(6)
At 31 December 2020	<u>9</u>

Amounts recognised in profit or loss

	2020 \$'000	2019 \$'000
Depreciation charge of right-of-use assets	36,839	35,038
Interest expense on lease liabilities	6,765	7,990
Expenses relating to short-term leases	11,213	11,289
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>1,296</u>	<u>84</u>

Amounts recognised in statement of cash flows

	2020 \$'000	2019 \$'000
Total cash outflow for leases	<u>41,590</u>	<u>38,840</u>

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

In respect of those whose extension options were not included in the initial recognition of lease liabilities up to 31 December 2020, the Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of \$83,089,000 (2019: \$69,722,000).

Rent concessions

The Group received rent concessions from its landlords for some of its offices as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its offices.

The amount recognised in profit or loss in ‘other income’ for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is \$2,130,000 (2019: nil).

29 Contingencies

Guarantees

The Group provided corporate guarantee including performance bonds of up to \$133,570,000 (2019: \$136,490,000) in favour of certain customers and landlords.

Three Group entities also provided corporate guarantees in favour of three banks in respect of bank facilities extended to other Group entities, amounting to \$15,830,000 (2019: \$26,136,000).

At the reporting date, the Group does not consider it probable that a claim will be made against the Group under the guarantees.

Australian Federal Police (“AFP”) Investigation

Prior to the acquisition by the Group, the SMEC subgroup became aware that the AFP had commenced an investigation regarding a small number of institutionally funded projects in which the SMEC subgroup is or was involved. The Group became aware in February 2018 of the inclusion of an additional project in the AFP investigation. The AFP investigation is ongoing, however matters of this nature may take some time to resolve. The SMEC subgroup retained an external law firm to conduct an independent investigation into the project activities in question. The SMEC Board received a report on the findings of this investigation. The finalised report has been provided to the AFP to assist in its investigations. Parts of the report have been provided to relevant international financial institutions. The Group continues to cooperate with the AFP in its investigation.

In September 2017, the Group entered into a Negotiated Resolution Agreement (“NRA”) with the World Bank. The terms of the NRA exclude SMEC International Pty Ltd and four of its subsidiaries from bidding for, or benefitting from World Bank Group (“WBG”) funded or supported projects for varying periods of 6 to 30 months. Under the terms of the NRA, the Group has also committed to make any necessary enhancements to its group-wide corporate integrity compliance program to ensure that it is consistent with the World Bank’s Integrity Compliance Guidelines.

On 27 March 2020, the Group received the Determination of the World Bank Group Integrity Compliance Officer that SMEC International and its subsidiaries have satisfied the conditions imposed under the NRA for its release from WBG sanctions, in accordance with the applicable World Bank Sanctions Procedures.

Based on the results of the independent investigation and its ongoing review of the matter, management has concluded that there is no obligation to recognise a provision in the consolidated statement of financial position as at 31 December 2020.

Costs totalling \$2.2 million in relation to the above independent investigation are included in administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2020 (2019: \$1.6 million).

30 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Transactions with key management personnel

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors of the Company and senior executive officers of the Group. Key management personnel compensation comprised:

	Group	
	2020	2019
	\$'000	\$'000
Short-term employee benefits	32,782	28,586
Post-employment benefits (including CPF)	1,008	972
Other long-term benefits	3,051	2,983
	<u>36,841</u>	<u>32,541</u>

Other related party transactions

Other than disclosed elsewhere in the financial statements, there were the following significant related party transactions carried out by the Group with its related parties at terms agreed between the parties:

	Group	
	2020	2019
	\$'000	\$'000
Related corporations		
Purchases	(2,301)	(2,573)
Sales	36,099	41,370
Management fee charged to a related party	<u>45</u>	<u>937</u>

31 Cash-settled share-based payment transaction

In February 2017, a subsidiary of the Group issued shares to a third party entity that resulted in the dilution of the Group's interest in the Group subsidiary without loss of control. The immediate holding company of the Group subsidiary also entered into put-and-call options to acquire equity of the third party in 7 years or in the event of certain triggering events.

This transaction was accounted for as a cash-settled share-based payment transaction. A share-based payment liability associated with the put-and-call options was initially recognised at fair value of \$2.5 million and share-based payment expense of \$0.8 million was recognised in profit or loss at the transaction date. The share-based payment liability was remeasured at fair value of \$1.2 million (2019: \$1.3 million) as at 31 December 2020. The fair value change of \$0.1 million (2019: \$0.5 million) was recognised in profit or loss.

The fair value of the share-based payment liability is measured using the Black-Scholes formula.

The inputs used in the measurement of the fair values at transaction date and measurement date are as follows:

	Transaction date 23 February 2017	Measurement date 31 December 2019	Measurement date 31 December 2020
Fair value	2,488	1,272	1,195
Spot price	10,335	7,706	6,770
Strike price	4,274	11,116	10,734
Time to maturity (in years)	10	7	6
Volatility	15%	35%	43%
Risk-free rate	7.73%	7.80%	5.40%
Dividend yield (ave)	8.46%	6.70%	6.40%

32 Operating segments

The Group has the following strategic divisions, which are its reportable segments. These divisions are managed separately as they operate in different geographical segments and offer different services. The Core Group, comprising Group Chief Executive Officer (GCEO), Group Chief Finance Officer (GCFO), Group Chief Corporate Officer (GCCO), Group Chief Officer, Integration, M&A (GCO), CEO, New Business and the Chief Executive Officers (CEOs) of the different segments, reviews internal management reports of these operating segments on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Consultancy services offered in different geographical segments based on resources deployed:

- Singapore
- North Asia and South-east Asia
- Australia and New Zealand
- Africa
- South Asia and Middle East
- Europe and Americas

Global Managed Services: Includes facilities management services, integrated estate management services, armed and unarmed guard services.

Global Initiatives: Includes the new investment arm of the Group as well as other global initiatives such as innovation program office that collaborates with external partners on research and development.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit/(loss) before tax, as included in the internal management reports that are reviewed by the Core Group.

Information about reportable segments

		2020					
		Consultancy Services			Global Managed Services	Eliminations	
		North and South-east Asia	Australia and New Zealand	South Asia and Middle East		Global Initiatives	Total
		\$'000	\$'000	\$'000			
Group	Singapore	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue		324,381	99,037	88,310	139,641	79,002	1,202,123
					553,664	48,698	(95,902)
							1,708,583
Operating Profit/(loss)		22,048	2,516	4,466	16,028	4,151	84,624
					56,851	(11,355)	(7,394)
							122,726
2019							
		Consultancy Services			Global Managed Services	Eliminations	
		North and South-east Asia	Australia and New Zealand	South Asia and Middle East		Global Initiatives	Total
		\$'000	\$'000	\$'000			
Group	Singapore	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue		316,060	113,731	106,598	138,590	76,748	1,223,120
					483,532	57,103	(86,417)
							1,677,338
Operating Profit/(loss)		22,212	6,806	5,171	15,246	7,100	103,693
					42,137	(8,848)	1,171
							138,153

Reconciliations of reportable segment profit or loss to SFRS(I) measures

	Group	
	2020	2019
	\$'000	\$'000
Operating profit	122,726	138,153
Unallocated corporate or support costs	(42,019)	(44,714)
Net finance income/(cost)	5,044	(12,763)
Amortisation of intangibles arising from acquisitions	(7,366)	(12,264)
Net non-operating income	10,316	2,261
Others	(4,519)	(3,418)
Net profit before tax	<u>84,182</u>	<u>67,255</u>

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of projects and segment assets are based on the geographical location of the assets.

	Group	
	2020	2019
	\$'000	\$'000
Revenue		
Singapore	858,785	788,716
Australia	403,350	395,905
South Africa	49,308	61,657
Bangladesh	49,644	51,140
India	26,405	31,216
Canada	25,372	33,863
Other countries	295,719	314,841
Consolidated revenue	<u>1,708,583</u>	<u>1,677,338</u>

Non-current assets ⁽ⁱ⁾

Singapore	239,007	239,452
Australia	344,403	353,449
Other countries	95,195	94,100
	<u>678,605</u>	<u>687,001</u>

(i) Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and goodwill and exclude financial instruments and deferred tax assets.

33 Subsequent events

(1) Sustainability-linked bond

In February 2021, the Company issued a public S\$250 million sustainability-linked bond due 2031 under its US\$1,000,000,000 multicurrency debt issuance programme. The ten-year Singapore dollar bond was issued at a coupon rate of 2.48%. The Company needs to meet certain sustainability performance targets, otherwise a premium payment equating to 0.75% of redemption amount will be paid at maturity.

Proceeds from the bond will be used to fund future growth, refinance existing credit lines and provide working capital.

(2) CAI bond early redemption

In April 2021, Changi Airports International Pte. Ltd. (the “Issuer”) has issued a formal notice to the Group, through a wholly owned subsidiary, of its intention to fully redeem the remaining \$260,000,000 outstanding bonds in accordance with the subscription agreement (see Note 8). The principal amount along with all interest accrued are fully paid in the same month.