

Notes to the Financial Statements

Year ended December 31, 2020

D. Our Assets (cont'd)

D1.1 Right-of-use assets and leases

Accounting policies

This note provides information for leases where the Group is a lessee. For leases where the Group is a lessor, assets are measured at cost less accumulated depreciation and impairment losses. Income is recognised in accordance to Note B2 charter hire and rental income.

The Group determines whether an arrangement is or contains a lease at inception. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially used at the commencement date
- the extension option if the Group is reasonably certain to exercise that option
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- amounts expected to be payable by the Group under residual value guarantees, and
- payments of penalties for terminating the lease, if the leases term reflects the Group exercising that option

Adoption of the amendment to SFRS(I) 16 *COVID-19-Related Rent Concession*:

Rent concessions linked to COVID-19 pandemic are not assessed and accounted for as lease modifications but are taken to profit or loss.

The Group assesses at lease commencement date whether it is likely to exercise the extension options and reassesses when there is a significant event or significant changes in circumstances within its control.

The Group leasing activities and how these are accounted for

The Group leases land and building from non-related parties. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The policy on impairment and reversal of impairment is consistent with property, plant and equipment as disclosed in Note D1.

Payment associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less while low-value assets comprise of office equipment.

Key estimates and judgements

The Group considers all facts and circumstances that create an economic incentive to exercise an extension option, extension options are only included in the lease term if the lease is reasonably certain to be extended. If the Group should exercise the extension option, the potential future lease payments would result in an increase in lease liability.

D. Our Assets (cont'd)

D1.1 Right-of-use assets and leases (cont'd)

i. Amounts recognised in the balance sheets Group

| <i>(S\$ million)</i> | December 31, 2020 | December 31, 2019 |
|--|-------------------|-------------------|
| Right-of-use assets | | |
| Leasehold land and buildings | 226 | 396 |
| Plant and machinery | * | 9 |
| Marine vessels | – | 52 |
| Motor vehicles | 3 | 1 |
| Furniture, fittings and office equipment | 1 | 6 |
| | 230 | 464 |

Lease liabilities recognised in the balance sheets:

| <i>(S\$ million)</i> | December 31, 2020 | December 31, 2019 |
|---------------------------------|-------------------|-------------------|
| Current | 11 | 34 |
| Non-current | 215 | 470 |
| | 226 | 504 |
| Maturity analysis | | |
| Within 1 year | 11 | 34 |
| After 1 year but within 5 years | 36 | 112 |
| After 5 years | 179 | 358 |
| Total | 226 | 504 |

In 2020, cost of S\$15 million (2019: S\$75 million) was transferred from property, plant and equipment and remaining additions to the right-of-use assets were S\$42 million (2019: S\$32 million).

Company

| <i>(S\$ million)</i> | December 31, 2020 | December 31, 2019 |
|------------------------------|-------------------|-------------------|
| Right-of-use assets | | |
| Leasehold land and buildings | 66 | 68 |
| Plant and machinery | 30 | 32 |
| Motor vehicles | – | * |
| | 96 | 100 |

Notes to the Financial Statements

Year ended December 31, 2020

D. Our Assets (cont'd)

D1.1 Right-of-use assets and leases (cont'd)

i. Amounts recognised in the balance sheets (cont'd)

Lease liabilities recognised in the balance sheet:

| Company | December 31, 2020 | December 31, 2019 |
|---------------------------------|----------------------|----------------------|
| <i>(\$ million)</i> | | |
| Current | 4 | 4 |
| Non-current | 112 | 116 |
| | 116 | 120 |
| Maturity analysis | | |
| Within 1 year | 4 | 4 |
| After 1 year but within 5 years | 17 | 16 |
| After 5 years | 95 | 100 |
| Total | 116 | 120 |

During the year, additions to the right-of-use assets were S\$1 million (2019: S\$1 million).

ii. Amounts recognised in profit or loss

| <i>(\$ million)</i> | Group | |
|---|-------|-------|
| | 2020 | 2019* |
| Depreciation charge of right-of-use assets | | |
| Leasehold land and buildings | 12 | 12 |
| Plant and machinery | 1 | 2 |
| Motor vehicles | 1 | 1 |
| Furniture, fittings and office equipment | 1 | * |
| | 15 | 15 |
| Interest expense (included in finance cost) | 9 | 9 |
| Expense relating to short-term leases (included in cost of goods sold and administrative expenses) | 3 | 3 |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses) | 4 | 3 |
| Expense relating to variable lease payments not included in lease liabilities (included in cost of goods sold and administrative expenses) | * | * |

The total cash outflow for leases in 2020 of S\$40 million (2019: S\$48 million) has been reduced by total S\$1 million of rent concessions linked to COVID-19 received from lessors and taken to profit or loss primarily from continuing operations.

D. Our Assets (cont'd)

D2. Investment properties

The Group holds certain properties for rental yields and for capital appreciation.

Accounting policies

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives ranging from 20 to 60 years or the lease period of 15 to 16 years. The assets' depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate. No depreciation is provided on the freehold land.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as additions when it increases the future economic benefits, embodied in the specific asset to which it relates, and its costs can be measured reliably. The carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised as an expense when incurred.

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.