

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.

Notes to the Financial Statements

Year ended December 31, 2020

D. Our Assets (cont'd)

D2. Investment properties (cont'd)

(\$ million)	Note	Investment properties	Group Investment properties work-in-progress	Total
Cost				
Balance at January 1, 2020		146	3	149
Translation adjustments		4	*	4
Additions		1	6	7
Reclassification		6	(6)	–
Transfer from property, plant and equipment	D1	1	–	1
Transfer to inventories		*	–	*
Disposals / Write-offs		*	–	*
Balance at December 31, 2020		158	3	161
Accumulated depreciation and impairment losses				
Balance at January 1, 2020		21	–	21
Translation adjustments		1	–	1
Depreciation for the year	B4(a)	4	–	4
Transfer from property, plant and equipment	D1	*	–	*
Disposals / Write-offs		*	–	*
Balance at December 31, 2020		26	–	26
Carrying amounts				
At January 1, 2020		125	3	128
At December 31, 2020		132	3	135
Cost				
Balance at January 1, 2019		50	80	130
Translation adjustments		(2)	*	(2)
Additions		*	21	21
Reclassification		98	(98)	–
Balance at December 31, 2019		146	3	149
Accumulated depreciation and impairment losses				
Balance at January 1, 2019		20	–	20
Translation adjustments		*	–	*
Depreciation for the year	B4(a)	1	–	1
Balance at December 31, 2019		21	–	21
Carrying amounts				
At January 1, 2019		30	80	110
At December 31, 2019		125	3	128

D. Our Assets (cont'd)

D2. Investment properties (cont'd)

Amounts recognised in profit or loss for investment properties

(\$ million)	Group 2020	2019
Rental income	7	8
Operating expenses arising from rental of investment properties	5	5

The fair value of the investment properties as at the balance sheet date is S\$191 million (2019: S\$175 million). The fair values are mostly determined by independent professional valuers using a combination of investment income method and direct or market comparison techniques, including adjustments to reflect the specific use of the investment properties. Such valuation is derived from observable market data from an active and transparent market. In the absence of current prices in an active market, the fair values are determined by considering the aggregate of the estimated cash flow expected to be received from renting out the properties or Directors' valuation. A yield that reflects the specific risks inherent in the cash flows is then applied to the net annual cash flows to obtain the fair values.

Investment properties of S\$18 million (2019: S\$16 million) have been pledged to secure loan facilities.

The Group leases out its investment properties. The lease agreement provides for additional lease payments annually based on changes to a price index. Non-cancellable operating lease rentals receivable are included in Note C9(b).

D3. Intangible assets

The balance sheet contains significant intangible assets, mainly in relation to goodwill, intellectual property rights and long-term contracts. Goodwill, which arises when business acquired at a higher amount than the fair value of its net assets primarily due to the synergies expected to create, is not amortised but is subject to annual impairment reviews. The intellectual property rights and long-term contracts are amortised over the estimated life of the rights and contracts.

Accounting policies

a. Goodwill

Goodwill is measured at cost less accumulated impairment losses. The goodwill cost represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, less the net amount recognised (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a negative goodwill is recognised immediately in profit or loss.

Goodwill is tested for impairment on an annual basis.

Goodwill that has previously been taken to reserves is not taken to profit or loss when (i) the business is disposed of or discontinued or (ii) the goodwill is impaired. Similarly, negative goodwill that has previously been taken to reserves is not taken to profit or loss when the business is disposed of or discontinued.

b. Intellectual property rights

Intellectual property rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 10 to 15 years.