

Notes to the Financial Statements

Year ended December 31, 2020

E. Working Capital (cont'd)

E1. Trade and other receivables (cont'd)

e. Prepayments

Prepayments are charged to profit or loss on a straight-line basis over the prepaid period. They relate primarily to:

Group

- Connection fees prepaid under the Generation Connection and Use of System Agreement for the use of the transmission lines to a related corporation amounted to S\$22 million (2019: S\$24 million);
- Service fees prepaid under the Gasoil Supply and Storage Agreement for the usage of the tank; and
- Capacity charges prepaid for the use of gas delivery pipelines, prepaid insurance premium, transport tariff recoverable and maintenance of plant.

Company

- Connection and capacity charges prepaid for the use of pipelines and pipe racks.

f. Other receivables

Other receivables in 2019 represent amount settled with a vendor in the form of strategic spares received in 2020 (Note D1).

E2. Inventories

Accounting policies

i. Inventories

Finished goods, consumable materials and spares are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expense.

Discontinued operation

Key estimates and judgements

Key source of estimation uncertainty – determination of net realisable value of inventories

The net realisable value of inventories of subsidiaries in the Marine sector is estimated by reference to contract prices. However, such net realisable value may not be the actual realisable value, arising from contract modifications, if any, which may result in other variable considerations. Such contract modifications may significantly affect the eventual realisable value of inventories and there is a significant risk of resulting in a material adjustment to the carrying amounts of inventories in future.

ii. Development properties

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

Key estimates and judgements

Critical accounting judgements in applying the Group's accounting policies – classification of development properties

In assessing the classification of development properties, management considers its intention with regards to the use of the properties, i.e. held with the intention of development and sale in the ordinary course of business or for rental and capital appreciation. Where there is a change in intended use, a change in classification may be required.

E. Working Capital (cont'd)

E2. Inventories (cont'd)

	Group		Company	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<i>(S\$ million)</i>				
Raw materials and consumables	192	225	*	*
Finished goods	70	183	7	7
	262	408	7	7
Allowance for inventory obsolescence	(66)	(22)	(3)	(3)
	196	386	4	4
Properties under development	*	*	–	–
	196	386	4	4

Amounts recognised in profit or loss

	Note	Group	
		2020	2019
<i>(S\$ million)</i>			
– Inventories recognised as an expense in cost of sales		826	1,927
– Inventories written down / (written back)	(i)	45	*
– Inventories written off	(ii)	53	–

Inventories of S\$112 million (2019: S\$95 million) have been pledged to secure loan facilities.

- During the year, due to the significant decline in fuel prices, the value of the Group's inventory of gasoil for fulfilling certain regulatory, was written down by S\$45 million to its net realisation value.
- In 2020, a subsidiary in Singapore has commenced legal proceedings to assert its ownership of the gasoil stored and managed by third party, the net carrying value of S\$53 million was fully written off after taking into account the financial positions of the third party reported by the interim judicial manager.