

## Notes to the Financial Statements

Year ended December 31, 2019

### B. Our Performance (cont'd)

#### B3. Taxation (cont'd)

##### a. Tax expenses

##### i. Current tax expense

(\$ million)	Group	
	2019	2018
<b>Current tax expense</b>		
Current year	137	107
Over provided in prior years	(17)	(39)
Foreign withholding tax	17	27
	137	95
<b>Deferred tax expense</b>		
Movements in temporary differences	(78)	(27)
(Over) / Under provided in prior years	(12)	28
Effect of changes in tax rates	(1)	(8)
	(91)	(7)
<b>Land appreciation tax</b>		
Current year	32	–
	78	88
<b>Reconciliation of effective tax rate</b>		
Profit for the year	217	332
Total tax expense	78	88
Share of results of associates and joint ventures, net of tax	(184)	(174)
Profit before share of results of associates and joint ventures, and tax expense	111	246
Tax using Singapore tax rate of 17%	19	42
Effect of changes in tax rates	(1)	(8)
Effect of different tax rates in foreign jurisdictions	21	19
Tax incentives and income not subject to tax	(42)	(38)
Expenses not deductible for tax purposes	55	52
Utilisation of deferred tax benefits not previously recognised	(9)	(53)
Over provided in prior years	(29)	(11)
Deferred tax benefits not recognised*	37	76
Foreign withholding tax	17	27
Land appreciation tax	32	–
Effect of tax reduction on land appreciation tax	(8)	–
Tax adjustment on changes in undistributed profits from foreign entities*	(12)	(17)
Others	(2)	(1)
Tax expense	78	88

\* Comparative balances have been revised to conform to current year presentation.

### B. Our Performance (cont'd)

#### B3. Taxation (cont'd)

##### b. Deferred tax assets and liabilities

##### Accounting policies

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax liabilities and assets on a net basis.

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

##### Key estimates and judgements

Certain subsidiaries of the Group have tax benefits arising from unutilised tax losses, tax credits and deductible temporary differences, which are available for set-off against future taxable profits. Of these, the utilisation of these tax benefits, for which deferred tax asset was recognised, is premised on these subsidiaries' ability to generate taxable profits in the foreseeable future. This is, however, highly dependent on macroeconomic conditions impacting the offshore and marine sector, expected movements and recovery of oil prices, and financial strength of the subsidiaries' customers, which would then significantly affect the realisability of these deferred tax assets.

## Notes to the Financial Statements

Year ended December 31, 2019

### B. Our Performance (cont'd)

#### B3. Taxation (cont'd)

##### b. Deferred tax assets and liabilities (cont'd)

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

<i>(\$ million)</i>	At January 1	Recognised in profit or loss (Note B3(a))	Recognised in equity (Note B3(c))	Acquisition of subsidiaries (Note G2)	Disposal of subsidiaries (Note G2)	Transfer to held for sale	Translation adjustments	At December 31
<b>Group</b>								
<b>2019</b>								
<b>Deferred tax liabilities</b>								
Property, plant and equipment	485	(38)	–	–	(1)	(1)	*	445
Other financial assets	28	*	*	–	–	–	*	28
Trade and other receivables	26	(1)	–	–	–	–	–	25
Intangible assets	81	(19)	–	–	–	–	(1)	61
Other items	15	(12)	1	*	–	(1)	2	5
<b>Total</b>	<b>635</b>	<b>(70)</b>	<b>1</b>	<b>*</b>	<b>(1)</b>	<b>(2)</b>	<b>1</b>	<b>564</b>
<b>Deferred tax assets</b>								
Property, plant and equipment	(168)	2	–	–	–	5	1	(160)
Inventories	(3)	1	–	–	–	–	–	(2)
Trade receivables	2	(6)	–	–	–	1	*	(3)
Trade and other payables	(26)	(3)	*	–	–	1	*	(28)
Tax losses	(3)	(6)	–	–	–	2	1	(6)
Provisions	(49)	3	–	–	–	*	1	(45)
Other financial liabilities	(34)	(1)	6	–	–	–	*	(29)
Retirement benefit obligations	6	*	–	–	–	–	*	6
Other items	(2)	(11)	*	–	–	1	*	(12)
<b>Total</b>	<b>(277)</b>	<b>(21)</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>10</b>	<b>3</b>	<b>(279)</b>

### B. Our Performance (cont'd)

#### B3. Taxation (cont'd)

##### b. Deferred tax assets and liabilities (cont'd)

<i>(\$ million)</i>	At January 1	Recognised in profit or loss (Note B3(a))	Recognised in equity (Note B3(c))	Acquisition of subsidiaries (Note G2)	Disposal of subsidiaries (Note G2)	Translation adjustments	At December 31
<b>Group</b>							
<b>2018</b>							
<b>Deferred tax liabilities</b>							
Property, plant and equipment	492	(6)	–	21	(9)	(13)	485
Other financial assets	39	–	(11)	–	–	–	28
Trade and other receivables	24	2	–	–	–	–	26
Intangible assets	64	(4)	–	24	–	(3)	81
Other items	16	–	(1)	–	–	*	15
<b>Total</b>	<b>635</b>	<b>(8)</b>	<b>(12)</b>	<b>45</b>	<b>(9)</b>	<b>(16)</b>	<b>635</b>
<b>Deferred tax assets</b>							
Property, plant and equipment	(171)	3	–	–	–	–	(168)
Inventories	(4)	1	–	–	–	–	(3)
Trade receivables	(2)	4	–	–	–	–	2
Trade and other payables	(20)	(6)	–	–	–	–	(26)
Tax losses	(13)	5	–	–	–	5	(3)
Provisions	(29)	(20)	–	–	–	–	(49)
Other financial liabilities	(22)	–	(12)	–	–	–	(34)
Retirement benefit obligations	–	6	–	–	–	–	6
Other items	(10)	8	–	–	–	–	(2)
<b>Total</b>	<b>(271)</b>	<b>1</b>	<b>(12)</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>(277)</b>

## Notes to the Financial Statements

Year ended December 31, 2019

### B. Our Performance (cont'd)

#### B3. Taxation (cont'd)

##### b. Deferred tax assets and liabilities (cont'd)

<i>(\$ million)</i>	At January 1, 2018	Recognised in profit or loss	At December 31, 2018	Recognised in profit or loss	At December 31, 2019
<b>Company</b>					
<b>Deferred tax liabilities</b>					
Property, plant and equipment	59	(2)	57	(21)	36
<b>Deferred tax assets</b>					
Provisions	(6)	(1)	(7)	–	(7)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting included in the balance sheets are as follows:

<i>(\$ million)</i>	Group		Company	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Deferred tax liabilities	348	425	29	50
Deferred tax assets	(62)	(67)	–	–
	286	358	29	50

As at December 31, 2019, a deferred tax liability of S\$14 million (2018: S\$16 million) for potential taxable temporary differences arising from undistributed retained earnings related to investment in subsidiaries and joint ventures were not recognised.

Deferred tax assets have not been recognised in respect of the following items, which are available to set off against future taxable income subject to the tax provisions and agreement by the relevant tax authorities of the various jurisdictions:

<i>(\$ million)</i>	Group	
	December 31, 2019	December 31, 2018
Deductible temporary differences	133	173
Tax losses	1,656	1,547
Capital allowances	49	21
	1,838	1,741

Tax losses of the Group amounting to S\$44 million (2018: S\$253 million) will expire between 2020 and 2027 (2018: 2019 and 2026). The remaining tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation.

Deferred tax assets have not been recognised under the following circumstances:

- i. Where they qualify for offset against the tax liabilities of member companies within the Group under the Loss Transfer System of Group Relief but the terms of the transfer have not been ascertained as at year end; or
- ii. Where it is uncertain that future taxable profit will be available against which certain subsidiaries of the Group can utilise the benefits.

### B. Our Performance (cont'd)

#### B3. Taxation (cont'd)

##### c. Other comprehensive income

Tax effects relating to each component of other comprehensive income:

<i>(\$ million)</i>	2019			Group			2018		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Foreign currency translation differences for foreign operations	(94)	–	(94)	(160)	–	(160)			
Exchange differences on monetary items forming part of net investment in a foreign operation	(3)	–	(3)	(1)	–	(1)			
Share of other comprehensive income of associates and joint ventures	(12)	–	(12)	31	–	31			
Cash flow hedges: net movement in hedging reserves (Note (i))	21	(6)	15	(125)	23	(102)			
Financial assets at FVOCI: net movement in fair value reserve (Note (ii))	40	–	40	(4)	*	(4)			
Realisation of reserve upon disposal of joint venture	(1)	–	(1)	–	–	–			
Realisation of reserve upon disposal / liquidation of subsidiaries	(3)	–	(3)	19	–	19			
Defined benefit plan actuarial gains and losses	7	(1)	6	(5)	1	(4)			
<b>Other comprehensive income</b>	<b>(45)</b>	<b>(7)</b>	<b>(52)</b>	<b>(245)</b>	<b>24</b>	<b>(221)</b>			

<i>(\$ million)</i>	Group	
	2019	2018
<b>i. Cash flow hedges:</b>		
Net change in fair value of hedging instruments	36	50
Amount reclassified to profit or loss	(15)	(175)
Tax expense	(6)	23
Net movement in the hedging reserve during the year recognised in other comprehensive income	15	(102)
<b>ii. Financial assets as FVOCI:</b>		
Changes in fair value	40	4
Tax expense	–	*
Net changes in fair value during the year recognised in other comprehensive income	40	4