

# Notes to the Financial Statements

Year ended December 31, 2020

## C. Our Funding

### C1. Capital structure

#### Capital management

The Group maintains a disciplined approach to capital management. The Group seeks to optimise the overall portfolio, maintain investor, creditor and market confidence, fund future developments and growth, while at the same time maintain an appropriate dividend policy.

The Group's policy is to borrow centrally using a mixture of long-term and short-term capital market issues and borrowing facilities to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are loaned internally or contributed as equity to certain subsidiaries.

Capital is defined as equity attributable to the equity holders.

The Group's debt-to-capitalisation ratio as at the balance sheet date was as follows:

(\$ million)	Group	
	2020	2019
Debt	7,728	10,800
Total equity	3,476	7,879
Total debt and equity	11,204	18,679
Debt-to-capitalisation ratio	0.69	0.58

There were no changes in the Group's approach to capital management during the year. During the year, the decrease in equity and debt was mainly due to the financial effect of the Distribution (Note G3) and the redemption of the Group's perpetual securities on their first call dates, using lower cost debt facilities. The debt amount does not include the lease liabilities of \$226 million (2019: \$504 million) on balance sheet, consequent to the adoption of SFRS(I) 16.

Some of its subsidiaries are required to maintain a certain ratio of net borrowings to net assets and certain level of leverage ratio as required under their respective loan arrangements with banks. These externally imposed capital requirements have been complied with as at the respective reporting dates.

### C2. Share capital and treasury shares

#### Accounting policies

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects.

(\$ million)	Number of shares	
	Issued Share Capital	Treasury Shares
At January 1, 2020	1,787,547,732	1,966,276
Treasury shares purchased	–	8,152,100
Treasury shares transferred pursuant to restricted share plan	–	(3,879,603)
At December 31, 2020	1,787,547,732	6,238,773

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. All shares rank equally with regard to the Company's residual assets.

## C. Our Funding (cont'd)

### C2. Share capital and treasury shares (cont'd)

#### Issued and paid up capital

As at December 31, 2020, the Company's issued and paid up capital excluding treasury shares comprised 1,781,308,959 (December 31, 2019: 1,785,581,456) ordinary shares.

#### Treasury shares

During the year, the Company acquired 8,152,100 (2019: 2,030,100) ordinary shares in the Company by way of on-market purchases. 3,879,603 (2019: 3,163,962) treasury shares were re-issued pursuant to the Restricted Share Plan (RSP).

As at December 31, 2020, 6,238,773 (December 31, 2019: 1,966,276) treasury shares were held that may be re-issued upon the vesting of performance shares and restricted shares under the Performance Share Plan (PSP) and RSP respectively.

### C3. Other reserves

(\$ million)	Note	Group		Company	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
<b>Distributable</b>					
Reserve for own shares	(a)	(11)	(4)	(11)	(4)
<b>Non-distributable</b>					
Currency translation reserve	(b)	(475)	(482)	–	–
Capital reserve	(c)	160	156	–	–
Merger reserve	(d)	29	29	–	–
Share-based payments reserve	(e)	(10)	(9)	*	*
Fair value reserve	(f)	60	74	–	–
Hedging reserve	(g)	(132)	(87)	–	–
Cost of hedging reserve	(h)	(1)	–	–	–
		(380)	(323)	(11)	(4)

#### a. Reserve for own shares

#### Accounting policies

When the ordinary shares are reacquired by the Company, the consideration paid is recognised as deduction from equity, presented as reserve for own shares. Reacquired shares are classified as treasury shares.

When the treasury shares are subsequently sold or re-issued, the cost of the treasury shares is reversed from reserve for own shares account and the realised gain or loss on the transaction is presented as a change in equity of the Company. No gain or loss is recognised in profit or loss.

At December 31, 2020, the Company held 6,238,773 (2019: 1,966,276) of its own uncanceled shares as treasury shares.