B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

Revenue from contracts with customers *(cont'd)*

c. Assets and liabilities related to contracts with customers *(cont'd)*

Significant changes in the contract liabilities balances during the year are as follows:

	Group		Company	
(S$ million)	2020	2019	2020	2019
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	(137)	(478)	(3)	(3)
Increases due to cash received, excluding amounts recognised as revenue during the year	257	268	–	6
Disposal of subsidiary	–	(23)	–	–
Distribution of a subsidiary	(147)	–	–	–
Write-off of contract liabilities to other income	–	(2)	–	(2)
Currency translation changes	2	(4)	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	2	(2)	–	–
– Contract modifications	(2)	(1)	–	–

Contract Costs

(S$ million)	December 31, 2020	December 31, 2019
Group		
Current assets		
Costs to secure contracts	1	1
Fulfilment cost	*	89
	1	90
Non-current assets		
Costs to secure contracts	1	2

i. Costs to secure contracts

Management expects the incremental costs of securing contracts to be recoverable. The Group has therefore capitalised them in the amount of less than S$1 million (2019: S$3 million) as at December 31, 2020.

ii. Fulfilment cost

Costs incurred relating to rig and shipbuilding and construction that are to be sold upon completion are capitalised as fulfilment cost for future performance obligations. These costs are expected to be recoverable and are amortised to profit or loss when the related revenue is recognised. In 2020, S$167 million (2019: S$560 million) was amortised to cost of sales and there was no impairment losses (2019: S$nil). During 2019, engineering designs under development of S$50 million was reclassified from contract costs to intangible assets (Note D3(a)).

B. Our Performance *(cont'd)*

B3. Taxation

This note explains how our Group tax charge arises. The deferred tax section of the note also provides information on our expected future tax charges and sets out the tax assets held across the Group together with our view on whether we expect to be able to make use of these in future.

Accounting policies

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to business combinations, or to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or recoverable in respect of the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, joint ventures and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Key estimates and judgements

The Group is subjected to taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. In determining the amount of current and deferred taxes, the Group takes into account current understanding and interpretation of existing tax laws and judgement as to whether the tax balances will be utilised and / or reversed in foreseeable future. The eventual taxes paid or received may vary, such differences will be charged to profit or loss in the period when determination is made.

B. Our Performance *(cont'd)*

B3. Taxation *(cont'd)*

a. Tax expenses

i. Current tax expense

(S$ million)	Group 2020	Group 2019*
Current tax expense		
Current year	55	133
Over provided in prior years	(17)	(9)
Foreign withholding tax	18	17
	56	141
Deferred tax expense		
Movements in temporary differences	(29)	(48)
Under / (over) provided in prior years	4	(9)
Effect of changes in tax rates	*	(1)
	(25)	(58)
Land appreciation tax		
Current year	1	32
Tax expense on continuing operations	32	115
Reconciliation of effective tax rate		
Profit for the year from continuing operations	179	333
Total tax expense	32	115
Share of results of associates and joint ventures, net of tax	(233)	(186)
(Loss) / Profit before share of results of associates and joint ventures, and tax expense from continuing operations	(22)	262
Tax using Singapore tax rate of 17%	(4)	45
Effect of changes in tax rates	*	(1)
Effect of different tax rates in foreign jurisdictions	22	20
Tax incentives and income not subject to tax	(22)	(29)
Expenses not deductible for tax purposes	42	47
Utilisation of deferred tax benefits not previously recognised	(27)	(8)
Over provided in prior years	(13)	(18)
Deferred tax benefits not recognised	5	16
Foreign withholding tax	18	17
Deferred tax on unremitted dividend income	5	–
Land appreciation tax	1	32
Effect of tax reduction on land appreciation tax	*	(8)
Others	5	2
Tax expense on continuing operations	32	115

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.

Discontinued operation

In 2019, the realisability of SCM's deferred tax assets was also 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.