A. About These Financial Statements *(cont'd)*

A2. Summary of significant accounting policies *(cont'd)*

ii. Basis of consolidation *(cont'd)*

Non-controlling interests

NCI are part of the net results and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the owners of the Company. They are shown separately in the consolidated statements of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the NCI in a subsidiary based on their respective interest in a subsidiary, even if this results in the NCI having a deficit balance.

Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of net assets of the subsidiary.

Associates and joint ventures

Associates and joint ventures are accounted for using the equity method of accounting from the date that significant influence commences until the date that significant influence ceases and are recognised initially at cost. The cost of investments includes transaction costs. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment (including any other unsecured receivables, that in substance, form part of the Group's net investment in the associate) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or made payments on its behalf to satisfy obligations of the associate that the Group has guaranteed or otherwise committed on behalf of.

The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is credited to profit or loss in the period of the acquisition. Where the audited financial statements are not yet available for the purpose of statutory filing, the share of results is arrived at from management financial statements.

Impairment for associates and joint ventures

An impairment loss in respect of an associate or joint venture shall be recognised if, and only if, the recoverable amount of the (associate or joint venture) investment is less than the carrying amount. An impairment loss is recognised in the profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Joint operation

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

A. About These Financial Statements *(cont'd)*

A2. Summary of significant accounting policies *(cont'd)*

iii. Service concession arrangements

The Group entered into service concession contracts with local governments or governing agency (the grantor) to design, build and operate (including maintenance of) water treatment plants or power generation plants, over an agreed period ranging from 22 to 30 years. At the end of the concession period, these assets are to be transferred to the grantor and any extension will be based on mutual agreements. These contractual arrangements fall within the scope of SFRS(I) INT 12 *Service Concession Arrangements*.

The Group recognises and measures revenue for building (construction services) and operating these assets as specified in the contracts in accordance with SFRS(I) 15 for the services performed. See accounting policies (c) in Note B2.

If the Group is paid for the construction services partly by financial assets and partly by intangible assets, then each component of the consideration is accounted for separately and recognised initially at fair value (Note E1 and D3(c) respectively).

iv. Adoption of new accounting policies

The Group has applied the following amendments to SFRS(I)s which became effective on January 1, 2020. The Group has also early adopted the amendments to SFRS(I) 16 on COVID-19-Related Rent Concessions to all property leases, which introduced a practical expedient for a lessee to elect not to assess whether a rent concession is a lease modification. The details of the accounting policies and related disclosures are in Note D1.1 on Right-of-Use Assets and Leases.

- Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*
- Amendments to SFRS(I) 3 *Definition of a business*
- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Amendment to SFRS(I) 16 *COVID-19-Related Rent Concessions*

B. Our Performance

B1. Segments information

The principal activities of the Company are those of an investment holding company, as well as the corporate headquarter and the production and supply of utilities services, terminalling and storage of petroleum products and chemicals.

The management examines the Group's performance both from business activities and geographic perspective and has identified three (2019: four) reportable segments of its business according to the key subsidiaries. The Group's President & CEO regularly reviews and monitors the segment turnover, operating results and assets of these segments separately for decisions making, resource allocation and performance assessment.

The principal activities of key subsidiaries of continuing operations are as follows:

i. Energy

The Energy segment's principal activities are in the provision of power and water to industrial, commercial and municipal customers. Key activities in the power sector include power generation, process steam production, as well as natural gas importation. In the water sector, the business offers wastewater treatment as well as the production of reclaimed, desalinated and potable water and water for industrial use. In addition, the business also provides on-site logistics, solid waste management and specialised project management, engineering, and procurement services;

ii. Urban

The Urban segment owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Asia; and

iii. Others / Corporate

The Others / Corporate segment comprises businesses mainly relating to minting, design and construction activities, offshore engineering and others.

B. Our Performance *(cont'd)*
B1. Segments information *(cont'd)*
a. Operating segments

Information regarding the continuing operations' results of each reportable segment is included below.

(S$ million)	Energy	Urban	Others / Corporate	Elimination	Total
	Continuing operations				
2020					
Turnover					
External sales	5,266	9	172	–	5,447
Inter-segment sales	12	–	8	(20)	–
Total	5,278	9	180	(20)	5,447
Results					
Segment results	527	(14)	(71)	–	442
Share of results of associates and joint ventures, net of tax	122	109	2	–	233
Profit from operations	649	95	(69)	–	675
Finance income	33	2	143	(143)	35
Finance costs	(473)	(3)	(128)	105	(499)
	209	94	(54)	(38)	211
Tax expense	(28)	(1)	(3)	–	(32)
Non-controlling interests	(21)	(1)	–	–	(22)
Net profit / (loss) from continuing operations for the year	160	92	(57)	(38)	157
Loss from discontinued operation before elimination of inter-segment finance cost, net of tax and NCI					(222)
Elimination of inter-segment finance cost					38
Loss from discontinued operation, net of tax and NCI					(184)
Loss on the Distribution					(970)
Net loss for the year					(997)
Significant non-cash items					
Depreciation and amortisation	431	3	10	–	444
Allowance for impairment in value of assets and assets written off, net	76	–	*	–	76
Impairment on assets held for sale	4	–	–	–	4
Impairment of goodwill	27	–	–	–	27
Negative goodwill	(17)	–	–	–	(17)
Write-down of inventory to net realisable value	45	–	–	–	45
Write-off of inventory	53	–	–	–	53
Impairment of investment in an associate and a joint venture	81	–	32	–	113
Assets					
Segment assets	11,702	451	4,567	(4,807)	11,913
Associates and joint ventures	852	736	–	–	1,588
Tax assets	48	10	3	–	61
Total assets	12,602	1,197	4,570	(4,807)	13,562
Liabilities					
Segment liabilities	8,756	113	5,573	(4,807)	9,635
Tax liabilities	405	30	16	–	451
Total liabilities	9,161	143	5,589	(4,807)	10,086
Capital expenditure[1]	300	2	11	–	313

[1] Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

B. Our Performance *(cont'd)*
B1. Segments information *(cont'd)*
a. Operating segments *(cont'd)*

(S$ million)	Energy	Urban	Others / Corporate	Elimination	Total
	Continuing operations				
2019*					
Turnover					
External sales	6,138	280	317	–	6,735
Inter-segment sales	32	*	13	(45)	–
Total	6,170	280	330	(45)	6,735
Results					
Segment results	603	102	1	–	706
Share of results of associates and joint ventures, net of tax	114	75	(3)	–	186
Profit from operations	717	177	(2)	–	892
Finance income	38	5	157	(161)	39
Finance costs	(489)	(5)	(123)	134	(483)
	266	177	32	(27)	448
Tax expense	(45)	(58)	(12)	–	(115)
Non-controlling interests	(26)	(2)	–	–	(28)
Net profit from continuing operations for the year	195	117	20	(27)	305
Loss from discontinued operation before elimination of inter-segment finance cost, net of tax and NCI					(85)
Elimination of inter-segment finance cost					27
Loss from discontinued operation, net of tax and NCI					(58)
Net profit for the year					247
Significant non-cash items					
Depreciation and amortisation	423	1	13	–	437
Allowance for impairment in value of assets and assets written off, net	154	–	*	–	154
Impairment of goodwill	65	–	–	–	65
Negative goodwill	(1)	–	–	–	(1)
Allowance for expected credit loss	6	1	*	–	7
Impairment on assets reclassified to held for sale	64	–	–	–	64
Provision for fines and other related provision	7	–	–	–	7

(S$ million)	Energy	Urban	Others / Corporate	Marine	Elimination	Total
Assets						
Segment assets	12,872	498	4,869	8,407	(5,185)	21,461
Associates and joint ventures	920	705	56	15	–	1,696
Tax assets	46	7	2	40	–	95
Total assets	13,838	1,210	4,927	8,462	(5,185)	23,252
Liabilities						
Segment liabilities	9,655	191	3,946	6,214	(5,185)	14,821
Tax liabilities	451	51	15	35	–	552
Total liabilities	10,106	242	3,961	6,249	(5,185)	15,373
Capital expenditure[1]	701	1	8	375	–	1,085

[1] Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

B. Our Performance *(cont'd)*

B1. Segments information *(cont'd)*

b. Geographical segments

The Group's geographical segments of the continuing operations are presented in seven principal geographical areas: Singapore, China, India, Rest of Asia, Middle East, UK and Rest of Europe. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets.

(S$ million)	Note	Singapore	China	India	Rest of Asia	Middle East	UK	Norway (N5)	Rest of Europe	Brazil (N5)	Other Countries	Total
2020												
Revenue from external customers	N1	2,914	191	1,573	211	63	460	–	1	–	34	5,447
Total assets	N2	2,924	1,885	6,099	1,519	264	860	–	–	–	11	13,562
Non-current assets		2,062	1,393	4,988	1,236	234	637	–	–	–	8	10,558
Capital expenditure	N3	110	33	53	38	*	74	–	–	–	5	313
2019*												
Revenue from external customers	N1	3,785	496	1,614	220	68	496	–	–	–	56	6,735
Total assets	N2, N4	9,429	2,015	6,650	1,644	355	969	136	195	1,716	143	23,252
Non-current assets	N4	5,838	1,527	5,493	1,366	315	719	122	186	1,541	50	17,157
Capital expenditure		457	25	462	5	*	69	*	*	62	5	1,085

Segment Analysis:

N1: Majority of the Group's revenue is from Singapore and India which contributed to 53% and 29%, respectively (2019: 56% and 24%, respectively).

N2: 22% (2019: 41%) and 45% (2019: 29%) of the Group's total assets are located in Singapore and India, respectively.

N3: Capital expenditure in 2020 relates mainly to additional renewable energy capacity in Singapore, India and UK.

N4: Total assets and non-current assets in 2019 include the assets from the discontinued operation.

N5: Post the Distribution of the discontinued operation in September 2020, the Group has no presence in Norway and Brazil.

B. Our Performance *(cont'd)*

B2. Turnover

This note explains how our Group's revenue from contracts with customers are measured and recognised. Turnover of the discontinued operation is shown in Note G3.

Accounting policies

Revenue is measured based on consideration specified in a contract with customer. The Group recognises revenue when it transfers control over a good or service to a customer.

For all revenue contracts with customers, the Group accounts for modifications to the scope or price (or both) of a contract, as separate contracts, if the modifications add distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group applies a new transaction price, combining the remaining consideration with the consideration promised on the modification, to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of the modification.

Revenue from contracts with customers

a. Sale of electricity, utilities and gases and related services

The sale of electricity, utilities and gas and the related services are determined to be a series of distinct goods satisfied over time. This is because the customers simultaneously receive and consume the benefits provided by the Group. Invoices are generated monthly based on the output delivered to the customers. No significant element of financing is deemed present as the sales are typically made with a credit term of 30 days, consistent with market practice.

Revenue from these sales is recognised based on price (including variable considerations) specified in the contracts. Variable considerations (e.g. off specification delivery) are reviewed and estimated monthly. A refund liability (included in provisions) is recognised for off specification delivery and outage, if any.

When the period between the satisfaction of a performance obligation and payment by the customer exceeds one year, the Group adjusts the consideration for time value of money and recognises a financing component.

Contract liability is recognised when advance from customers are received in relation to connection and capacity charges for delivery of utilities or if the payments received from customer exceed the revenue recognised. The contract liability is transferred to profit or loss over the period stipulated in the contract.

If the value of the goods transferred or services rendered for the contract exceeds payments from customer, a contract asset is recognised. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

b. Construction of infrastructure and related engineering services

The Group builds specialised assets for customer through fixed price contracts. Revenue is recognised when control over the specialised asset has been transferred to the customer. The Group also performs repair works based on customer's specification and control is transferred progressively when the services are rendered. Revenue is recognised over time by reference to the progress towards completing the repair works.

i. Contracts with enforceable right to payment

For contracts where the Group has contractual enforceable rights to payment, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised asset. The stage of completion is typically assessed by reference to either surveys of work performed (output method), or the cost incurred to date relative to total estimated cost (input method) depending on which method is commensurate with the pattern of transfer of control to the customer. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

Any increases or decreases in estimated revenue or costs due to change in circumstances are reflected in the profit or loss in the period in which the changes become known by management.

B. Our Performance *(cont'd)*

B2. Turnover *(cont'd)*

Accounting policies *(cont'd)*

b. Construction of infrastructure and related engineering services *(cont'd)*

ii. Contracts with no enforceable right to payment

For contracts where the Group does not have enforceable right to payment, revenue is recognised only upon delivery of the specialised asset to customer. On signing of the contract, customers are usually required to make an advance payment that is not refundable if the contract is cancelled. The advance payment is presented as contract liability.

The Group recognises a financing component using a discount rate at contract inception if the delivery of the goods and payment by the customer exceed one year. If the period between the delivery and payment is one year or less, the Group elects the practical expedient not to adjust for significant financing component.

For contracts with standard warranty terms on the performance of the asset, a warranty provision is estimated based on historical data, from known and expected warranty work and contractual obligation to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments received, a contract asset is recognised. If the payments received exceed the value of the goods transferred, a contract liability is recognised.

The Group capitalises costs incurred in fulfilling the contract as contract costs assets only if (a) these costs can be specifically identified as costs related directly to a contract or an anticipated contract; (b) these costs generate or enhance resources that will be used in satisfying performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are expense to profit or loss immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

c. Service concession revenue

Revenue relating to construction services under a service concession arrangement is recognised over time and when the performance obligations are satisfied.

Operation or service revenue is recognised in the period in which the services are provided by the Group, consistent with the Group's accounting policy on recognising revenue on sale of electricity, utilities and gases and related services (see Note B2(a) above). When the Group provides more than one service in a service concession arrangement, the consideration received is allocated with reference to the relative stand-alone selling prices of the services delivered (see Note A2(iii)).

d. Sales of development properties

The Group develops and sells residential projects to customers through fixed-price contracts. For such contracts, the Group does not have enforceable rights to payment arising from the contractual terms. Revenue is recognised at a point in time when the rights to payment become enforceable. Revenue is recognised when the control over the residential project has been transferred to the customer and customers have accepted in accordance with sales contract.

e. Sales of other goods

For certain sale of goods contracts, revenue is recognised at a point in time when the goods are transferred to customers.

Rental income

Rental income receivable under operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of total rental income, over the term of the lease.

Contingent rentals are recognised as income in the accounting period in which they are earned.

B. Our Performance *(cont'd)*
B2. Turnover *(cont'd)*

Accounting policies *(cont'd)*

Dividend and finance income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance income is recognised in profit or loss as it accrues, using the effective interest rate method. It includes interest income from non-current receivables.

Key estimates and judgements

The Group has applied judgement and estimates in its revenue recognition of long-term contracts. The key estimates and judgements applied are:

Performance obligation

Significant judgement is required in determining whether the performance obligations are distinct. Such considerations include the Group's assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customers and whether the Group's promise to transfer the good or service to the customer is separately identifiable apart from other promises in the contracts. The Group has assessed that long-term contracts with customers have a single performance obligation in view that the services in the contracts are not distinct and / or are integrated.

Variable considerations

For contracts with variable considerations (i.e. liquidated damages, or where customers can contractually rescind the delivery of utilities and gas which do not meet the specifications), the Group has applied judgement in determining the transaction price, based on evaluation of any potential risks and factors which may affect the completion or delivery of the contracts, in accordance with the contractual obligations.

Percentage of completion

For revenue recognised over time, the percentage of completion for certain contracts is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs for each contract. In making these estimates, management has relied on the expertise of surveying engineers and also past experience of completed projects. The estimated total costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

Onerous contracts

The Group conducts critical review of all its long-term construction contracts regularly. Allowance is made to account for onerous contracts. The Group monitors and reviews the progress of all long-term land development and construction contracts, taking into consideration inputs from internal project managers and external customers in estimating these total contract costs to complete as well as in the evaluation of any potential risks and factors which may affect contract price, cost and timely completion of these contracts. The review also encompasses the cost analysis process whereby both actual costs incurred and future costs to complete are critically examined.

Cost allocation method on long-term land development contracts

Land development costs incurred are capitalised as work-in-progress and allocated to the respective parcels of land based on the relative sales method.

Fulfilment costs

Significant judgement is required to determine if the contract costs recognised are expected to be recovered. Such judgement includes assessment of the evaluation of any potential risks and factors which may affect the customer ability to take delivery of the rig, ship and construction. The review also encompasses the analysis of the industry outlook and the customers' financial health.

B. Our Performance *(cont'd)*
B2. Turnover *(cont'd)*

Information regarding the turnover are included below:

(S$ million)	Note	Continuing operations 2020	Continuing operations 2019
Revenue from contracts with customers	(a)	5,444	6,732
Rental income		3	3
		5,447	6,735

There was no revenue from performance obligations satisfied or partially satisfied in previous periods due to change in estimate of the transaction price in 2020 and 2019.

Construction and engineering related activities for the Energy segment include service concession revenue. Included in service concession revenue is interest revenue of S$68 million (2019: S$73 million).

Revenue from contracts with customers

a. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major product / service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments.

(S$ million)	Reportable segments: Energy	Urban	Others / Corporate	Total
2020				
Primary geographical markets				
Singapore	2,753	–	161	2,914
China	185	2	*	187
India	1,574	–	–	1,574
Rest of Asia	198	4	9	211
Middle East	63	–	–	63
UK	460	–	*	460
Rest of Europe	–	–	1	1
Other Countries	33	–	1	34
Total	5,266	6	172	5,444
Major product / service lines				
Energy products and related services (including electricity, gas and steam)	4,512	–	*	4,512
Water products and related services	182	–	–	182
Construction and engineering related activities	238	–	151	389
Others	334	6	21	361
Total	5,266	6	172	5,444
Timing of revenue recognition				
Over time	5,258	1	149	5,408
At a point in time	8	5	23	36
Total	5,266	6	172	5,444

Consolidated Financial Statements

B. Our Performance *(cont'd)*
B2. Turnover *(cont'd)*
Revenue from contracts with customers *(cont'd)*
a. Disaggregation of revenue from contracts with customers *(cont'd)*

(S$ million)	Reportable segments: Energy	Urban[1]	Others / Corporate	Total
2019				
Primary geographical markets				
Singapore	3,493	–	291	3,784
China	219	277	1	497
India	1,614	–	*	1,614
Rest of Asia	194	1	23	218
Middle East	68	–	–	68
UK	496	–	*	496
Rest of Europe	–	–	*	*
Other Countries	54	–	1	55
Total	6,138	278	316	6,732
Major product / service lines				
Energy products and related services (including electricity, gas and steam)	5,436	–	–	5,436
Water products and related services	207	–	–	207
Construction and engineering related activities	190	–	272	462
Others	305	278	44	627
Total	6,138	278	316	6,732
Timing of revenue recognition				
Over time	6,130	–	271	6,401
At a point in time	8	278	45	331
Total	6,138	278	316	6,732

[1] Revenue for the Urban business was mostly from the sale of Nanjing Riverside Grandeur residential property in China.

b. Transaction price allocated to remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at reporting date. This is estimated based on the expected progress of the projects or expected energy output.

(S$ million)	Within the next 12 months	Between 1 to 5 years	More than 5 years	Total
2020				
Segment				
Energy	1,122	2,542	1,173	4,837
Urban	–	–	–	–
Others	319	773	–	1,092
Total	1,441	3,315	1,173	5,929
2019				
Segment				
Energy	1,375	4,621	2,121	8,117
Urban	–	–	–	–
Others	338	712	40	1,090
Total	1,713	5,333	2,161	9,207

B. Our Performance *(cont'd)*
B2. Turnover *(cont'd)*
Revenue from contracts with customers *(cont'd)*
b. Transaction price allocated to remaining performance obligations *(cont'd)*

Accounting policies

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to-date, then it recognises revenue in that amount.

Estimated amounts of considerations which are variable in nature are not included in the disclosure of transaction price allocated to the remaining performance obligations.

c. Assets and liabilities related to contracts with customers

The Group and the Company have recognised the following assets and liabilities related to contracts with customers:

(S$ million)	Group 2020	Group 2019	Company 2020	Company 2019
Contract assets	15	1,501	–	–
Current contract liabilities	141	172	3	3
Non-current contract liabilities	71	69	28	30
Total contract liabilities	212	241	31	33

Significant changes in contract assets

The contract assets mainly relate to the Group's conditional rights to consideration for work completed or utilities delivered but not yet billed at reporting date on the long-term contracts. In 2020, these contracts relate to our infrastructure construction. In 2019, these contracts relate to ship and rig building, conversion and repair; and infrastructure construction. The contract assets are transferred to trade receivables when the rights become unconditional.

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

(S$ million)	Group 2020	Group 2019	Company 2020	Company 2019
Transfer of contract assets recognised at the beginning of the year to trade receivables	(301)	(736)	–	10
Recognition of revenue, net of transfer to trade receivables during the year	461	1,207	–	(10)
Distribution of a subsidiary	(1,649)	–	–	–
Cumulative catch-up adjustments arising from:				
– Changes in measurement of progress	(1)	2	–	–
– Contract modifications	3	3	–	–

Significant changes in contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised over time and at a point in time. For revenue recognised over time, the balance at year end will be recognised over the remaining period stipulated in the contract.

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.