

2.4 TAXATION (CONTINUED)

(d) Deferred tax assets and liabilities

Deferred tax is determined using the statement of financial position approach, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the appropriate tax bases.

The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor
- differences relating to investments in subsidiaries to the extent it is probable that they will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.



Significant judgement – Deferred taxes recognised

The calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items for which the ultimate tax determination is uncertain.

The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Future taxable profits are estimated by internal budgets and forecasts. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
	2016 US\$million	(Restated) 2015 US\$million	2016 US\$million	(Restated) 2015 US\$million	2016 US\$million	(Restated) 2015 US\$million
Exploration and evaluation assets	28	–	(66)	(55)	(38)	(55)
Oil and gas assets	15	–	–	(246)	15	(246)
Available-for-sale financial assets	–	–	–	(20)	–	(20)
Other assets	10	–	(46)	(42)	(36)	(42)
Derivative financial instruments	85	58	–	–	85	58
Interest-bearing loans and borrowings	162	174	–	–	162	174
Provisions	82	44	–	–	82	44
Royalty-related tax	–	–	(60)	(54)	(60)	(54)
Other items	–	14	(37)	(12)	(37)	2
Tax value of carry-forward losses recognised	660	452	–	–	660	452
Tax assets/(liabilities)	1,042	742	(209)	(429)	833	313
Set-off of tax	12	(276)	(12)	276	–	–
Net tax assets/(liabilities)	1,054	466	(221)	(153)	833	313