

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General

The Company is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of its principal place of business and registered office is 1 HarbourFront Avenue #18-01, Keppel Bay Tower, Singapore 098632.

The Company's principal activity is that of an investment holding and management company.

The principal activities of the companies in the Group consist of:

- offshore oil-rig construction, shipbuilding & shiprepair and conversion;
- environmental engineering, power generation, logistics and data centres;
- property development & investment;
- investments and asset management; and
- telecommunications services, international call services and fixed services, retail sales of telecommunications equipment and accessories, as well as customer services.

The financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet and statement of changes in equity of the Company at 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2020.

## 2. Significant accounting policies

### 2.1 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Singapore Financial Reporting Standards (International) ("SFRS(I)s") and International Financial Reporting Standards ("IFRSs"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

### 2.2 Adoption of New and Revised Standards

The Group adopted the new/revised SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s.

The following are the new or amended SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s, that are relevant to the Group:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- Amendments to SFRS(I) 3 and 11 *Previously held interest in a joint operation*
- Amendments to SFRS(I) 1-12 *Income tax consequences of payments on financial instruments classified as equity*
- Amendments to SFRS(I) 1-23 *Borrowing costs eligible for capitalisation*

The adoption of the above new or amended SFRS(I)s, SFRS (I) Interpretations and amendments to SFRS(I)s did not have any significant impact on the financial statements of the Group except for the adoption of SFRS(I) 16 *Leases* and Amendments to SFRS (I) 1-23 *Borrowing costs eligible for capitalisation*.

#### Adoption of SFRS(I) 16

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. Adoption of SFRS(I) 16 has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis. Following the adoption, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term leases and leases of low value assets. The accounting for lessors has not changed significantly.

Lease liabilities are included as part of net debt and are taken into consideration when deriving the net gearing ratio.

The Group's accounting policy on leases after adoption of SFRS(I) 16 is as disclosed in Note 2.18.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

- ii) On a lease-by-lease basis, the Group has:
- a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - b) Relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
  - c) Accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
  - d) Excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
  - e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- i) On a lease-by-lease basis, the Group chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 1 January 2019.
- ii) The difference between carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

There are no material changes to accounting by the Group as a lessor.

The adoption of SFRS(I) 16 resulted in adjustments to the balance sheet of the Group as at 1 January 2019. The differences from the balance sheet as previously reported at 31 December 2018 are as follows:

<b>Group Balance Sheets</b>	<b>01.01.2019 \$'000</b>
Increase in right-of-use assets	592,126
Increase in investment properties	5,765
Decrease in fixed assets	(127,120)
Decrease in debtors	(14,213)
Increase in lease liabilities	(573,363)
Decrease in creditors	14,687
Increase in deferred tax assets	21,120
Decrease in net assets	<u>(80,998)</u>
Decrease in revenue reserves	(78,201)
Decrease in non-controlling interests	<u>(2,797)</u>
Decrease in total equity	<u>(80,998)</u>

The difference between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 of \$909,035,000 and the lease liabilities recognised in the balance sheet as at 1 January 2019 of \$573,363,000, was due mainly to the discounting effect using weighted average incremental borrowing rate of \$316,532,000, the committed non-cancellable leases with lease terms commencing after 1 January 2019 of \$39,352,000 and other adjustments of \$1,501,000, partially offset by adjustments relating to changes in the index or rate affecting variable payments of \$21,713,000.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the balance sheet on 1 January 2019 ranges from 1.5% to 12.8% per annum.

#### Clarification on SFRS(I) 1-23 Borrowing Costs

In 2018, the International Financial Reporting Standards Interpretations Committee ("Interpretations Committee"), which works with the International Accounting Standards Board in supporting the application of IFRS Standards, received a submission on whether a real estate developer capitalises borrowing costs as part of the cost of units for a residential multi-unit real estate development, for which the developer recognises revenue over time for the sale of individual units in the development based on IFRS 15 *Revenue from Contracts with Customers*.

In November 2018, the Committee issued a Tentative Agenda Decision containing explanatory material for the decision and how the applicable principles and requirements in IAS 23 *Borrowing Costs* apply to the fact pattern in the submission. The Interpretations Committee tentatively concluded that such an entity should not capitalise borrowing costs. This tentative agenda decision was finalised in its original form on 20 March 2019.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies (continued)

As the financial reporting framework applied by the Group is equivalent to International Financial Reporting Standards, the agenda decision has relevant impact to the Group's Property Division. Following this Agenda Decision, borrowing costs on portion of property where control is capable of being transferred to customers are expensed off as incurred to the profit and loss account. Borrowing costs on the portion of the property not ready for transfer of control to customers are capitalised until the time when control is capable of being transferred to customers. As this constitutes a change in accounting policy, comparatives were restated accordingly.

Impact on the comparatives for the 31 December 2019 Financial Statements

The financial effects of the change in accounting policy:

	<b>31.12.2018</b>	
	<b>\$'000</b>	
<b>Group Profit and Loss Account</b>		
Decrease in materials & subcontract costs	12,596	
Increase in interest expenses	(6,381)	
Decrease in share of results of associated companies	(623)	
Increase in taxation	(1,029)	
Increase in profit for the period attributable to shareholders of the Company	<b>4,563</b>	
Increase in basic EPS	0.3 cts	
Increase in diluted EPS	0.3 cts	
<b>Group Balance Sheets</b>		
	<b>31.12.2018</b>	<b>01.01.2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Decrease in associated companies	<b>(632)</b>	(9)
Decrease in stocks	<b>(18,102)</b>	(24,317)
Decrease in deferred taxation	<b>8,286</b>	9,315
Decrease in net assets	<b>(10,448)</b>	(15,011)
Decrease in revenue reserves	<b>(10,448)</b>	(15,011)
Decrease in total equity	<b>(10,448)</b>	(15,011)

## 2.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries.

The financial statements of subsidiaries acquired or disposed of during the financial year are included or excluded from the consolidated financial statements from their respective dates of obtaining control or ceasing control. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Acquisition of subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair value of the assets transferred, equity instruments issued, liabilities incurred or assumed at the date of exchange and the fair values of any contingent consideration arrangement and any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised in the profit and loss account as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests, except for deferred tax assets/liabilities, share-based related accounts and assets held for sale.

Any excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted and the difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group derecognises all assets (including any goodwill), liabilities and non-controlling interests at their carrying amounts. Amounts previously recognised in other comprehensive income in respect of that former subsidiary are reclassified to the profit and loss account or transferred directly to revenue reserves if required by a specific Standard. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in the profit and loss account.

On a transaction-by-transaction basis, the measurement of non-controlling interests is either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.

Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in the profit and loss account.

Non-controlling interests are that part of the net results of operations 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 statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests in a subsidiary based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

## 2.4 Fixed Assets

Fixed assets are initially stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment loss, if any. The cost initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent expenditure is added to the carrying amount only when it is probable that future economic benefits will flow to the entity and the cost can be measured reliably. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Profits or losses on disposal of fixed assets are included in the profit and loss account.

Depreciation of fixed assets is calculated on a straight-line basis to write off the cost of the fixed assets over their estimated useful lives. No depreciation is provided on freehold land and capital work-in-progress. The estimated useful lives of other fixed assets are as follows:

Buildings on freehold land	20 to 50 years
Buildings on leasehold land	Over period of lease (ranging from 10 to 50 years)
Vessels & floating docks	10 to 30 years
Plant, machinery & equipment	3 to 30 years
Networks and related application systems	5 to 25 years
Furniture, fittings & office equipment	2 to 10 years
Cranes	5 to 30 years
Small equipment and tools	2 to 20 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

## 2.5 Investment Properties

Investment properties comprise completed properties and properties under construction or re-development held to earn rental and/or for capital appreciation and right-of-use assets relating to leasehold land that is held for long term capital appreciation or for a currently indeterminate use. Investment properties are initially recognised at cost and subsequently measured at fair value, determined annually based on valuations by independent professional valuers. Changes in fair value are recognised in the profit and loss account.

The cost of major renovations or improvements is capitalised and the carrying amounts of the replaced components are recognised in the profit and loss account.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the profit and loss account.

## 2.6 Subsidiaries

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Investments in subsidiaries are stated in the financial statements of the Company at cost less accumulated impairment losses. On disposal of a subsidiary, the difference between net disposal proceeds and carrying amount of the investment is taken to profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.7 Associated Companies

An associated company is an entity, not being a subsidiary, over which the Group has significant influence, but not control.

Investments in associated companies are stated in the Company's financial statements at cost less any impairment losses. On disposal of an associated company, the difference between net disposal proceeds and the carrying amount of the investment is taken to the profit and loss account.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment loss, if any. The Group's share of profit or loss and other comprehensive income of the associated company is included in the consolidated profit and loss account and consolidated statement of comprehensive income respectively. The Group's share of net assets of the associated company is included in the consolidated balance sheet.

Any excess of the cost of acquisition over the Group's share of net identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition measured at their fair values is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net identifiable assets, liabilities and contingent liabilities measured at their fair values over the cost of acquisition, after reassessment, is recognised immediately in the profit and loss account as a bargain purchase gain.

#### 2.8 Intangibles

##### Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net identifiable assets acquired and the liabilities assumed measured at their fair values at acquisition date. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any impairment losses. If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the profit and loss account as a bargain purchase gain.

##### Spectrum Rights

These comprise expenditure relating to one-time charges paid to acquire spectrum rights and telecommunications licenses or access codes. These intangible assets are measured initially at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. Spectrum rights are amortised on a straight-line basis over the estimated economic useful life of 4 to 17 years.

##### Brand

The brand was acquired as part of a business combination completed during the financial year. The brand value will be amortised over the useful life which is estimated to be 30 years based on the purchase price allocation exercise finalised during the year.

##### Customer Contracts and Customer Relationships

Customer contracts and customer relationships are identified and recognised separately from goodwill. The cost of customer contracts and relationships is at their fair value at the acquisition date and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight-line basis over their useful lives, ranging from 2 to 20 years.

##### Other Intangible Assets

Other intangible assets include development expenditure and internet protocol (IP) address, initially recognised at cost and subsequently carried at cost less accumulated amortisation. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight-line basis over their useful lives, ranging from 3 to 20 years.

Other intangible assets also include management rights which is initially recognised at cost upon acquisition and subsequently carried at cost less accumulated impairment losses, if any. The useful life of the management rights is estimated to be indefinite because management believes there is no foreseeable limit to the period over which the management rights is expected to generate net cash inflows for the Group.

#### 2.9 Service Concession Arrangement

The Group has an existing service concession arrangement with a governing agency (the grantor) to design, build, own and operate a desalination plant in Singapore. Under the service concession arrangement, the Group will operate the plant for 25 years. At the end of the concession period, the grantor may require the plant to be handed over in a specified condition or to be demolished at reasonable costs borne by the grantor. Such service concession arrangement falls within the scope of SFRS(I) INT 12 *Service Concession Arrangements*.

The Group constructs the plant (construction services) used to provide public services and operates and maintains the plant (operation services) for the concession period as specified in the contract. The Group recognises and measures revenue in accordance with SFRS(I) 15 for the services it performs.

The Group recognises a financial asset arising from the provision of the construction services when it has a contractual right to receive fixed and determinable amounts of payments irrespective of the output produced. The consideration receivable is measured initially at fair value and subsequently measured at amortised amount using the effective interest method.

## 2.10 Investments

Investments are classified as fair value through other comprehensive income or fair value through profit or loss.

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms required delivery of investment within the timeframe established by the market concerned.

Investments at fair value through other comprehensive income are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the investments. Investments at fair value through profit or loss are initially measured at fair value with the related transaction costs recognised immediately as expenses in the profit and loss account.

Investments are subsequently carried at fair value. For investments at fair value through other comprehensive income, gains or losses arising from changes in fair value are included in other comprehensive income until the investment is disposed of, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the revenue reserves. For investments at fair value through profit or loss, gains or losses arising from changes in fair value are included in the profit and loss account.

The fair value of investments that are traded in active markets is based on quoted market prices at the balance sheet date. The quoted market prices are the current bid prices. The fair value of investments that are not traded in an active market is determined using valuation techniques. Such techniques include using recent arm's length transactions, reference to the underlying net asset value of the investee companies and discounted cash flow analysis.

## 2.11 Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Gains or losses arising from changes in fair value of derivative financial instruments that do not qualify for hedge accounting are taken to the profit and loss account.

For cash flow hedges, the effective portion of the gains or losses on the hedging instrument is recognised directly in other comprehensive income and accumulated in the hedging reserve, while the ineffective portion is recognised in the profit and loss account. Amounts taken to other comprehensive income are reclassified to the profit and loss account when the hedged transaction affects the profit and loss account.

For fair value hedges, changes in the fair value of the designated hedging instruments are recognised in the profit and loss account. The hedged item is adjusted to reflect change in its fair value in respect of the risk hedged, with any gain or loss recognised in the profit and loss account.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The fair value of forward foreign currency contracts is determined using forward exchange market rates at the balance sheet date. The fair value of High Sulphur Fuel Oil ("HSFO") and Dated Brent forward contracts is determined using forward HSFO and Dated Brent prices provided by the Group's key counterparty. The fair value of electricity future contracts is determined based on the Uniform Singapore Energy Price quarterly base load electricity futures prices quoted on the Singapore Exchange. The fair value of interest rate caps and interest rate swaps are based on valuations provided by the Group's bankers.

## 2.12 Financial Assets

Financial assets include cash and bank balances, trade, intercompany and other receivables (excluding prepayments) and investments. Trade, intercompany and other receivables are stated initially at fair value and subsequently at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank deposits which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### 2.13 Stocks

Stocks, consumable materials and supplies are stated at the lower of cost and net realisable value, cost being principally determined on the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, related overheads expenditure, and financing charges incurred during the period of development. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

Each property under development is accounted for as a separate project. Where a project comprises more than one component or phase with a separate temporary occupation permit, each component or phase is treated as a separate project, and interest and other net costs are apportioned accordingly.

#### 2.14 Contract Assets and Contract Liabilities

For contract where the customer is invoiced on a milestone payment schedule or over the period of the contract, a contract asset is recognised if the value of the contract work transferred by the Group exceed the receipts from the customer and a contract liability is recognised if the receipts from the customer exceed the value of the contract work transferred by the Group.

#### 2.15 Impairment of Assets

##### Financial Assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

##### Goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Goodwill included in the carrying amount of an associated company is tested for impairment as part of the investment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU"s) expected to benefit from the synergies of the combination.

An impairment loss is recognised in the profit and loss account when the carrying amount of the CGU, including goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss recognised for goodwill is not reversed in a subsequent period.

##### Other Non-Financial Assets

Tangible and intangible assets are tested for impairment whenever there is any indication that these assets may be impaired.

Management rights are tested for impairment annually and whenever there is an indication that the management rights may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as impairment loss in the profit and loss account. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit and loss account.

#### 2.16 Financial Liabilities and Equity Instruments

Financial liabilities include trade, intercompany and other payables, bank loans and overdrafts. Trade, intercompany and other payables are stated initially at fair value and subsequently carried at amortised cost. Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

## 2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provision for warranties is set up upon completion of a contract to cover the estimated liability which may arise during the warranty period. This provision is based on service history. Any surplus of provision will be written back at the end of the warranty period while additional provisions where necessary are made when known. These liabilities are expected to be incurred over the applicable warranty periods.

Provision for claims is made for the estimated cost of all claims notified but not settled at the balance sheet date, less recoveries, using the information available at the time. Provision is also made for claims incurred but not reported at the balance sheet date based on historical claims experience, modified for variations in expected future settlement. The utilisation of provisions is dependent on the timing of claims.

## 2.18 Leases

### (i) Before 1 January 2019

When a group company is the lessee

#### **Operating leases**

Leases of assets in which the Group does not transfer substantially all the risks and rewards of ownership of the assets by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received from lessor) are taken to the profit and loss account on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a group company is the lessor

#### **Operating leases**

Assets leased out under operating leases are included in investment properties and are stated at fair values. Rental income (net of any incentive given to lessee) is recognised on a straight-line basis over the lease term.

### (ii) From 1 January 2019

When a group company is the lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

#### **Right-of-use assets**

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented as a separate line on the balance sheets. Right-of-use assets which meets the definition of an investment property is presented within "Investment properties" and accounted for in accordance with Note 2.5.

#### **Lease liabilities**

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option, if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component.

Lease liabilities are presented as a separate line on the balance sheets.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### *Short term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

#### *Variable lease payments*

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group recognises these lease payments in profit or loss in the periods that triggered such lease payments. Details of the variable lease payments are disclosed in Note 8.

When a group company is the lessor

#### *Operating leases*

The accounting policy applicable to the Group as a lessor in the comparative period was the same under SFRS(I) 16.

### 2.19 Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### 2.20 Revenue

Revenue consists of:

- Revenue recognised on rigbuilding, shipbuilding and repairs, property construction and long term engineering contracts;
- Sale of goods and services;
- Rental income from investment properties;
- Investment and fee income; and
- Dividend income.

#### Revenue recognition

The Group enters into rigbuilding, shipbuilding and repairs, property construction and long term engineering contracts with customers. These contracts are fixed in prices. Revenue is recognised when the control over the contract work is transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The contract work, except for overseas property construction contracts, has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the contract work. For overseas property construction contracts, the Group does not have enforceable rights to payment arising from the contractual terms. Revenue from overseas property construction contracts is recognised at a point in time when the rights to payment become enforceable.

The measure of progress for rigbuilding contracts, and shipbuilding and repair contracts, is determined based on the estimation of the physical proportion of the contract work completed for the contracts with reference to engineers' estimates. The measure of progress for property construction and long term engineering contracts is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. 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.

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.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

Revenue from the rendering of services including electricity supply, logistic services, operations and maintenance under service concession arrangements, and telecommunication services is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be performed.

Revenue arising from additional claims and variation orders, whether billed or unbilled, is recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

Rental income from operating leases on investment properties is recognised on a straight-line basis over the lease term.

Dividend income is recognised in the profit and loss account when the right to receive payment is established, and in the case of fixed interest bearing investments, on a time proportion basis using the effective interest method.

Interest income is recognised on a time proportion basis using the effective interest method.

## **2.21 Borrowing Costs**

Borrowing costs incurred to finance the development of properties and acquisition of fixed assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are taken to the profit and loss account over the period of borrowing using the effective interest rate method.

For Singapore trading properties which the Group recognises revenue over time, borrowing costs on the portion of the property not ready for transfer of control to the purchasers are capitalised until the time when control is capable of being transferred to the purchasers.

## **2.22 Employee Benefits**

### Defined Contribution Plan

The Group makes contributions to pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies make contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme. Contributions to pension schemes are recognised as an expense in the period in which the related service is performed.

### Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

### Share Option Scheme and Share Plans

The Group operates share-based compensation plans. The fair value of the employee services received in exchange for the grant of options, restricted shares and performance shares is recognised as an expense in the profit and loss account with a corresponding increase in the share option and share plan reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair values of the options, restricted shares and performance shares granted on the respective dates of grant.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable and share plan awards that are expected to vest on the vesting dates, and recognises the impact of the revision of the estimates in the profit and loss account, with a corresponding adjustment to the share option and share plan reserve over the remaining vesting period.

No expense is recognised for options or share plan awards that do not ultimately vest, except for options or share plan awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The proceeds received from the exercise of options are credited to share capital when the options are exercised. When share plan awards are released, the share plan reserve is transferred to share capital if new shares are issued, or to the treasury shares account when treasury shares are re-issued to the employee.

**NOTES TO THE FINANCIAL STATEMENTS****2. Significant accounting policies (continued)****2.23 Income Taxes**

Current income tax is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for deductible/taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. The principal temporary differences arise from depreciation, valuation of investment properties, unremitted offshore income and future tax benefits from certain provisions not allowed for tax purposes until a later period. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset/liability is realised/settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheets date, and based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the profit and loss account, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**2.24 Foreign Currencies**Functional Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency").

The financial statements of the Group and the balance sheet and statement of changes in equity of the Company are presented in Singapore Dollars, which is the functional currency of the Company.

Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at exchange rates approximating those ruling at that date. Exchange differences arising from translation of monetary assets and liabilities are taken to the profit and loss account. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign Currency Translation

For inclusion in the Group's financial statements, the assets and liabilities of foreign subsidiaries and associated companies that are in functional currencies other than Singapore Dollars are translated into Singapore Dollars at the exchange rates ruling at the balance sheet date. Profit or loss of foreign subsidiaries and associated companies are translated into Singapore Dollars using the average exchange rates for the financial year. Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign subsidiaries and associated companies. Exchange differences due to such currency translation are recognised in other comprehensive income and accumulated in Foreign Exchange Translation Account until disposal.

Disposal or partial disposal of a foreign operation

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associated company that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified from equity to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associated companies or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

## 2.25 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When shares are reacquired by the Company, the amount of consideration paid and any directly attributable transaction cost is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury shares account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised in non-distributable capital reserve. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

## 2.26 Segment Reporting

The Group has four reportable segments, namely Offshore & Marine, Property, Infrastructure and Investments. Management monitors the results of each of these operating segments for the purpose of making decisions on resource allocation and performance assessment.

## 2.27 Critical Accounting Estimates and Judgments

### (i) Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there is no instance of application of judgments which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations and as follows:

#### Control over Keppel REIT

The Group has approximately 49% (2018: approximately 47%) gross ownership interest of units in Keppel REIT as at 31 December 2019. Keppel REIT is managed by Keppel REIT Management Limited ("KRML"), a wholly-owned subsidiary of the Group. The Group has provided an undertaking to the trustee of Keppel REIT to grant the other unitholders the right to endorse or re-endorse the appointment of directors of KRML at the annual general meetings of Keppel REIT. The Group has determined that it does not have control over Keppel REIT but continues to have significant influence over the investment.

#### Control over KrisEnergy Limited

The Group has approximately 40% gross ownership interest of shares in KrisEnergy Limited ("KrisEnergy") as at 31 December 2019. The management assessed whether the Group has control over KrisEnergy based on whether it has the practical ability to direct the relevant activities of KrisEnergy. In exercising its judgment, management considers the relative size and dispersion of the shareholdings owned by the other shareholders. Taking into consideration the approximately 20% interest held by two other shareholders of KrisEnergy, management concluded that the Group does not have sufficient dominant vesting interest to exert control over KrisEnergy but continues to have significant influence over the investment.

### (ii) Acquisition of M1 Limited – purchase price allocation ("PPA")

Accounting of business combinations requires the purchase consideration to be allocated to the fair value of the identifiable assets acquired and liabilities assumed at their fair values, with the unallocated portion being recognised as goodwill. The Group makes judgments on the identification of assets acquired and liabilities assumed and significant estimates in relation to the fair valuation of these identifiable assets and liabilities. The result of the purchase price allocation exercise is disclosed in Note 36.

### (iii) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

#### Expected credit loss on financial assets measured at amortised cost and fair value through other comprehensive income

The Group assesses on a forward looking basis the expected credit losses ("ECLs") associated with its financial assets measured at amortised cost and debt investments measured at fair value through other comprehensive income ("FVOCI"). The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

The carrying amounts of trade, intercompany and other receivables, and financial assets at FVOCI are disclosed in the balance sheet.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies (continued)

#### Recoverability of contract asset and receivable balances in relation to Offshore & Marine construction contracts Contracts with Sete Brasil ("Sete")

The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. In October 2019, the Settlement Agreement as well as the winning bid proposal for Magni Partners (Bermuda) Ltd ("Magni") to purchase four Sete subsidiaries, two of which are special-purpose entities ("SPEs") for uncompleted rigs constructed by the Group, was approved by the creditors. As part of the Settlement Agreement, which is subject to fulfilment of certain conditions precedent, the Group will take over ownership of remaining four uncompleted rigs and will be able to explore various options to extract the best value from these assets. The EPC Contracts and related agreements entered into in relation to these four rigs will be deemed to be amicably terminated, with no penalties, refunds and/or any additional amounts being due to any party, and the parties will waive all rights to any claims. The Group has a receivable of approximately US\$260 million from Sete and this amount has been included in Sete's court-approved Judicial Reorganisation Plan. The outstanding amount will be paid to the Group proportionally and pari passu with other creditors of Sete as part of, and out of proceeds of, its Judicial Reorganisation Plan.

Management has performed an assessment to estimate the cost of discontinuance of related agreements of the EPC contracts, offset by possible options in extracting value from the uncompleted rigs and possible payout from the Judicial Reorganisation Plan. In addition, management has estimated the net present value of the cash flows relating to the impending construction contract for two rigs with Magni.

Arising from the above assessment, management is of the opinion that the loss allowance for trade debtors of \$183,000,000 (Note 12) (2018: \$183,000,000) and the provision for related contract costs of \$245,000,000 (Note 20) (2018: \$245,000,000) are adequate to address the cost of discontinuance, salvage cost and unpaid progress billings relating to these EPC contracts.

Taking into consideration cost of completion, cost of discontinuance, salvage cost and unpaid progress billings with regards to these rigs, the total cumulative loss recognised in relation to these rig contracts amounted to \$476,000,000 (2018: \$476,000,000).

#### Other contracts

As at 31 December 2019, the Group had several rigs that were under construction for customers where customers had requested for deferral of delivery dates of the rigs in prior years. See Note 15 on contract assets balances.

Management has assessed each deferred construction project individually to make judgment as to whether the customers will be able to fulfil their contractual obligations and take delivery of the rigs at the revised delivery dates.

Management has also performed an assessment of the ECL on contract assets and trade receivables of deferred projects to determine if a provision for expected loss is necessary.

In the event that the customers are unable to fulfill their contractual obligations, the Group can exercise their right to retain payments received to date and the legal possession of the rigs under construction. Management has further assessed if the values of the rigs would exceed the carrying values of contract assets and trade receivables. Management has estimated, with the assistance of an independent professional firm, the values of the rigs using Discounted Cash Flow ("DCF") calculations that cover each class of rig under construction. The most significant inputs to the DCF calculations include dayrates and discount rates.

During the financial year ended 31 December 2019, no further (2018: \$21,000,000) ECL on contract assets was recognised.

#### Impairment of non-financial assets

Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the CGUs. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investments in subsidiaries, investment in associated companies and joint ventures, and intangibles are disclosed in the balance sheet. Management performed impairment tests on these non-financial assets as at 31 December 2019. Refer to Notes 6, 9, 10 and 13 for more details.

#### Revenue recognition and contract cost

The Group recognises contract revenue and contract cost over time by reference to the Group's progress towards completing the construction of the contract work. The stage of completion is measured in accordance with the accounting policy stated in Note 2.20. Significant assumptions are required in determining the stage of completion and significant judgment is required in the estimation of the physical proportion of the contract work completed for the contracts; and the estimation of total costs on the contracts, including contingencies that could arise from variations to original contract terms and claims. In making the assumption, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 24.

#### Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant assumptions are required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of taxation and deferred taxation are disclosed in the balance sheet.

#### Claims, litigations and reviews

The Group entered into various contracts with third parties in its ordinary course of business and is exposed to the risk of claims, litigations, latent defects or review from the contractual parties and/or government agencies. These can arise for various reasons, including change in scope of work, delay and disputes, defective specifications or routine checks etc. The scope, enforceability and validity of any claim, litigation or review may be highly uncertain. In making its judgment as to whether it is probable that any such claim, litigation or review will result in a liability and whether any such liability can be measured reliably, management relies on past experience and the opinion of legal and technical expertise.

#### ***Civil action by EIG funds***

In February 2018, the Company's subsidiary, Keppel Offshore & Marine Ltd ("KOM") was served a summons by eight investment funds ("plaintiffs") managed by EIG Management Company, LLC ("EIG") where a civil action was commenced by the plaintiffs pursuant to the Racketeer Influenced and Corrupt Organizations Act ("RICO") in the United States District Court, Southern District of New York. The plaintiffs seek damages for its loss of investment of US\$221 million in Sete, trebled under RICO to US\$663 million, plus interest, costs and mandatory attorneys' fees under RICO.

This new lawsuit came after an earlier civil action commenced by eight of EIG's managed funds in the United States District Court, District of Columbia against, among others, the Company and KOM. The case was dismissed by the Court on 30 March 2017.

Management is of the view that the reported cause of action by the plaintiffs is without merit and KOM will vigorously defend itself. As at the date of these financial statements, it is premature to predict or determine the eventual outcome of the action and hence, the potential amount of any loss cannot currently be assessed. KOM has filed a motion to dismiss EIG's complaint.

#### ***Global resolution with criminal authorities in relation to corrupt payments***

In 2017, KOM reached a global resolution with the criminal authorities in the United States of America, Brazil and Singapore in relation to corrupt payments made in relation to KOM's various projects with Petrobras and Sete Brasil in Brazil, which were made with knowledge or approval of former KOM executives. Fines in an aggregate amount of US\$422,216,980, or equivalent to approximately S\$570 million, paid/payable had been allocated between the three jurisdictions.

As part of the global resolution, KOM accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("CPIB") in Singapore, and entered into a Deferred Prosecution Agreement ("DPA") with the U.S. Department of Justice ("DOJ"), while Keppel FELS Brasil S.A., a wholly owned subsidiary of KOM, entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministerio Publico Federal ("MPF") which became effective following the approval of the Fifth Chamber for Coordination and Review of the MPF in April 2018. In addition, Keppel Offshore & Marine USA, Inc ("KOM USA"), also a wholly owned subsidiary of KOM, pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and entered into a Plea Agreement with the DOJ.

Pursuant to the DPA, KOM paid a monetary penalty of US\$105,554,245, of which US\$4,725,000 was paid as a criminal fine by KOM USA, to the United States Treasury in 2018. In addition, KOM paid a monetary penalty of US\$211,108,490 to MPF and a monetary penalty of US\$52,777,122.50 to CPIB in 2018. A further US\$52,777,122.50, which amount payable has been included as accrued expenses since FY2017, will be payable to CPIB within three years (or an extended period as approved by CPIB and DOJ) from the date of the Conditional Warning (less any penalties that KOM may pay to specified Brazilian authorities during this period, for which discussions with the specified authorities are ongoing).

As part of the global resolution with the authorities, the Group had also committed to strengthening the compliance and governance regime in KOM. Amongst others, it included a commitment to secure certification of ISO 37001 Anti-Bribery Management System and testing of the effectiveness of the policies and procedures put in place. As of the date of these financial statements, KOM entities in Singapore, Brazil, Bulgaria, China, India, Philippines, UAE and USA had secured certification of the ISO 37001 Anti-Bribery Management System.

Anti-bribery and corruption compliance audits were also performed on entities within the KOM Group. These audits revealed enhanced policies and procedures put in place to-date were, in general, functioning as intended. The audits performed in 2018 had, however, identified certain matters relating to contracts entered into several years ago which required follow-up actions and further review. The follow-up actions and further reviews were concluded in 2019.

Based on currently available information, management is of the opinion that no additional provision is required.

## NOTES TO THE FINANCIAL STATEMENTS

## 2. Significant accounting policies (continued)

Useful lives of network and related application systems

The cost of network and related application systems is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimated the useful lives of these fixed assets to be within 5 to 25 years. These are common life expectancies applied in the telecommunications industry. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's network and related application systems at the end of the reporting period are disclosed in Note 6 to the financial statements.

Revaluation of investment properties

The Group carries its investment properties at fair value with changes in fair value being recognised in profit and loss account. In determining fair values, the valuers have used valuation techniques which involve certain estimates. The key assumptions to determine the fair value of investment properties include market-corroborated capitalisation rate, terminal yield and discount rate.

In relying on the valuation reports, management has exercised its judgment to ensure that the valuation methods and estimates are reflective of current market conditions. The carrying amount of investment properties and the key assumptions used to determine the fair value of the investment properties are disclosed in Notes 7 and 34.

Estimating net realisable value of stocks

The net realisable value of stocks represent the estimated selling price for these stocks less all estimated cost of completion and costs necessary to make the sale.

For construction projects under work-in-progress, the Group determines the estimated selling price based on recent sale transactions for similar assets or discounted cash flow models where recent sale transactions for similar assets were not available. For properties held for sale, provision is arrived at after taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on recent selling prices for the development project or comparable projects and the prevailing market conditions. The estimated total construction costs include contracted amounts plus estimated costs to be incurred based on historical trends. The provision is progressively reversed for those residential units sold above their carrying amounts.

The Group has stocks (work-in-progress) amounting to \$598,800,000 (after a provision of \$50,000,000 made in prior year) (Note 14). The carrying amount represented the estimated net realisable value of the stocks. Management has determined the NRV of the stocks based on arrangements to market the asset and a DCF model.

## 3. Share capital

	Group and Company			
	Number of Ordinary Shares ("Shares")		Treasury Shares	
	Issued Share Capital			
	2019	2018	2019	2018
Balance at 1 January	1,818,394,180	1,818,334,180	(5,936,044)	(10,788)
Issue of shares under the share option scheme	-	60,000	-	-
Treasury shares transferred pursuant to share option scheme	-	-	44,000	731,500
Treasury shares transferred pursuant to share plans	-	-	4,647,308	4,643,244
Treasury shares purchased	-	-	(770,000)	(11,300,000)
Balance at 31 December	1,818,394,180	1,818,394,180	(2,014,736)	(5,936,044)

  

	Amount (\$'000)			
	Issued Share Capital		Treasury Shares	
	2019	2018	2019	2018
Balance at 1 January	1,291,722	1,291,310	(45,073)	(74)
Issue of shares under the share option scheme	-	412	-	-
Treasury shares transferred pursuant to share option scheme	-	-	334	6,253
Treasury shares transferred pursuant to share plans	-	-	35,273	39,506
Treasury shares purchased	-	-	(4,543)	(90,758)
Balance at 31 December	1,291,722	1,291,722	(14,009)	(45,073)

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends declared by the Company.

In the prior year, the Company issued 60,000 Shares at an average weighted price of \$6.86 per Share for cash upon exercise of options under the KCL Share Option Scheme.

During the financial year, 4,266,708 (2018: 4,643,244) Shares under the KCL Restricted Share Plan ("KCL RSP") and 380,600 (2018: Nil) Shares under the KCL Performance Share Plan ("KCL PSP") were vested.

During the financial year, the Company transferred 4,691,308 (2018: 5,374,744) treasury shares to employees under vesting of Shares released under the KCL Share Option Scheme and KCL Share Plans. The Company also purchased 770,000 (2018: 11,300,000) treasury shares in the Company in the open market during the financial year. The total amount paid was \$4,543,000 (2018: \$90,758,000). Except for the transfer, there was no other sale, disposal, cancellation and/or use of treasury shares during the financial year.

### KCL Share Option Scheme

The KCL Share Option Scheme ("Scheme"), which has been approved by the shareholders of the Company, is administered by the Remuneration Committee whose members are:

Till Bernhard Vestring (Chairman)  
 Lee Boon Yang  
 Danny Teoh  
 Teo Siong Seng (appointed on 1 February 2020)

At the Extraordinary General Meeting of the Company held on 23 April 2010, the Company's shareholders approved the adoption of two new share plans, with effect from the date of termination of the Scheme. The Scheme was terminated on 30 June 2010. Options granted and outstanding prior to the termination will continue to be valid and subject to the terms and conditions of the Scheme.

Under the Scheme, an option may, except in certain special circumstances, be exercised at any time after two years but no later than the expiry date. The two-year vesting period is intended to encourage employees to take a longer-term view of the Company.

The Shares under option may be exercised in full or in respect of 100 Shares or a multiple thereof, on the payment of the subscription price. The subscription price is based on the average closing prices for the Shares of the Company on the Singapore Exchange Securities Trading Limited for the three market days preceding the date of offer. The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company.

The employees to whom the options have been granted do not have the right to participate by virtue of the options in a share issue of any other company.

Movements in the number of share options and their weighted average exercise prices are as follows:

	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at 1 January	1,890,185	\$6.74	6,088,785	\$7.83
Exercised	(44,000)	\$3.07	(791,500)	\$7.25
Cancelled	(935,285)	\$6.77	(3,407,100)	\$8.57
Balance at 31 December	<b>910,900</b>	<b>\$6.89</b>	<b>1,890,185</b>	<b>\$6.74</b>
Exercisable at 31 December	<b>910,900</b>	<b>\$6.89</b>	<b>1,890,185</b>	<b>\$6.74</b>

The weighted average share price at the date of exercise for options exercised during the financial year was \$6.03 (2018: \$8.15). The options outstanding at the end of the financial year had a weighted average exercise price of \$6.89 (2018: \$6.74) and a weighted average remaining contractual life of 0.1 year (2018: 0.9 year).

### KCL Share Plans

The KCL Restricted Share Plan ("KCL RSP") and KCL Performance Share Plan ("KCL PSP") were approved by the Company's shareholders at the Extraordinary General Meeting of the Company on 23 April 2010. The two share plans are administered by the Remuneration Committee.



NOTES TO THE FINANCIAL STATEMENTS

3. Share capital (continued)

Details of the KCL RSP, the KCL RSP-Deferred Shares, the KCL PSP and the KCL PSP-Transformation Incentive Plan ("KCL PSP-TIP") are as follows:

	KCL RSP	KCL RSP-Deferred Shares	KCL PSP	KCL PSP-TIP
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets at the end of a one-year performance period	Award of fully-paid ordinary shares of the Company	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a three-year performance period	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a six-year performance period
Performance Conditions	Return on Equity	-	(a) Economic Value Added (b) Absolute Total Shareholder's Return (c) Relative Total Shareholder's Return to MSCI Asia Pacific Ex-Japan Industrials Index (MXAPJIN) (2016 awards)  (a) Absolute Total Shareholder's Return (b) Return on Capital Employed (c) Net Profit (2017, 2018 and 2019 awards)	(a) Absolute Total Shareholder's Return (b) Corporate Scorecard Achievement comprising pre-determined stretched financial and non-financial targets for the Group (c) Individual Performance Achievement
Final Award	0% to 100% of the contingent award granted, depending on achievement of pre-determined targets	100% of the awards granted	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets
Vesting Condition and Schedule	If pre-determined targets are achieved, awards will vest equally over three years subject to fulfilment of service requirements	Awards will vest equally over three years subject to fulfilment of service requirements	If pre-determined targets are achieved, awards will vest at the end of the three-year performance period subject to fulfilment of service requirements	If pre-determined targets are achieved, awards will vest at the end of the six-year performance period subject to fulfilment of service requirements

Movements in the number of shares under the KCL RSP, the KCL RSP-Deferred Shares, the KCL PSP and the KCL PSP-TIP are as follows:

	2019			2018		
	KCL RSP-Deferred Shares	KCL PSP	KCL PSP-TIP	KCL RSP	KCL PSP	KCL PSP-TIP
<b>Contingent awards/Awards (KCL RSP-Deferred Shares)</b>						
Balance at 1 January	-	2,895,000	5,965,967	-	2,525,000	6,747,491
Granted	4,234,171	1,635,000	-	4,099,369	1,180,000	-
Adjustments upon released	-	(264,400)	-	-	(575,000)	-
Released	(4,234,171)	(380,600)	-	(4,097,507)	-	-
Cancelled	-	-	(380,000)	(1,862)	(235,000)	(781,524)
Balance at 31 December	-	3,885,000	5,585,967	-	2,895,000	5,965,967

	2019		2018	
	KCL RSP	KCL RSP-Deferred Shares	KCL RSP	KCL RSP-Deferred Shares
<b>Awards released but not vested:</b>				
Balance at 1 January	1,630,118	2,586,237	5,102,365	-
Released	-	4,234,171	-	4,097,507
Vested	(1,565,032)	(2,701,676)	(3,278,043)	(1,365,201)
Cancelled	(38,845)	(203,511)	(178,604)	(111,969)
Other adjustments	-	(2,657)	(15,600)	(34,100)
Balance at 31 December	26,241	3,912,564	1,630,118	2,586,237

Executive Directors who are eligible for the KCL Share Plans are required to hold a minimum number of Shares under the share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

As at 31 December 2019, there were 26,241 (2018: 1,630,118) Shares under the KCL RSP and 3,912,564 (2018: 2,586,237) Shares under the KCL RSP-Deferred Shares that were released but not vested. At the end of the financial year, the number of contingent award of Shares granted but not released was 3,885,000 (2018: 2,895,000) under the KCL PSP and 5,585,967 (2018: 5,965,967) under the KCL PSP-TIP. Depending on the achievement of pre-determined performance targets, the actual number of Shares to be released could range from zero to a maximum of 5,827,500 under the KCL PSP and zero to a maximum of 8,378,951 under the KCL PSP-TIP.

The fair values of the contingent award of Shares under the KCL RSP and the KCL PSP are determined at the grant date using Monte Carlo simulation method which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility.

On 15 February 2019 and 18 April 2019 (2018: 23 February 2018), the Company granted awards of 3,908,536 and 325,635 (2018: 4,099,369) Shares respectively under the KCL RSP-Deferred Shares and the estimated fair values of the Shares granted were \$5.84 and \$6.51 respectively (2018: \$7.76). On 30 April 2019 (2018: 30 April 2018), the Company granted contingent awards of 1,635,000 (2018: 1,180,000) Shares under the KCL PSP and the estimated fair value of the Shares granted was \$5.60 (2018: \$6.59).

The significant inputs into the model are as follows:

	2019		
	KCL RSP-Deferred Shares	KCL RSP-Deferred Shares	KCL PSP
Date of grant	15.02.2019	18.04.2019	30.04.2019
Prevailing share price at date of grant	\$6.08	\$6.74	\$6.77
Expected volatility of the Company	21.29%	21.24%	21.29%
Expected term	0.00 - 2.00 years	0.00 - 1.86 years	2.84 years
Risk free rate	1.94% - 1.95%	1.90% - 1.93%	1.92%
Expected dividend yield	*	*	*

  

	2018	
	KCL RSP-Deferred Shares	KCL PSP
Date of grant	23.02.2018	30.04.2018
Prevailing share price at date of grant	\$7.96	\$8.19
Expected volatility of the Company	26.88%	27.00%
Expected term	0.00 - 2.00 years	2.83 years
Risk free rate	1.52% - 1.70%	2.05%
Expected dividend yield	*	*

\* Expected dividend yield is based on management's forecast.

The expected volatilities are based on the historical volatilities of the Company's share price over the previous 36 months immediately preceding the grant date. The expected term used in the model is based on the grant date and the end of the performance period.

## NOTES TO THE FINANCIAL STATEMENTS

## 4. Reserves

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Capital reserves						
Share option and share plan reserve	210,412	203,926	202,048	187,032	177,529	177,599
Fair value reserve	(17,300)	69,700	100,227	19,230	16,957	15,012
Hedging reserve	(192,864)	(198,816)	(111,930)	-	-	-
Bonus issue by subsidiaries	40,000	40,000	40,000	-	-	-
Others	85,851	80,133	52,120	(1,150)	7,655	16,895
	126,099	194,943	282,465	205,112	202,141	209,506
Revenue reserves	10,470,627	10,319,839	9,942,340	6,567,206	6,194,448	6,132,150
Foreign exchange translation account	(663,586)	(493,669)	(323,556)	-	-	-
	9,933,140	10,021,113	9,901,249	6,772,318	6,396,589	6,341,656

Movements in the Group's and the Company's reserves are set out in the Statements of Changes in Equity. Movements in hedging reserve by risk categories are as follows:

	Foreign exchange risk \$'000	Interest rate risk \$'000	Price risk \$'000	Total \$'000
<b>Group</b>				
<b>2019</b>				
As at 1 January	(27,498)	(18,628)	(152,690)	(198,816)
Fair value changes arising during the year, net of tax	7,474	(84,976)	(13,659)	(91,161)
Realised and transferred to profit and loss account				
- Revenue	18,700	-	-	18,700
- Materials and subcontract costs	(2,301)	-	73,146	70,845
- Other operating income – net	(8,274)	-	-	(8,274)
- Interest expenses	-	34,479	-	34,479
Share of associated companies' fair value gains	1,213	(20,111)	-	(18,898)
Less: Non-controlling interests	261	-	-	261
As at 31 December	(10,425)	(89,236)	(93,203)	(192,864)
<b>2018</b>				
As at 1 January	(174,557)	(30,052)	92,679	(111,930)
Fair value changes arising during the year, net of tax	(53,261)	(23,137)	(162,396)	(238,794)
Realised and transferred to profit and loss account				
- Revenue	94,440	-	-	94,440
- Materials and subcontract costs	18,903	-	(82,973)	(64,070)
- Other operating income – net	86,400	-	-	86,400
- Interest expenses	-	15,247	-	15,247
Share of associated companies' fair value gains	717	19,314	-	20,031
Less: Non-controlling interests	(140)	-	-	(140)
As at 31 December	(27,498)	(18,628)	(152,690)	(198,816)

The changes in fair value of the hedging instruments approximate the changes in fair value of the hedged items, which resulted in minimal hedge ineffectiveness recognised in profit or loss. Fair value loss arising from hedge ineffectiveness for cash flow hedges of \$15,877,000 (2018: \$16,513,000) was recognised in profit or loss during the year.

## 5. Non-controlling interests

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	NCI percentage of ownership interest and voting interest			Carrying amount of NCI			Profit after tax allocated to NCI	
	31 December		1 January	31 December		1 January	31 December	
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Konnectivity Pte. Ltd.	20%	-	-	310,858	-	-	9,308	-
Beijing Aether Property Development Limited	-	-	49%	-	-	199,716	-	(277)
Keppel Telecommunications & Transportation Ltd	-	21%	21%	-	184,067	174,572	739	12,728
Other subsidiaries with immaterial NCI				124,320	124,863	155,682	44,116	(135)
<b>Total</b>				<b>435,178</b>	<b>308,930</b>	<b>529,970</b>	<b>54,163</b>	<b>12,316</b>

Summarised financial information before inter-group elimination

	Konnectivity Pte. Ltd.		Keppel Telecommunications & Transportation Ltd <sup>(1)</sup>
	31 December		31 December
	2019 \$'000	2018 \$'000	2018 \$'000
Non-current assets	2,433,048	-	1,360,166
Current assets	488,817	-	326,630
Non-current liabilities	481,089	-	490,930
Current liabilities	508,007	-	194,919
Net assets	1,932,769	-	1,000,947
Less: NCI	(378,477)	-	(115,160)
	<b>1,554,292</b>	<b>-</b>	<b>885,787</b>
Revenue	950,002	-	183,223
Profit for the year	62,306	-	69,236
Total comprehensive income	<b>77,305</b>	<b>-</b>	<b>61,326</b>
Net cash flow from operations	<b>194,903</b>	<b>-</b>	<b>4,123</b>
Total comprehensive income allocated to NCI	<b>11,729</b>	<b>-</b>	<b>11,387</b>
Dividends paid to NCI	<b>8,900</b>	<b>-</b>	<b>6,804</b>

<sup>(1)</sup> During the financial year, the Group acquired all non-controlling interest in Keppel Telecommunications & Transportation Ltd, bringing the Group's ownership to 100%.

During the financial year, the Group acquired additional interest in certain subsidiaries of the Company from its non-controlling interests. The following summarises the effect of the change in the Group's ownership interest on the equity attributable to owners of the Company:

	2019 \$'000	2018 \$'000
Amounts paid/payable on changes in ownership interest in subsidiaries	(223,617)	(9,758)
Non-controlling interest acquired	173,390	1,426
<b>Total amount recognised in equity reserves</b>	<b>(50,227)</b>	<b>(8,332)</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 6. Fixed assets

	Freehold Land & Buildings \$'000	Buildings on Leasehold Land \$'000	Vessels & Floating Docks \$'000	Networks and Related Application Systems \$'000	Plant, Machinery, Equipment & Others <sup>(1)</sup> \$'000	Capital Work-in-Progress \$'000	Total \$'000
<b>Group</b>							
<b>2019</b>							
<b>Cost</b>							
At 1 January	114,301	2,054,952	355,159	-	2,037,569	347,618	4,909,599
Adoption of SFRS(I) 16	-	(177,261)	-	-	-	-	(177,261)
Additions	247	5,723	333	57,575	76,791	71,322	211,991
Disposals	(165)	(2,549)	(393)	(11,069)	(24,388)	(16)	(38,580)
Write-off	-	(120)	-	-	(3,883)	-	(4,003)
Subsidiaries acquired	-	73,042	-	546,496	103,805	49,311	772,654
Subsidiaries disposed	-	(102,844)	-	-	(31,349)	(200)	(134,393)
Reclassification							
- Investment properties	-	58,764	-	-	-	-	58,764
- Other fixed assets categories	210	72,534	184,778	52,961	17,359	(327,842)	-
Exchange differences	198	(13,430)	(6,273)	-	(13,786)	(2,621)	(35,912)
At 31 December	<b>114,791</b>	<b>1,968,811</b>	<b>533,604</b>	<b>645,963</b>	<b>2,162,118</b>	<b>137,572</b>	<b>5,562,859</b>
<b>Accumulated Depreciation</b>							
At 1 January	62,927	906,189	151,155	-	1,369,949	46,819	2,537,039
Adoption of SFRS(I) 16	-	(50,141)	-	-	-	-	(50,141)
Depreciation charge	3,167	54,820	12,097	68,606	127,315	-	266,005
Disposals	(160)	(1,627)	(393)	(5,130)	(22,287)	-	(29,597)
Impairment	-	7,456	-	-	893	75	8,424
Write-off	-	(120)	-	-	(3,875)	-	(3,995)
Subsidiaries disposed	-	(30,597)	-	-	(22,823)	-	(53,420)
Reclassification							
- Other fixed assets categories	(135)	2,357	-	-	(2,222)	-	-
Exchange differences	236	(3,997)	(2,982)	-	(6,110)	(448)	(13,301)
At 31 December	<b>66,035</b>	<b>884,340</b>	<b>159,877</b>	<b>63,476</b>	<b>1,440,840</b>	<b>46,446</b>	<b>2,661,014</b>
<b>Net Book Value</b>	<b>48,756</b>	<b>1,084,471</b>	<b>373,727</b>	<b>582,487</b>	<b>721,278</b>	<b>91,126</b>	<b>2,901,845</b>

Included in freehold land & buildings are freehold land amounting to \$7,295,000 (31 December 2018: \$7,812,000, 1 January 2018: \$8,726,000).

Certain fixed assets with carrying amount of \$123,940,000 (31 December 2018: \$159,996,000, 1 January 2018: \$155,748,000) are mortgaged to banks for loan facilities (Note 22).

Interest capitalised during the financial year amounted to \$436,000 (2018: \$2,009,000).

Each rigbuilding, shipbuilding and repair facilities in the Offshore & Marine Division has been identified as individual CGUs. The recoverable amounts of these CGUs were determined using value-in-use models that incorporated cash flow projections based on financial forecasts approved by management. Management had determined the forecasted cash flows based on past performance and its current expectations of market development. These cash flows were discounted at discount rates ranging from 6% to 11% (31 December 2018: 6% to 11%, 1 January 2018: 6% to 13%) per annum, depending on the location of the facilities.

During the year, the Group recognised an impairment loss of \$4,910,000 for fixed assets in the Property Division in China, which was based on the difference between the recoverable amount and the net book value of the fixed assets. The recoverable amount was based on fair value determined using the income approach.

The Group also recognised an impairment loss of \$3,514,000 on certain buildings and equipment in the Infrastructure Division in China, due to lower recoverable amounts subsequent to sustained losses generated from these assets, as a result of weaker economic outlook which adversely affected fair values and expected returns of these assets. The recoverable amounts were assessed to be fair value less costs of disposal.

	Freehold Land & Buildings \$'000	Leasehold Land & Buildings \$'000	Vessels & Floating Docks \$'000	Plant, Machinery, Equipment & Others <sup>(1)</sup> \$'000	Capital Work-in-Progress \$'000	Total \$'000
<b>Group</b>						
<b>2018</b>						
<b>Cost</b>						
At 1 January	115,711	2,068,595	292,682	2,015,487	368,501	4,860,976
Additions	202	1,269	174	54,633	104,134	160,412
Disposals	(18)	(7,946)	(8,248)	(32,845)	-	(49,057)
Write-off	-	-	-	(6,184)	(4,388)	(10,572)
Subsidiaries acquired	-	-	-	47	-	47
Subsidiaries disposed	-	-	(4,191)	(1,601)	(557)	(6,349)
Reclassification						
- Stocks	-	-	-	(319)	-	(319)
- Other fixed assets categories	812	14,076	71,135	30,693	(116,716)	-
Exchange differences	(2,406)	(21,042)	3,607	(22,342)	(3,356)	(45,539)
At 31 December	114,301	2,054,952	355,159	2,037,569	347,618	4,909,599
<b>Accumulated Depreciation</b>						
At 1 January	60,077	865,244	139,400	1,303,505	59,787	2,428,013
Depreciation charge	3,597	54,324	9,667	110,111	-	177,699
Disposals	(18)	(7,474)	(8,234)	(30,262)	-	(45,988)
Write-off	-	-	-	(3,661)	-	(3,661)
Subsidiaries disposed	-	-	(979)	(1,098)	-	(2,077)
Reclassification						
- Other fixed assets categories	(170)	10	12,410	160	(12,410)	-
Exchange differences	(559)	(5,915)	(1,109)	(8,806)	(558)	(16,947)
At 31 December	62,927	906,189	151,155	1,369,949	46,819	2,537,039
<b>Net Book Value</b>	<b>51,374</b>	<b>1,148,763</b>	<b>204,004</b>	<b>667,620</b>	<b>300,799</b>	<b>2,372,560</b>

<sup>(1)</sup> Others comprise furniture, fittings and office equipment, cranes and small equipment and tools.

	Freehold Land & Buildings \$'000	Plant, Machinery, Equipment & Others <sup>(2)</sup> \$'000	Capital Work-in-Progress \$'000	Total \$'000
<b>Company</b>				
<b>2019</b>				
<b>Cost</b>				
At 1 January	1,233	8,791	6,139	16,163
Additions	-	2,617	-	2,617
Disposals	-	(9)	-	(9)
Reclassification to other fixed asset categories	-	6,139	(6,139)	-
At 31 December	1,233	17,538	-	18,771
<b>Accumulated Depreciation</b>				
At 1 January	1,233	8,254	-	9,487
Depreciation charge	-	2,020	-	2,020
Disposals	-	(9)	-	(9)
At 31 December	1,233	10,265	-	11,498
<b>Net Book Value</b>	<b>-</b>	<b>7,273</b>	<b>-</b>	<b>7,273</b>
<b>2018</b>				
<b>Cost</b>				
At 1 January	1,233	8,693	-	9,926
Additions	-	550	6,139	6,689
Disposals	-	(452)	-	(452)
At 31 December	1,233	8,791	6,139	16,163
<b>Accumulated Depreciation</b>				
At 1 January	1,231	8,399	-	9,630
Depreciation charge	2	307	-	309
Disposals	-	(452)	-	(452)
At 31 December	1,233	8,254	-	9,487
<b>Net Book Value</b>	<b>-</b>	<b>537</b>	<b>6,139</b>	<b>6,676</b>

<sup>(2)</sup> Others comprise furniture, fittings and office equipment.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. Investment properties

	Group	
	31 December	
	2019 \$'000	2018 \$'000
At 1 January	2,851,380	3,460,608
Adoption of SFRS(I) 16	5,765	-
Development expenditure	304,803	94,099
Fair value gain (Note 26)	101,020	84,886
Disposal	(834)	(2,870)
Subsidiary acquired	-	360,000
Subsidiary disposed	-	(948,613)
Reclassification		
- Stocks (Note 14)	-	(158,300)
- Fixed assets (Note 6)	(58,764)	-
- Right-of-use assets (Note 8)	(158,357)	-
Exchange differences	(22,922)	(38,430)
At 31 December	<b>3,022,091</b>	<b>2,851,380</b>

The Group's investment properties (including integral plant and machinery) are stated at management's assessments based on the following valuations (open market value basis), performed on an annual basis, by independent firms of professional valuers as at 31 December 2019:

- Savills Valuation and Professional Services (S) Pte Ltd and Knight Frank Pte Ltd for properties in Singapore;
- Cushman & Wakefield Valuation Advisory Services (HK) Limited and Vincorn Consulting and Appraisal Limited for properties in China;
- Savills Vietnam Co. Ltd for properties in Vietnam;
- Cushman & Wakefield VOF for a property in the Netherlands;
- Knight Frank LLP for a property in United Kingdom; and
- KJPP Willson dan Rekan (an affiliate of Knight Frank) for properties in Indonesia.

Based on valuations performed by the independent valuers, management has analysed the appropriateness of the fair value changes.

Interest capitalised within development expenditure during the financial year amounted to \$12,751,000 (2018: \$3,408,000).

The Group has mortgaged certain investment properties of up to an aggregate amount of \$828,355,000 (31 December 2018: \$905,656,000, 1 January 2018: \$552,684,000) to banks for loan facilities (Note 22).

In 2019, the Group reclassified from investment properties to fixed assets and right-of-use assets for the owner-occupied portion of the property amounting to \$58,764,000 and \$158,357,000 respectively.

In 2018, the Group reclassified \$158,300,000 from investment properties to properties held for sale upon change of use of the asset from holding for capital gain and/or rental yield to property trading.

## 8. Right-of-use assets (leases)

## Leases

## The Group as lessee

*Leasehold land & building*

The Group leases several lands, offices, retail stores and shipyards for use in its operations.

*Plant, machinery, equipment & others*

The Group leases equipment and vehicles for office and operation use, mainly in the Offshore & Marine and Infrastructure Divisions.

*Base station sites*

The Group leases base station sites to facilitate transmission of telecommunication services.

There are no externally imposed covenants on these lease arrangements.

## Right-of-use assets

	Leasehold Land & Buildings \$'000	Plant, Machinery, Equipment & Others <sup>(1)</sup> \$'000	Base Station Site \$'000	Total \$'000
<b>Group</b>				
<b>2019</b>				
<b>Net Book Value</b>				
At 1 January	-	-	-	-
Adoption of SFRS(I) 16	583,181	8,945	-	592,126
Additions	43,522	3,669	760	47,951
Depreciation	(55,054)	(3,453)	(5,538)	(64,045)
Subsidiaries acquired	24,101	240	19,983	44,324
Subsidiaries disposed	(4,433)	-	-	(4,433)
Reclassification				
- Investment properties (Note 7)	158,357	-	-	158,357
Exchange differences	(14,326)	(25)	-	(14,351)
At 31 December	<b>735,348</b>	<b>9,376</b>	<b>15,205</b>	<b>759,929</b>

<sup>(1)</sup> Others comprise furniture, fittings, office equipment and motor vehicles.

The right-of-use asset relating to the leasehold land presented under investment properties (Note 7) is stated at fair value and has a carrying amount at balance sheet date of \$5,765,000.

Total cash outflow for all the leases in 2019 was \$83,038,000, comprising repayment of principal of \$47,306,000 and interest payment of \$35,732,000.

Certain right-of-use assets with carrying amount of \$11,689,000 are mortgaged to banks for loan facilities (Note 22).

	Leasehold Land & Buildings \$'000	Plant, Machinery, Equipment & Others <sup>(1)</sup> \$'000	Total \$'000
<b>Company</b>			
<b>2019</b>			
<b>Net Book Value</b>			
At 1 January	-	-	-
Adoption of SFRS(I) 16	15,902	279	16,181
Depreciation	(3,282)	(66)	(3,348)
At 31 December	<b>12,620</b>	<b>213</b>	<b>12,833</b>

<sup>(1)</sup> Others comprise office equipment.

Total cash outflow for all the leases in 2019 was \$4,197,000, comprising repayment of principal of \$3,822,000 and interest payment of \$375,000.

	Group 31 December 2019 \$'000
<u>Lease expense not capitalised in lease liabilities</u>	
Short-term leases	29,987
Low-value leases	1,992
Variable lease payments which do not depend on an index or rate	327

As at 31 December 2019, future cash outflows to which the Group is potentially exposed that are not reflected in the measurement of lease liabilities include variable lease payments and \$623,194,000 for extension options. The leases for retail stores contain variable lease payments that are based on a percentage of sales generated by the stores ranging from 0.3% to 3.0%, on top of fixed payments. The Group negotiates variable lease payments for a variety of reasons, including minimising the fixed costs base for newly established stores. Such variable lease payments are recognised to profit or loss when incurred and amounted to \$327,000 for the financial year ended 31 December 2019. The extension options are for certain properties of the Group. The Group negotiates extension options to optimise operational flexibility in terms of managing these assets in the Group's operations.



## NOTES TO THE FINANCIAL STATEMENTS

## 8. Right-of-use assets (leases) (continued)

The following table details the liquidity analysis for lease liabilities of the Group and the Company based on contractual undiscounted cash flows.

	Group	Company
	31 December 2019 \$'000	31 December 2019 \$'000
Within one year	79,224	4,140
Within one to two years	116,712	4,047
Within two to five years	209,894	8,021
After five years	452,642	-
Total	<b>858,472</b>	<b>16,208</b>

## The Group as lessor

The Group leases out commercial space to non-related parties under non-cancellable operating leases. At the end of the reporting period, the Group's undiscounted future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables are as follows:

	Group
	31 December 2019 \$'000
Within one year	92,565
In the second year	76,988
In the third year	37,549
In the fourth year	30,409
In the fifth year	24,071
After the fifth year	50,821
Total	<b>312,403</b>

## 9. Subsidiaries

	Company		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Quoted shares, at cost			
Market value: \$6,204,000 (2018: \$829,294,000)	493	398,140	398,140
Unquoted shares, at cost	<b>8,442,604</b>	7,821,604	7,821,594
	<b>8,443,097</b>	8,219,744	8,219,734
Provision for impairment	<b>(480,569)</b>	(351,785)	(246,885)
	<b>7,962,528</b>	7,867,959	7,972,849

Movements in the provision for impairment of subsidiaries are as follows:

	Company		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
At 1 January	<b>351,785</b>	246,885	163,070
Charge to profit and loss account	<b>128,784</b>	104,900	83,815
At 31 December	<b>480,569</b>	351,785	246,885

Impairment of \$128,784,000 (2018: \$104,900,000) made during the year mainly relates to an investment holding subsidiary that holds equity investments in the Oil & Gas segment. Impairment loss was made arising from the impairment exercise performed (Note 10). Due to the economic downturn in that segment, recoverable amount of the equity investments was projected to be below the Company's cost of investment. Management had performed an assessment on the recoverable amount based on the cash flow estimates of the underlying assets. In 2018, recoverable amount of the equity investments, based on a value-in-use ("VIU") calculation, was projected to be below the Company's cost of investment. Cash flows in the 2018 VIU calculation was discounted at 11.7% per annum.

Information relating to significant subsidiaries consolidated in the financial statements is given in Note 38.

## 10. Associated companies

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Quoted shares, at cost			
Market value: \$3,508,132,000 (31 Dec 2018: \$3,149,785,000; 1 Jan 2018: \$3,484,189,000)	<b>2,878,117</b>	3,149,917	3,105,919
Unquoted shares, at cost	<b>2,773,439</b>	2,096,656	1,784,809
	<b>5,651,556</b>	5,246,573	4,890,728
Provision for impairment	<b>(197,392)</b>	(161,367)	(100,297)
	<b>5,454,164</b>	5,085,206	4,790,431
Share of reserves	<b>238,251</b>	533,474	528,184
Carrying amount of equity interest	<b>5,692,415</b>	5,618,680	5,318,615
Notes issued by associated companies	<b>319,284</b>	315,787	310,242
Advances to associated companies	<b>339,146</b>	304,586	286,522
	<b>6,350,845</b>	6,239,053	5,915,379

Notes issued by an associated company of \$245,000,000 are unsecured and will mature in 2040. The remaining Notes are denominated in SGD, secured and will mature in 2024. Interest is charged at rates ranging from 0% to 17.5% (31 December 2018 and 1 January 2018: 0% to 17.5%) per annum.

Advances to associated companies are unsecured and are not repayable within the next 12 months. Interest is charged at rates ranging from 2.5% to 7.0% (31 December 2018 and 1 January 2018: 3.0% to 7.0%) per annum on interest-bearing advances.

Movements in the provision for impairment of associated companies are as follows:

	Group	
	2019 \$'000	2018 \$'000
At 1 January	<b>161,367</b>	100,297
Impairment loss	<b>35,915</b>	60,782
Exchange differences	<b>110</b>	288
At 31 December	<b>197,392</b>	161,367

Impairment loss made during the year mainly relates to the shortfall between the carrying amount of the costs of investment and the recoverable amount of certain associated companies.

	Group	
	2019 \$'000	2018 \$'000
The Group's share of net profit of associated companies is as follows:		
Share of profit before tax	<b>262,127</b>	317,076
Share of taxation	<b>(114,714)</b>	(96,181)
Share of net profit	<b>147,413</b>	220,895

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Associated companies (continued)

The carrying amount of the Group's material associated companies, all of which are equity accounted for, are as follows:

		31 December		1 January
		2019 \$'000	2018 \$'000	2018 \$'000
Keppel REIT	(a)	<b>1,960,518</b>	1,972,303	1,850,409
Keppel Infrastructure Trust	(b)	<b>301,669</b>	254,035	267,169
KrisEnergy Limited	(c)	<b>74,284</b>	196,311	321,562
Keppel DC REIT	(d)	<b>449,964</b>	377,616	396,152
Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited	(e)	<b>570,384</b>	560,818	541,837
Floatel International Limited	(f)	<b>311,000</b>	362,760	342,694
Other associated companies		<b>2,683,026</b>	2,515,210	2,195,556
		<b>6,350,845</b>	<b>6,239,053</b>	<b>5,915,379</b>

The summarised financial information of the material associated companies, not adjusted for the Group's proportionate share, based on its SFRS(I) financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

		31 December		1 January
		2019 \$'000	2018 \$'000	2018 \$'000
<b>(a) Keppel REIT</b>				
Current assets		<b>142,317</b>	274,529	208,307
Non-current assets		<b>7,307,046</b>	7,509,922	7,395,981
Total assets		<b>7,449,363</b>	7,784,451	7,604,288
Current liabilities		<b>159,690</b>	134,156	492,865
Non-current liabilities		<b>2,125,893</b>	2,314,699	2,196,165
Total liabilities		<b>2,285,583</b>	2,448,855	2,689,030
Net assets		<b>5,163,780</b>	5,335,596	4,915,258
Less: Non-controlling interests		<b>(578,931)</b>	(578,311)	(151,834)
		<b>4,584,849</b>	4,757,285	4,763,424
Proportion of the Group's ownership		<b>49%</b>	47%	45%
Group's share of net assets		<b>2,245,659</b>	2,255,429	2,146,723
Other adjustments		<b>(285,141)</b>	(283,126)	(296,314)
Carrying amount of equity interest		<b>1,960,518</b>	1,972,303	1,850,409
Revenue		<b>164,053</b>	165,858	164,516
Profit after tax		<b>141,670</b>	154,588	180,154
Other comprehensive (loss)/income		<b>(82,772)</b>	3,028	(49,789)
Total comprehensive income		<b>58,898</b>	157,616	130,365
Fair value of ownership interest (if listed) **		<b>2,044,903</b>	1,834,206	1,914,043
Dividends received		<b>90,144</b>	87,247	80,011

\*\* Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
<b>(b) Keppel Infrastructure Trust</b>			
Current assets	1,029,248	521,616	488,154
Non-current assets	3,974,027	3,283,391	3,468,262
Total assets	5,003,275	3,805,007	3,956,416
Current liabilities	1,706,097	1,233,598	919,010
Non-current liabilities	1,583,009	1,393,153	1,725,512
Total liabilities	3,289,106	2,626,751	2,644,522
Net assets	1,714,169	1,178,256	1,311,894
Less: Non-controlling interests	(389,763)	(125,780)	(158,959)
	1,324,406	1,052,476	1,152,935
Proportion of the Group's ownership	18%	18%	18%
Group's share of net assets	241,042	191,761	209,949
Other adjustments	60,627	62,274	57,220
Carrying amount of equity interest	301,669	254,035	267,169
Revenue	1,566,715	637,387	632,476
Profit/(loss) after tax	10,194	(2,358)	13,776
Other comprehensive (loss)/income	(92,591)	13,876	(10,051)
Total comprehensive (loss)/income	(82,397)	11,518	3,725
Fair value of ownership interest (if listed) **	490,886	341,023	403,858
Dividends received	30,134	26,134	26,126
** Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).			
<b>(c) KrisEnergy Limited *</b>			
Current assets	174,986	147,702	191,987
Non-current assets	699,330	761,267	869,374
Total assets	874,316	908,969	1,061,361
Current liabilities	878,467	103,342	74,604
Non-current liabilities	82,323	671,960	653,172
Total liabilities	960,790	775,302	727,776
Net (liabilities)/assets	(86,474)	133,667	333,585
Less: Non-controlling interests	-	-	-
	(86,474)	133,667	333,585
Proportion of the Group's ownership	40%	40%	40%
Group's share of net assets	-	53,213	133,067
Other adjustments	-	72,311	123,253
Carrying amount of equity interest	-	125,524	256,320
Notes issued by associated company	74,284	70,787	65,242
	74,284	196,311	321,562
Revenue	148,591	216,454	196,612
Loss after tax	(220,060)	(201,924)	(293,277)
Other comprehensive income/(loss)	176	(132)	32
Total comprehensive loss	(219,884)	(202,056)	(293,245)
Fair value of ownership interest (if listed) **	n.a.	43,673	60,425
Dividends received	-	-	-

\* As at the date of approval of these financial statements, the most recent available financial information on which equity accounting for the current year can be practically applied are those financial information from October of the preceding year to September of the current year. The difference in reporting period has no material impact on the Group's consolidated financial statements.

\*\* Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy). KrisEnergy Limited had suspended trading of its securities on the Singapore Exchange Securities Ltd with effect from 14 August 2019 (the last closing price before trading suspension was \$0.03 per share). Therefore, the Level 1 fair value hierarchy is no longer applicable as at 31 December 2019.

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Associated companies (continued)

*Investments in KrisEnergy Limited and related exposures*

		31 December	
		2019 \$'000	2018 \$'000
Equity interest	Note 10(c)	-	125,524
Zero-coupon notes	Note 10(c)	74,284	70,787
Warrants	Note 11	-	29,332
Carrying amount		74,284	225,643
Other related exposures:			
Contract assets <sup>1</sup>	Note 15	20,541	1,216
Guarantee <sup>2</sup>	Note 32	262,825	223,680

<sup>1</sup> In relation to a construction contract for a production barge for KrisEnergy.

<sup>2</sup> In relation to a bilateral agreement between the Group and a bank, on the bank loan granted to KrisEnergy.

On 14 August 2019, KrisEnergy has made an application to the High Court of the Republic of Singapore to commence a court-supervised process to reorganise its liabilities and seek a moratorium against enforcement actions and legal proceedings by creditors against KrisEnergy pursuant to section 211B of the Companies Act (Cap. 50). It has also requested a suspension of trading of its securities on Singapore Exchange Securities Trading Ltd. The High Court of Republic of Singapore approved the application for an initial period of 3 months up to 14 November 2019. At the date of these financial statements, the debt moratorium was extended to 27 May 2020. As at the end of the current financial year, KrisEnergy has not presented a restructuring plan.

Management performed an impairment assessment to estimate the recoverable amount of the Group's exposure in KrisEnergy as at 31 December 2019. With assistance from its financial advisor, management estimated the amount of cash available from producing assets and forecasted production from assets under development, taking into consideration the relative priority of each group of stakeholders to these cash flows based on their respective rights. Management will evaluate the above assessment when a restructuring plan is presented by KrisEnergy in due course which may give rise to adjustments to be made. The estimates and assumptions used are subject to risk and uncertainty.

Based on the assessment, the Group recognised an impairment loss of \$37,000,000 during the financial year, and the carrying value of the Group's equity investment has been reduced to zero. In 2018, management had performed an assessment on the recoverable amount using a discounted cash flow model based on a cash flow projection and recognised an impairment charge of \$53,000,000.

## (d) Keppel DC REIT

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Current assets	279,952	220,244	178,078
Non-current assets	2,648,042	2,032,687	1,585,204
Total assets	2,927,994	2,252,931	1,763,282
Current liabilities	108,157	186,779	53,224
Non-current liabilities	917,289	590,158	593,556
Total liabilities	1,025,446	776,937	646,780
Net assets	1,902,548	1,475,994	1,116,502
Less: Non-controlling interests	(34,530)	(31,155)	(26,786)
	1,868,018	1,444,839	1,089,716
Proportion of the Group's ownership	23%	25%	35%
Group's share of net assets	434,688	364,244	380,617
Other adjustments	15,276	13,372	15,535
Carrying amount of equity interest	449,964	377,616	396,152
Revenue	194,826	175,535	139,050
Profit after tax	111,108	146,009	70,274
Other comprehensive (loss)/income	(33,789)	(4,628)	21,044
Total comprehensive income	77,319	141,381	91,318
Fair value of ownership interest (if listed)**	709,231	459,925	562,990
Dividends received	31,898	27,876	20,958

\*\* Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy).

(e) Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Current assets	1,073,996	889,954	816,431
Non-current assets	478,339	438,662	458,652
Total assets	1,552,335	1,328,616	1,275,083
Current liabilities	324,787	190,317	165,498
Non-current liabilities	29,261	16,668	25,912
Total liabilities	354,048	206,985	191,410
Net assets	1,198,287	1,121,631	1,083,673
Less: Non-controlling interests	-	-	-
	1,198,287	1,121,631	1,083,673
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	599,144	560,815	541,836
Other adjustments	(28,760)	3	1
Carrying amount of equity interest	570,384	560,818	541,837
Revenue	475,001	492,503	1,247,882
Profit after tax	155,705	111,222	267,163
Other comprehensive income	-	-	-
Total comprehensive income	155,705	111,222	267,163
Dividends received	27,351	22,493	-

(f) Floatel International Limited

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Current assets	137,367	186,613	334,668
Non-current assets	1,655,424	1,771,181	1,818,093
Total assets	1,792,791	1,957,794	2,152,761
Current liabilities	79,669	104,714	48,606
Non-current liabilities	1,105,306	1,141,620	1,432,657
Total liabilities	1,184,975	1,246,334	1,481,263
Net assets	607,816	711,460	671,498
Less: Non-controlling interests	-	-	-
	607,816	711,460	671,498
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	303,422	355,161	335,212
Other adjustments	7,578	7,599	7,482
Carrying amount of equity interest	311,000	362,760	342,694
Revenue	250,286	393,535	443,442
(Loss)/profit after tax	(100,572)	22,225	48,829
Other comprehensive (loss)/income	(1,039)	6,796	7,728
Total comprehensive (loss)/income	(101,611)	29,021	56,557
Dividends received	-	-	-

*Investments in Floatel International Limited*

		31 December	
		2019 \$'000	2018 \$'000
Equity interest	Note 10(f)	311,000	362,760
Preference shares	Note 11	10,449	21,845
Loan receivable	Note 12	155,425	139,799
Carrying amount		476,874	524,404

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Associated companies (continued)

In November 2019, credit rating agencies downgraded Floatel's credit rating, citing market environment for accommodation vessels remaining difficult with limited activity and pressure on dayrates. The rating agencies also commented that if Floatel fails to contract work for its idle vessels in the near future, it may not be able to meet its leverage covenant at its first test at the year-end 2020.

Floatel subsequently reported that its financial situation is unsustainable as liquidity is under pressure. There is a material uncertainty as to whether Floatel will be able to service its secured financial liabilities and net working capital requirements for the coming 12 months, which cast significant doubt on Floatel's ability to continue as a going concern. The long term viability of Floatel's business depends on it finding a solution to its financial situation and Floatel management has initiated discussions with key creditors, in which, in the view of Floatel's board of directors, there is reasonable expectations of success. In a situation where going concern for Floatel no longer can be assumed, there is a risk for significant write down of its assets.

Management performed an impairment assessment of the recoverability of the Group's total exposure in Floatel by first performing an assessment to ascertain whether Floatel would reasonably continue as a going concern in the next 12 months. If Floatel cannot reasonably continue as a going concern in the next 12 months, the carrying amount of the Group's investment in Floatel may be subject to significant write down.

Management conducted a review of the business and cash flow projections through discussions with Floatel's management and corroborated those information based on management's understanding of the business environment that Floatel operates in. Management also discussed with Floatel's management to understand the on-going dialogue with Floatel's lenders and advisers. Based on the results of the review, discussions and information currently available, management concurred with the judgment made by Floatel's management and board of directors in relation to the going concern matter.

In assessing impairment of the equity shares, management had focused on whether Floatel's vessels were stated at their appropriate recoverable amounts. The Group's carrying value of investment in Floatel's equity shares was reduced by its share of loss of \$50,724,000 which included impairment loss on the carrying value of three vessels amounting to \$19,642,000. The recoverable amounts of the vessels were determined on their value-in-use, using a discounted cash flow model. Management reviewed the appropriateness of key inputs used in the estimation of the recoverable amount of Floatel's vessels.

With respect to preference shares, management had performed an estimation of its fair value as at 31 December 2019 using a dividend discount model and recognised a fair value loss of \$11,395,000.

In assessing the expected credit loss of the loan receivable repayable on 31 December 2025, management expects full recovery of the receivable on the basis that Floatel operates in a niche market and supply of similar services should normalise over time. Given the extended date before the loan is due for repayment, management expects Floatel to continue as a viable business in the longer term and will be able to repay the loan when due in 2025.

Aggregate information about the Group's investments in other associated companies are as follows:

	31 December	
	2019 \$'000	2018 \$'000
Share of profit before tax	224,984	171,934
Share of taxation	(81,978)	(56,897)
Share of other comprehensive loss	(12,439)	(26,215)
Share of total comprehensive income	130,567	88,822

Information relating to significant associated companies, including information on principal activities, country of operation/ incorporation and proportion of ownership interest, and whose results are included in the financial statements is given in Note 38.

## 11. Investments

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Investments at fair value through other comprehensive income ("OCI"):						
- Quoted equity shares	12,336	6,527	4,123	-	-	-
- Unquoted equity shares	107,396	96,903	86,768	19,230	16,957	15,012
- Unquoted property funds	95,227	104,927	185,187	-	-	-
Total investments at fair value through OCI	214,959	208,357	276,078	19,230	16,957	15,012
Investments at fair value through profit or loss:						
- Quoted equity shares	82,399	-	-	-	-	-
- Quoted warrants	-	29,332	31,647	-	-	-
- Unquoted equity shares	330,143	189,559	87,811	-	-	-
- Unquoted - others	21,568	22,267	22,256	-	-	-
Total investments at fair value through profit or loss	434,110	241,158	141,714	-	-	-
Total investments	649,069	449,515	417,792	19,230	16,957	15,012

The breakdown of the investments at fair value through other comprehensive income is as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Unquoted property funds managed by a related company	95,227	104,927	185,187	-	-	-
Unquoted equity shares in real estate industry	39,381	48,115	31,062	19,230	16,957	15,012
Quoted and unquoted equity shares in oil and gas industry	39,477	34,235	37,740	-	-	-
Others	40,874	21,080	22,089	-	-	-
	214,959	208,357	276,078	19,230	16,957	15,012

Quoted warrants were issued by an associated company, KrisEnergy Limited.

Unquoted investments included a bond amounting to \$21,568,000 (31 December 2018: \$39,868,000, 1 January 2018: \$39,256,000) bearing interest at 4% (31 December 2018 and 1 January 2018: 4%) per annum which is maturing in 2027.

Unquoted equity shares included preference shares issued by Floatel International Limited, an associated company, amounting to \$10,449,000 (2018: \$21,845,000).



## NOTES TO THE FINANCIAL STATEMENTS

## 12. Long term assets

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Staff loans	277	633	933	50	105	386
Derivative assets	14,791	22,002	26,780	11,918	8,751	14,101
Contract assets	99,523	-	-	-	-	-
Call option	157,518	150,500	137,200	-	-	-
Service concession receivable	351,041	235,959	115,835	-	-	-
Trade receivables	638,973	-	-	-	-	-
Long term receivables and others	404,379	313,350	365,238	11,535	-	-
	<b>1,666,502</b>	<b>722,444</b>	<b>645,986</b>	<b>23,503</b>	<b>8,856</b>	<b>14,487</b>
Less: Amounts due within one year and included in debtors (Note 17)	(10,140)	(42,980)	(42,194)	(34)	(55)	(141)
	<b>1,656,362</b>	<b>679,464</b>	<b>603,792</b>	<b>23,469</b>	<b>8,801</b>	<b>14,346</b>

Included in staff loans are interest-free advances to directors of related corporations amounting to \$30,000 (31 December 2018: \$47,000, 1 January 2018: \$179,000) under an approved car loan scheme.

Contract assets primarily relate to the Group's right to consideration for development units delivered to customers under the pay-and-stay scheme, as well as for handset and equipment delivered and accepted by customers but not yet billed at the reporting date.

The call option granted to the Group is in connection with the disposal of its 87.51% equity interest in Ocean Properties LLP (f.k.a. Ocean Properties Private Limited) to Keppel REIT in 2011. The Group has an option to acquire the same shares exercisable at the price of \$1 upon the expiry of 99 years from 14 December 2011 under the share purchase agreement. The call option may be exercised earlier upon the occurrence of certain specified events as stipulated in the call option deed. As at 31 December 2019, the fair value was determined by reference to the difference in valuations obtained from an independent professional valuer for the underlying investment property based on the remaining 842-year leasehold and 91-year leasehold (31 December 2018: based on the remaining 843-year leasehold and 92-year leasehold, 1 January 2018: based on the remaining 844-year leasehold and 93-year leasehold). The details of the valuation techniques and inputs used for the call option are disclosed in Note 34.

The service concession receivable relates to a service concession arrangement with a governing agency of the Government of Singapore (the grantor) to design, build, own and operate a desalination plant in Singapore, which has a capacity to produce 137,000 cubic metres of fresh drinking water per day. The plant is expected to be operational in 2020. The Group has a contractual right under the concession arrangement to receive fixed and determinable amounts of payment during the concession period of 25 years irrespective of the output produced. At the end of the concession period, the grantor may require the plant to be handed over in a specified condition or to be demolished at reasonable costs borne by the grantor. In arriving at the carrying value of the service concession arrangements as at the end of the reporting year, effective interest rate of 4.22% (31 December 2018: 4.30%, 1 January 2018: 4.33%) per annum were used to discount the future expected cash flows.

Trade receivables are related to financing arrangements for delivered rigs where the Group has retained title. \$125,444,000 is due from one customer and bears floating interest at LIBOR plus a margin, and repayable in October 2024. The remainder is due from another customer, bears fixed interest and repayable in February 2024 and 2029. The customer has options for early repayment.

Long term receivables are unsecured, largely repayable after five years (31 December 2018 and 1 January 2018: five years) and bears effective interest ranging from 2.00% to 12.00% (31 December 2018: 2.00% to 9.00%, 1 January 2018: 2.00% to 6.00%) per annum.

Included in other receivables are claims receivable which represents claims from customer for long term contracts. For the financial year ended 31 December 2019, the Group recognised \$15,021,000 (31 December 2018 and 1 January 2018: \$nil) loss allowance on claims receivable arising from the discounting effects due to changes to the expected timing of receipt.

Included in the long term receivables is an unsecured, interest-bearing USD loan amounting to \$155,425,000 (31 December 2018: \$139,799,000) which is repayable in 2025 by Floatel International Limited, an associated company.

### 13. Intangibles

	Goodwill \$'000	Development Expenditure \$'000	Brand \$'000	Spectrum Rights \$'000	Customer Contracts and Relationships \$'000	Others \$'000	Total \$'000
<b>Group</b>							
<b>2019</b>							
At 1 January	59,270	18,017	-	-	34,963	16,757	129,007
Additions	-	662	-	-	-	-	662
Acquisition of a subsidiary	988,288	-	277,563	156,670	175,167	1,116	1,598,804
Amortisation	-	(1,693)	(7,710)	(14,735)	(21,032)	(74)	(45,244)
Exchange differences	-	(175)	-	-	(73)	-	(248)
At 31 December	<b>1,047,558</b>	<b>16,811</b>	<b>269,853</b>	<b>141,935</b>	<b>189,025</b>	<b>17,799</b>	<b>1,682,981</b>
Cost	1,047,558	36,885	277,563	156,670	228,334	17,873	1,764,883
Accumulated amortisation	-	(20,074)	(7,710)	(14,735)	(39,309)	(74)	(81,902)
	<b>1,047,558</b>	<b>16,811</b>	<b>269,853</b>	<b>141,935</b>	<b>189,025</b>	<b>17,799</b>	<b>1,682,981</b>
<b>Group</b>							
<b>2018</b>							
At 1 January	59,270	19,073	-	-	37,494	16,757	132,594
Additions	-	561	-	-	-	-	561
Amortisation	-	(1,760)	-	-	(2,927)	-	(4,687)
Exchange differences	-	143	-	-	396	-	539
At 31 December	<b>59,270</b>	<b>18,017</b>	<b>-</b>	<b>-</b>	<b>34,963</b>	<b>16,757</b>	<b>129,007</b>
Cost	59,270	38,808	-	-	53,305	16,757	168,140
Accumulated amortisation	-	(20,791)	-	-	(18,342)	-	(39,133)
	<b>59,270</b>	<b>18,017</b>	<b>-</b>	<b>-</b>	<b>34,963</b>	<b>16,757</b>	<b>129,007</b>

#### Impairment testing of goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating units.

Out of the total goodwill of \$1,047,558,000, goodwill allocated from the acquisition of M1 Limited amounted to \$988,288,000.

During the year, the Group's 80% owned subsidiary, Connectivity Pte Ltd, acquired approximately 81% equity interest in M1 Limited. The Group's wholly-owned subsidiary, Keppel Telecommunications and Transportation Ltd holds the remaining 19% equity interest in M1 Limited.

The recoverable amount of M1 as a CGU was determined based on its value-in-use using a discounted cash flow model based on cash flow projections by management covering a 5-year period, and cash flows beyond the 5-year period were extrapolated using a terminal growth rate of 1.47%, premised on the estimated long term growth rate for the country where the CGU operates. Cash flows were discounted using a discount rate of 8% per annum.

The recoverable amount was estimated to be higher than the carrying value of the M1 CGU. Accordingly, no impairment of goodwill was recognised in 2019. The calculation of value-in-use for the CGU is sensitive to the terminal growth rate and the discount rate applied. Any possible reasonable change in the terminal growth rate and discount rate used in the calculation of the value-in-use amount would not cause any impairment to goodwill.

## NOTES TO THE FINANCIAL STATEMENTS

## 14. Stocks

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Consumable materials and supplies	141,876	162,445	110,434
Finished products for sale	114,854	103,995	96,978
Work-in-progress (net of provision)	653,814	594,312	763,255
Properties held for sale	(a) 4,632,211	4,635,152	4,785,058
	<b>5,542,755</b>	<b>5,495,904</b>	<b>5,755,725</b>

For work-in-progress balances, the Group determines the estimated net realisable value based on arrangements to market the work-in-progress and discounted cash flow models. The provision for work-in-progress to write down its carrying value to its net realisable value at the end of the financial year was \$50,000,000 (31 December 2018: \$53,697,000, 1 January 2018: \$52,483,000).

## (a) Properties held for sale

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Properties under development			
Land cost	2,770,384	2,587,958	2,380,942
Development cost incurred to date	585,200	548,764	871,205
Related overhead expenditure	252,501	222,467	286,261
	<b>3,608,085</b>	3,359,189	3,538,408
Completed properties held for sale	1,049,343	1,304,119	1,284,426
	<b>4,657,428</b>	4,663,308	4,822,834
Provision for properties held for sale	(25,217)	(28,156)	(37,776)
	<b>4,632,211</b>	<b>4,635,152</b>	<b>4,785,058</b>
Movements in the provision for properties held for sale are as follows:			
At 1 January	28,156	37,776	72,416
Charge to profit and loss account	-	799	-
Exchange differences	34	(33)	(383)
Amount written off	(2,973)	(10,386)	(28,866)
Subsidiary disposed	-	-	(5,391)
At 31 December	<b>25,217</b>	<b>28,156</b>	<b>37,776</b>

The provision for properties held for sale is arrived at after taking into account estimated selling prices and estimated total construction costs. Estimated selling prices are based on recent selling prices for the development project or comparable projects and the prevailing market conditions. Estimated total construction costs include contracted amounts plus estimated costs to be incurred based on historical trends. The provision is progressively reversed for those residential units sold above their carrying amounts.

Interest capitalised during the financial year amounted to \$24,258,000 (2018: \$30,460,000) at rate of 2.18% to 3.97% (2018: 3.30%) per annum for Singapore properties and 2.74% to 7.00% (2018: 2.60% to 15.00%) per annum for overseas properties.

## 15. Contract assets/liabilities

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Contract assets	<b>3,497,476</b>	3,212,712	3,643,495
Contract liabilities	<b>1,824,965</b>	1,918,547	1,950,151

Contract assets relating to certain rig building contracts where the scheduled dates of the rigs have been deferred and have higher counter-party risks amounted to \$1,431,744,000 (31 December 2018: \$1,383,286,000, 1 January 2018: \$1,127,566,000).

Contract liabilities included proceeds received from sale of properties of \$847,317,000 (31 December 2018: \$890,139,000, 1 January 2018: \$677,997,000). Remaining contract liabilities of \$977,648,000 (31 December 2018: \$1,028,408,000, 1 January 2018: \$1,272,154,000) are recorded when receipts from customers exceed the value of work transferred where the customer is invoiced on a milestone payment schedule.

Revenue recognised during the financial year ended 31 December 2019 in relation to contract liability balance at 1 January 2019 was \$583,878,000 (2018: \$544,361,000).

The aggregate amount of the transaction price allocated to the remaining performance obligation is \$5,568,204,000 and the Group expects to recognise this revenue over the next 1 to 5 years.

Movements in the provision for contract assets are as follows:

	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
At 1 January	<b>21,000</b>	-	-
Charge to profit and loss account	-	21,000	-
At 31 December	<b>21,000</b>	21,000	-

## 16. Amounts due from/to

	Company		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
<b>Subsidiaries</b>			
Amounts due from			
- trade	<b>88,028</b>	163,800	97,984
- advances	<b>7,199,296</b>	3,885,921	3,407,536
	<b>7,287,324</b>	4,049,721	3,505,520
Provision for doubtful debts	<b>(6,600)</b>	(6,600)	(6,600)
	<b>7,280,724</b>	4,043,121	3,498,920
Amounts due to			
- trade	<b>6,045</b>	8,130	4,726
- advances	<b>150,822</b>	154,481	231,677
	<b>156,867</b>	162,611	236,403
Movements in the provision for doubtful debts are as follows:			
At 1 January/31 December	<b>6,600</b>	6,600	6,600

Advances to and from subsidiaries are unsecured and are repayable on demand. Interest is charged at rates up to 4.00% (2018: up to 4.00%) per annum on interest-bearing advances.

## NOTES TO THE FINANCIAL STATEMENTS

## 16. Amounts due from/to (continued)

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
<b>Associated Companies</b>						
Amounts due from						
- trade	140,502	84,201	66,482	705	548	733
- advances	439,556	223,526	291,735	-	-	-
	580,058	307,727	358,217	705	548	733
Provision for doubtful debts	(16,480)	(15,998)	(15,257)	-	-	-
	563,578	291,729	342,960	705	548	733
Amounts due to						
- trade	78,187	51,979	34,110	-	-	-
- advances	412,099	63,845	219,221	-	-	-
	490,286	115,824	253,331	-	-	-
Movements in the provision for doubtful debts are as follows:						
At 1 January	15,998	15,257	1,131	-	-	-
Charge to profit and loss account	482	741	14,126	-	-	-
At 31 December	16,480	15,998	15,257	-	-	-

Advances to and from associated companies are unsecured and are repayable on demand. Interest is charged at rates ranging from 0.75% to 11.50% (31 December 2018: 0.45% to 11.50%, 1 January 2018: 0.25% to 8.00%) per annum on interest-bearing advances.

## 17. Debtors

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Trade debtors	1,947,537	1,831,028	2,214,444	1	2	7
Provision for doubtful debts	(261,680)	(246,879)	(147,761)	-	-	-
	1,685,857	1,584,149	2,066,683	1	2	7
Long term receivables due within one year (Note 12)	10,140	42,980	42,194	34	55	141
Sundry debtors	238,128	203,069	155,568	464	478	3,902
Prepayments	210,550	137,518	118,565	87	104	112
Tax recoverable	6,057	7,109	15,171	-	-	-
Value Added Tax receivable	107,177	90,057	59,040	-	83	-
Interest receivable	14,002	15,830	19,410	21	21	20
Deposits paid	30,600	28,971	25,235	380	279	408
Land tender deposits	-	145,411	103,346	-	-	-
Recoverable accounts	49,493	155,747	125,740	7,702	5,207	-
Accrued receivables	219,599	197,059	169,873	155	-	-
Purchase consideration receivable from disposal of subsidiaries/ associated companies	115,801	37,097	61,228	-	-	-
Advances to subcontractors	50,406	47,736	73,455	-	-	-
Advances to non-controlling shareholders of subsidiaries	26,528	26,705	41,081	-	-	-
	1,078,481	1,135,289	1,009,906	8,843	6,227	4,583
Provision for doubtful debts	(15,854)	(17,138)	(13,906)	-	-	-
	1,062,627	1,118,151	996,000	8,843	6,227	4,583
Total	2,748,484	2,702,300	3,062,683	8,844	6,229	4,590

Movements in the provision for doubtful debts are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
At 1 January	264,017	161,667	29,550	-	-	-
Charge to profit and loss account	16,015	95,457	141,514	-	-	-
Amount written off	(7,443)	(5,959)	(7,361)	-	-	-
Company acquired	9,225	-	-	-	-	-
Subsidiary disposed	(4,296)	-	(1,926)	-	-	-
Exchange differences	16	8	(110)	-	-	-
Reclassification	-	12,844	-	-	-	-
Total	277,534	264,017	161,667	-	-	-

In the prior year, a provision of \$102,000,000 was recognised for the rig contracts with Sete Brasil.

## 18. Short term investments

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Total investments at fair value through other comprehensive income:						
Quoted equity shares	27,821	34,428	55,048	-	-	-
Investments at fair value through profit or loss:						
Quoted equity shares	74,300	74,759	147,654	-	-	-
Unquoted equity shares	-	-	74	-	-	-
Unquoted debt instrument	19,460	-	-	-	-	-
Total investments at fair value through profit or loss	93,760	74,759	147,728	-	-	-
Total investments at amortised cost:						
Unquoted - others	-	27,400	-	-	27,400	-
Total short term investments	121,581	136,587	202,776	-	27,400	-

Investments at fair value through other comprehensive income are mainly in the oil and gas industry.

The unquoted investment at amortised cost was repaid during the year upon the repayment of a short term borrowing of an associated company.

## NOTES TO THE FINANCIAL STATEMENTS

## 19. Bank balances, deposits and cash

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Bank balances and cash	843,519	779,003	590,248	1,047	370	2,213
Fixed deposits with banks	760,421	1,042,052	1,515,887	-	-	-
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	6,270	9,562	32,340	-	-	-
Amounts held under project accounts, withdrawals from which are restricted to payments for expenditures incurred on projects	173,304	150,789	135,313	-	-	-
	<b>1,783,514</b>	<b>1,981,406</b>	<b>2,273,788</b>	<b>1,047</b>	<b>370</b>	<b>2,213</b>

Fixed deposits with banks of the Group mature on varying periods, substantially between 1 day to 6 months (31 December 2018: 1 day to 6 months, 1 January 2018: 1 day to 12 months). This comprises Singapore Dollars fixed deposits of \$75,752,000 (31 December 2018: \$34,824,000, 1 January 2018: \$121,525,000) at interest rates ranging from 0.75% to 1.98% (31 December 2018: 0.60% to 1.59%, 1 January 2018: 0.35% to 1.24%) per annum, and foreign currency fixed deposits of \$684,669,000 (31 December 2018: \$1,007,228,000, 1 January 2018: \$1,394,362,000) at interest rates ranging from 0.01% to 7.20% (31 December 2018: 0.02% to 7.55%, 1 January 2018: 0.01% to 13.15%) per annum.

The bank balances at 31 December 2019 include an amount of \$384,000 (31 December 2018: \$99,450,000, 1 January 2018: \$102,000,000) pledged to a bank in relation to certain banking arrangement.

Cash and cash equivalents of \$492,026,000 (31 December 2018: \$684,375,000, 1 January 2018: \$857,168,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported other than through dividends and capital repatriation upon liquidations.

## 20. Creditors

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Trade creditors	854,892	486,278	579,371	4,816	3,139	161
Customers' advances and deposits	117,673	87,102	89,656	-	-	-
Sundry creditors	650,300	896,743	1,380,955	3,124	3,007	4,070
Accrued expenses	2,595,432	2,584,096	3,274,077	40,749	47,020	39,074
Advances from non-controlling shareholders	149,200	145,998	177,151	-	-	-
Retention monies	179,982	148,895	176,850	-	-	-
Interest payables	57,065	41,911	42,105	30,036	23,006	25,280
	<b>4,604,544</b>	<b>4,391,023</b>	<b>5,720,165</b>	<b>78,725</b>	<b>76,172</b>	<b>68,585</b>
Other non-current liabilities:						
Accrued expenses	168,176	191,990	204,121	25,000	48,372	49,275
Derivative liabilities	127,106	169,727	82,494	58,778	43,303	60,521
	<b>295,282</b>	<b>361,717</b>	<b>286,615</b>	<b>83,778</b>	<b>91,675</b>	<b>109,796</b>

The carrying amount of the non-current liabilities approximates their fair value.

Advances from non-controlling shareholders of certain subsidiaries are unsecured and are repayable on demand. Interest is charged at rates ranging from 1.83% to 4.94% (31 December 2018: 2.00% to 4.75%, 1 January 2018: 2.00% to 4.35%) per annum on interest-bearing advances.

In the prior year, there was a write-back of provision for claims of \$96,380,000. This was in relation to customer potential claims arising from a rig contract in the Offshore & Marine Division. In view of commercial sensitivity, the Group is unable to disclose the name of the customer or the amount of the potential claims. The original contract value was adjusted for cost escalations. The validity of the contract value adjustments was subsequently challenged. Due to prolonged uncertainty, provisions were made by the Group for the potential claims in the past, the first such provision being made more than ten years ago. The Group had assessed, including seeking legal opinion, its position in respect of these potential claims and concluded that there were reasonable grounds for the write-back.

In the prior year, a provision for related contract costs of \$65,000,000 was recognised for the rig contracts with Sete Brasil, bringing the total provision to \$245,000,000 as at 31 December 2018. These were included in sundry creditors as at 31 December 2019, 31 December 2018 and 1 January 2018.

## 21. Provisions for warranties

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
<b>2019</b>			
At 1 January	69,614	115,972	81,879
(Write-back)/Charge to profit and loss account	(14,365)	(1,550)	39,280
Amount utilised	(18,601)	(43,640)	(4,205)
Subsidiary disposed	-	-	(397)
Exchange differences	(200)	(1,168)	(385)
At 31 December	<b>36,448</b>	69,614	115,972

## 22. Term loans

		31 December				1 January	
		2019		2018		2018	
		Due within one year \$'000	Due after one year \$'000	Due within one year \$'000	Due after one year \$'000	Due within one year \$'000	Due after one year \$'000
<b>Group</b>							
Keppel Corporation Medium Term Notes	(a)	500,000	1,900,000	-	1,700,000	-	1,700,000
Keppel Land Medium Term Notes	(b)	99,904	629,507	342,316	729,196	-	916,027
Keppel Telecommunications & Transportation Medium Term Notes	(c)	-	100,000	-	100,000	-	100,000
Keppel GMTN Floating Rate Notes	(d)	273,240	-	-	274,000	-	269,800
Bank and other loans							
- secured	(e)	98,599	310,859	412,412	185,874	150,591	580,825
- unsecured	(f)	3,583,494	3,564,028	726,029	3,078,682	1,563,493	2,512,267
		<b>4,555,237</b>	<b>6,504,394</b>	1,480,757	6,067,752	1,714,084	6,078,919
<b>Company</b>							
Keppel Corporation Medium Term Notes	(a)	500,000	1,900,000	-	1,700,000	-	1,700,000
Unsecured bank loans	(f)	2,900,430	1,598,203	460,657	1,795,610	551,530	1,239,800
		<b>3,400,430</b>	<b>3,498,203</b>	460,657	3,495,610	551,530	2,939,800

- (a) At the end of the financial year, notes issued under the US\$5,000,000,000 Multi-Currency Medium Term Note Programme by the Company amounted to \$2,400,000,000 (31 December 2018 and 1 January 2018: \$1,700,000,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2020 to 2042 (31 December 2018 and 1 January 2018: from 2020 to 2042) with interest rates ranging from 3.00% to 4.00% (31 December 2018 and 1 January 2018: 3.10% to 4.00%) per annum.
- (b) At the end of the financial year, notes issued under the US\$3,000,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited and its wholly-owned subsidiary, Keppel Land Financial Services Pte. Ltd. amounted to \$399,737,000 (31 December 2018: \$642,060,000, 1 January 2018: \$486,696,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2020 to 2023 (31 December 2018: 2019 to 2023, 1 January 2018: 2019 to 2023), with interest rates ranging from 2.68% to 2.84% (31 December 2018: 2.68% to 3.26%, 1 January 2018: 2.84% to 3.26%) per annum.
- At the end of the financial year, notes issued under the US\$800,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited amounted to \$329,674,000 (31 December 2018: \$429,452,000, 1 January 2018: \$429,331,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2022 to 2024 (31 December 2018 and 1 January 2018: 2020 to 2024) with interest rates ranging from 3.80% to 3.90% (31 December 2018 and 1 January 2018: 2.83% to 3.90%) per annum.
- (c) At the end of the financial year, notes issued under the \$500,000,000 Multi-Currency Medium Term Note Programme by Keppel Telecommunications & Transportation Ltd, amounted to \$100,000,000 (31 December 2018 and 1 January 2018: \$100,000,000). The fixed rates notes, due in 2024, are unsecured and carried an interest rate of 2.85% per annum from September 2017 to September 2022 and 3.85% per annum from September 2022 to September 2024 (31 December 2018 and 1 January 2018: 2.85% per annum from September 2017 to September 2022 and 3.85% per annum from September 2022 to September 2024).



## NOTES TO THE FINANCIAL STATEMENTS

## 22. Term loans (continued)

- (d) At the end of the financial year, US\$200,000,000 notes issued under the US\$2,000,000,000 Euro Medium Term Note Programme by Keppel GMTN Pte Ltd amounted to \$273,240,000 (31 December 2018: \$274,000,000, 1 January 2018: \$269,800,000). The floating rate notes due in 2020 are unsecured and bear interest rate payable quarterly at 3-month US Dollar London Interbank Offered Rate plus 0.89% per annum and ranging from 2.92% to 3.69% (31 December 2018: 2.24% to 3.30%, 1 January 2018: 1.75% to 2.24%) per annum.
- (e) The secured bank loans consist of:
- A term loan of \$50,000,000 drawn down by a subsidiary. The term loan is repayable in 2023 and is secured on certain assets of the subsidiary. Interest is based on money market rates of 2.32% per annum.
  - A term loan of \$46,880,000 drawn down by a subsidiary. The term loan is repayable in 2032 and is secured on certain assets of the subsidiary. Interest is based on money market rates range of 2.38% to 4.43% per annum.
  - A term loan of \$44,132,000 drawn down by a subsidiary. The term loan is repayable in 2033 and is secured on certain assets of the subsidiary. Interest is based on money market rates range of 2.38% to 4.43% per annum.
  - Other secured bank loans comprised \$268,446,000 (31 December 2018: \$297,363,000, 1 January 2018: \$474,918,000) of foreign currency loans. They are repayable within one to eight (31 December 2018: one to fifteen, 1 January 2018: one to sixteen) years and are secured on investment properties and certain fixed and other assets of the subsidiaries. Interest on foreign currency loans is based on money market rates ranging from 1.82% to 12.50% (31 December 2018: 1.59% to 9.59%, 1 January 2018: 1.49% to 7.23%) per annum.

The secured bank loans as of 31 December 2018 included a term loan of \$300,923,000 (1 January 2018: \$256,498,000) which was drawn down by a subsidiary. The term loan was repaid in 2019 and was previously secured on certain assets of the subsidiary. Interest was based on money market rates of 2.89% (1 January 2018: 1.35% to 1.94%) per annum.

- (f) The unsecured bank and other loans of the Group totalling \$7,147,522,000 (31 December 2018: \$3,804,711,000, 1 January 2018: \$4,075,760,000) comprised \$5,113,132,000 (31 December 2018: \$2,604,736,000, 1 January 2018: \$2,823,820,000) of loans denominated in Singapore Dollars and \$2,034,390,000 (31 December 2018: \$1,199,975,000, 1 January 2018: \$1,251,940,000) of foreign currency loans. They are repayable within one to twelve (31 December 2018: one to thirteen, 1 January 2018: one to fourteen) years. Interest on loans denominated in Singapore Dollars is based on money market rates ranging from 1.08% to 3.38% (31 December 2018: 2.13% to 3.08%, 1 January 2018: 1.18% to 3.38%) per annum. Interest on foreign currency loans is based on money market rates ranging from 0.96% to 9.41% (31 December 2018: 0.50% to 9.30%, 1 January 2018: 0.48% to 10.69%) per annum.

The unsecured bank loans of the Company totalling \$4,498,633,000 (31 December 2018: \$2,256,267,000, 1 January 2018: \$1,791,330,000) comprised \$3,186,162,000 (31 December 2018: \$1,707,050,000, 1 January 2018: \$1,550,000,000) of loans denominated in Singapore Dollars and \$1,312,471,000 (31 December 2018: \$549,217,000, 1 January 2018: \$241,330,000) of foreign currency loans. They are repayable within one to five years (31 December 2018: one to six years, 1 January 2018: one to seven years). Interest on loans denominated in Singapore Dollars is based on money market rates ranging from 1.08% to 3.38% (31 December 2018: 2.13% to 3.08%, 1 January 2018: 1.46% to 3.38%) per annum. Interest on foreign currency loans is based on money market rates ranging from 0.96% to 3.24% (31 December 2018: 0.50% to 3.96%, 1 January 2018: 0.50% to 2.10%) per annum.

The Group has mortgaged certain properties and assets of up to an aggregate amount of \$963,984,000 (31 December 2018: \$1,065,652,000, 1 January 2018: \$1,894,728,000) to banks for loan facilities.

The fair values of term loans for the Group and Company are \$10,875,283,000 (31 December 2018: \$7,672,894,000, 1 January 2018: \$7,864,285,000) and \$6,723,252,000 (31 December 2018: \$3,935,905,000, 1 January 2018: \$3,556,370,000) respectively. These fair values, under Level 2 of the fair value hierarchy, are computed on the discounted cash flow method using discount rates based upon the borrowing rates which the Group expect would be available as at the balance sheet date.

Loans due after one year are estimated to be repayable as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000
Years after year-end:						
After one but within two years	1,191,134	1,153,733	1,403,471	550,000	705,500	-
After two but within five years	4,048,673	3,686,101	3,174,902	1,798,203	2,069,580	1,900,000
After five years	1,264,587	1,227,918	1,500,546	1,150,000	720,530	1,039,800
	<b>6,504,394</b>	<b>6,067,752</b>	<b>6,078,919</b>	<b>3,498,203</b>	<b>3,495,610</b>	<b>2,939,800</b>

## 23. Deferred taxation

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Deferred tax liabilities:			
Accelerated tax depreciation	295,789	116,707	108,936
Investment properties valuation	75,175	49,843	184,429
Offshore income & others	79,430	80,163	90,502
	<b>450,394</b>	<b>246,713</b>	<b>383,867</b>
Deferred tax assets:			
Other provisions	(18,043)	(34,740)	(32,778)
Unutilised tax benefits	(11,692)	(23,633)	(25,730)
Lease liabilities	(21,631)	-	-
	<b>(51,366)</b>	<b>(58,373)</b>	<b>(58,508)</b>
Net deferred tax liabilities	<b>399,028</b>	<b>188,340</b>	<b>325,359</b>

Net deferred tax liabilities are determined by offsetting deferred tax assets against deferred tax liabilities of the same entities. Deferred tax assets are recognised for unutilised tax benefits carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

The Group has unrecognised deferred tax liabilities of \$100,797,000 (31 December 2018: \$84,027,000, 1 January 2018: \$105,725,000) for taxes that would be payable on the undistributed earnings of certain subsidiaries and associated companies as these earnings would not be distributed in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences.

The Group has unutilised tax losses and capital allowances of \$902,989,000 (31 December 2018: \$695,449,000, 1 January 2018: \$886,858,000) for which no deferred tax benefit is recognised in the balance sheet. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. Tax losses amounting to \$193,577,000 (31 December 2018: \$158,309,000, 1 January 2018: \$227,747,000) can be carried forward for a period of one to nine years subsequent to the year of the loss, while the remaining tax losses have no expiry date.

Movements in deferred tax liabilities and assets are as follows:

	At 1 January \$'000	Charged/ (credited) to profit or loss \$'000	Charged/ (credited) to other comprehen- sive income \$'000	Subsidiaries disposed \$'000	Subsidiaries acquired \$'000	Reclassifi- cation \$'000	Exchange differences \$'000	Adoption of SFRS(I) 16 \$'000	At 31 December \$'000
<b>Group</b>									
<b>2019</b>									
<b>Deferred Tax Liabilities</b>									
Accelerated tax depreciation	116,707	(20,122)	-	(2,307)	203,666	23	(108)	(2,070)	295,789
Investment properties valuation	49,843	26,857	-	-	-	-	(1,525)	-	75,175
Offshore income & others	80,163	(81)	(23)	-	-	(294)	(335)	-	79,430
Total	<b>246,713</b>	<b>6,654</b>	<b>(23)</b>	<b>(2,307)</b>	<b>203,666</b>	<b>(271)</b>	<b>(1,968)</b>	<b>(2,070)</b>	<b>450,394</b>
<b>Deferred Tax Assets</b>									
Other provisions	(34,740)	16,726	4	-	-	78	(111)	-	(18,043)
Unutilised tax benefits	(23,633)	10,811	-	-	-	1,196	(66)	-	(11,692)
Lease liabilities	-	(2,567)	-	580	-	(1,454)	860	(19,050)	(21,631)
Total	<b>(58,373)</b>	<b>24,970</b>	<b>4</b>	<b>580</b>	<b>-</b>	<b>(180)</b>	<b>683</b>	<b>(19,050)</b>	<b>(51,366)</b>
<b>Net Deferred Tax Liabilities</b>	<b>188,340</b>	<b>31,624</b>	<b>(19)</b>	<b>(1,727)</b>	<b>203,666</b>	<b>(451)</b>	<b>(1,285)</b>	<b>(21,120)</b>	<b>399,028</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 23. Deferred taxation (continued)

	At 1 January \$'000	Charged/ (credited) to profit or loss \$'000	Charged/ (credited) to other comprehen- sive income \$'000	Subsidiaries disposed \$'000	Subsidiaries acquired \$'000	Reclassifi- cation \$'000	Exchange differences \$'000	Adoption of SFRS(I) 16 \$'000	At 31 December \$'000
<b>Group</b>									
<b>2018</b>									
<b>Deferred Tax Liabilities</b>									
Accelerated tax depreciation	108,936	4,262	-	-	3,670	-	(161)	-	116,707
Investment properties valuation	184,429	6,263	-	(139,774)	-	-	(1,075)	-	49,843
Offshore income & others	90,502	(9,437)	(243)	-	-	-	(659)	-	80,163
<b>Total</b>	<b>383,867</b>	<b>1,088</b>	<b>(243)</b>	<b>(139,774)</b>	<b>3,670</b>	<b>-</b>	<b>(1,895)</b>	<b>-</b>	<b>246,713</b>
<b>Deferred Tax Assets</b>									
Other provisions	(32,778)	(3,045)	1,046	-	-	-	37	-	(34,740)
Unutilised tax benefits	(25,730)	2,274	-	-	-	-	(177)	-	(23,633)
<b>Total</b>	<b>(58,508)</b>	<b>(771)</b>	<b>1,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(140)</b>	<b>-</b>	<b>(58,373)</b>
<b>Net Deferred Tax Liabilities</b>	<b>325,359</b>	<b>317</b>	<b>803</b>	<b>(139,774)</b>	<b>3,670</b>	<b>-</b>	<b>(2,035)</b>	<b>-</b>	<b>188,340</b>

## 24. Revenue

	Group	
	2019 \$'000	2018 \$'000
<b>Revenue from contracts with customers</b>		
Revenue from construction contracts	2,418,931	1,875,712
Sale of property	1,207,359	1,248,798
Sale of goods	373,728	43,553
Sale of electricity, utilities and gases	2,172,045	2,068,292
Revenue from telecommunication services	620,475	-
Revenue from other services rendered	661,233	637,379
	<b>7,453,771</b>	<b>5,873,734</b>
<b>Other sources of revenue</b>		
Rental income from investment properties	122,500	86,011
Gain on sale of investments	678	2,232
Dividend income from quoted shares	2,684	2,703
Others	70	101
	<b>7,579,703</b>	<b>5,964,781</b>

Sales are made with credit terms that are consistent with market practice. In 2018, there was a sale of five rigs to a customer where amounts are paid in instalments within five years from the respective delivery dates of each individual rig.

## 25. Staff costs

	Group	
	2019 \$'000	2018 \$'000
Wages and salaries	924,839	780,104
Employer's contribution to Central Provident Fund	86,486	68,357
Share options and share plans granted to Director and employees	37,255	34,885
Other staff benefits	114,651	104,484
	<b>1,163,231</b>	<b>987,830</b>

## 26. Operating profit

Operating profit is arrived at after charging/(crediting) the following:

	Group	
	2019 \$'000	2018 \$'000
Included in materials and subcontract costs:		
Fair value (gain)/loss on		
- investments	(4,462)	942
- forward foreign exchange contracts	13,675	18,095
Cost of stocks & contract assets recognised as expense	1,094,686	771,465
Direct operating expenses		
- investment properties that generated rental income	42,258	23,818
Included in staff costs:		
Key management's emoluments (including executive directors' remuneration)		
- short-term employee benefits	11,471	9,015
- post-employment benefits	105	95
- share plans granted	9,943	7,771
Included in impairment loss on financial assets:		
Provision for doubtful debts (Note 12 & 17)	31,036	95,457
Bad debts written-off	43,331	4,256
Included in other operating income - net:		
Rental expense		
- operating leases	-	84,854
Impairment/write-off of fixed assets	8,432	6,911
Impairment of associated companies (Note 10)	35,915	60,782
Provision for stocks	7,571	6,271
Provision for related contract costs (Note 20)	-	65,000
Provision for contract assets (Note 15)	-	21,000
Write-back of provision for claims (Note 20)	-	(96,380)
Fair value gain on investment properties (Note 7)	(101,020)	(84,886)
Fair value (gain)/loss on		
- investments	15,328	(13,823)
- forward foreign exchange contracts	2,028	(6,966)
(Gain)/loss on differences in foreign exchange	(39,632)	42,070
Profit on sale of fixed assets and an investment property	(6,277)	(2,795)
Profit on sale of investments	(164)	-
Gain on disposal of subsidiaries	(64,469)	(604,638)
Loss/(gain) on disposal of associated companies	22	(48,783)
Gain from change in interest in associated companies	(27,114)	(63,622)
Fair value gain on remeasurement of previously held interest upon acquisition of a subsidiary	(158,376)	-
Fees and other remuneration to Directors of the Company	2,537	2,373
Contracts for services rendered by Directors or with a company in which a Director has a substantial financial interest	2,332	3,510
Auditors' remuneration		
- auditors of the Company	3,343	3,121
- other auditors of subsidiaries	1,833	2,001
Non-audit fees paid to		
- auditors of the Company	611	486
- other auditors of subsidiaries	150	154

## NOTES TO THE FINANCIAL STATEMENTS

## 27. Investment income, interest income and interest expenses

	Group	
	2019 \$'000	2018 \$'000
Investment income from:		
Shares - quoted outside Singapore	42	34
Shares - unquoted	64,552	9,957
	<b>64,594</b>	<b>9,991</b>
Interest income from:		
Bonds, debentures and deposits	101,548	100,376
Associated companies	63,664	56,760
Service concession arrangement	12,463	7,124
	<b>177,675</b>	<b>164,260</b>
Interest expenses on notes, loans and overdrafts	(277,143)	(205,845)
Interest expenses on lease liabilities	(35,732)	-
Fair value gain on interest rate caps and swaps	159	1,021
	<b>(312,716)</b>	<b>(204,824)</b>

## 28. Taxation

## (a) Income tax expense

	Group	
	2019 \$'000	2018 \$'000
Tax expense comprised:		
Current tax	175,880	245,091
Adjustment for prior year's tax	(88,696)	(32,200)
Others	790	10,958
Deferred tax (Note 23)	31,624	317
Land appreciation tax:		
Current year	72,731	60,610
	<b>192,329</b>	<b>284,776</b>

The income tax expense on the results of the Group differ from the amount of income tax expense determined by applying the Singapore standard rate of income tax to profit before tax due to the following:

	Group	
	2019 \$'000	2018 \$'000
Profit before tax	953,467	1,245,484
Share of profit of associated companies, net of tax	(147,413)	(220,895)
Profit before tax and share of profit of associated companies	<b>806,054</b>	<b>1,024,589</b>
Tax calculated at tax rate of 17% (2018: 17%)	137,029	174,180
Income not subject to tax	(89,266)	(170,942)
Expenses not deductible for tax purposes	125,067	232,272
Unrecognised tax benefits / (Utilisation of previously unrecognised tax benefits)	32,169	(17,314)
Effect of different tax rates in other countries	21,478	39,861
Adjustment for prior year's tax	(88,696)	(32,200)
Effects of changes in tax rates	-	13,461
Land appreciation tax	72,731	60,610
Effect of tax reduction on land appreciation tax	(18,183)	(15,152)
	<b>192,329</b>	<b>284,776</b>

**(b) Movement in current income tax liabilities**

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January	297,922	220,761	43,519	33,955
Exchange differences	(6,506)	(4,291)	-	-
Tax expense	175,880	245,091	15,800	10,200
Adjustment for prior year's tax	(88,696)	(32,200)	(27,796)	(636)
Land appreciation tax	72,731	60,610	-	-
Net income taxes paid	(263,856)	(195,904)	-	-
Subsidiaries acquired	47,832	157	-	-
Subsidiaries disposed	(164)	(89)	-	-
Reclassification				
- tax recoverable and others	12,831	3,787	-	-
- deferred tax	451	-	-	-
At 31 December	248,425	297,922	31,523	43,519

**29. Earnings per ordinary share**

	Group			
	2019 \$'000		2018 \$'000	
	Basic	Diluted	Basic	Diluted
Net profit attributable to shareholders	706,975	706,975	948,392	948,392
	Number of Shares \$'000		Number of Shares \$'000	
Weighted average number of ordinary shares (excluding treasury shares)	1,815,701	1,815,701	1,814,159	1,814,159
Adjustment for dilutive potential ordinary shares	-	9,668	-	10,728
Weighted average number of ordinary shares used to compute earnings per share (excluding treasury shares)	1,815,701	1,825,369	1,814,159	1,824,887
Earnings per ordinary share	38.9 cts	38.7 cts	52.3 cts	52.0 cts

**30. Dividends**

A final cash dividend of 12.0 cents per share tax exempt one-tier (2018: final cash dividend of 15.0 cents per share tax exempt one-tier) in respect of the financial year ended 31 December 2019 has been proposed for approval by shareholders at the next Annual General Meeting to be convened.

Together with the interim cash dividend of 8.0 cents per share tax exempt one-tier (2018: interim cash dividend of 10.0 cents per share tax exempt one-tier and the special cash dividend of 5.0 cents per share tax exempt one-tier), total distributions paid and proposed in respect of the financial year ended 31 December 2019 will be 20.0 cents per share (2018: 30.0 cents per share).

During the financial year, the following distributions were made:

	\$'000
A final cash dividend of 15.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the previous financial year	272,568
An interim cash dividend of 8.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the current financial year	145,370
	<u>417,938</u>

In the prior year, total distributions of \$526,152,000 were made.

## NOTES TO THE FINANCIAL STATEMENTS

## 31. Commitments

## (a) Capital commitments

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Capital expenditure/commitments not provided for in the financial statements:			
In respect of contracts placed:			
- for purchase and construction of investment properties	130,682	372,292	175,759
- for purchase of other fixed assets	6,777	13,034	17,341
- for purchase/subsorption of shares mainly in property development companies	329,685	406,662	174,311
- for commitments to private funds	357,634	388,093	450,247
Amounts approved by Directors in addition to contracts placed:			
- for purchase and construction of investment properties	155,213	19,665	105,115
- for purchase of other fixed assets	246,436	158,677	224,903
- for purchase/subsorption of shares mainly in property development companies	175,658	77,260	36,509
	<b>1,402,085</b>	<b>1,435,683</b>	<b>1,184,185</b>
Less: Non-controlling shareholders' share	<b>(33,225)</b>	<b>(65,018)</b>	<b>(69,698)</b>
	<b>1,368,860</b>	<b>1,370,665</b>	<b>1,114,487</b>

There was no significant future capital expenditure/commitment for the Company.

## (b) Lessee's lease commitments

The Group leases land and office buildings from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future minimum lease payable in respect of significant non-cancellable operating leases as at the end of the financial year is as follows:

	Group		Company	
	31 December 2018 \$'000	1 January 2018 \$'000	31 December 2018 \$'000	1 January 2018 \$'000
	Years after year-end:			
Within one year	81,555	89,315	199	40
From two to five years	255,324	300,506	179	-
After five years	572,156	684,204	-	-
	<b>909,035</b>	<b>1,074,025</b>	<b>378</b>	<b>40</b>

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 Leases on 1 January 2019. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised on balance sheet. The right-of-use assets and lease liabilities are disclosed in Note 8.

## (c) Lessor's lease commitments

The Group leases out commercial space to non-related parties under non-cancellable operating leases. The future minimum lease receivable in respect of significant non-cancellable operating leases as at the end of the financial year is as follows:

	Group		Company	
	31 December 2018 \$'000	1 January 2018 \$'000	31 December 2018 \$'000	1 January 2018 \$'000
	Years after year-end:			
Within one year	98,856	88,087	-	-
From two to five years	159,497	166,553	-	-
After five years	60,457	61,638	-	-
	<b>318,810</b>	<b>316,278</b>	<b>-</b>	<b>-</b>

Some of the operating leases are subject to revision of lease rentals at periodic intervals. For the purposes of the above, the prevailing lease rentals are used.

### 32. Contingent liabilities and guarantees (unsecured)

	Group		Company	
	31 December		31 December	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Guarantees in respect of banks and other loans granted to subsidiaries and associated companies	615,611	493,286	1,685,269	1,376,427
Bank guarantees	73,319	70,030	-	-
	<b>688,930</b>	<b>563,316</b>	<b>1,685,269</b>	<b>1,376,427</b>

See Note 2.27 for further disclosures relating to the Group's claims and litigations.

Included in the above guarantees is a bilateral agreement between the Group and a bank which guaranteed a bank loan granted to KrisEnergy Limited, an associated company, amounting to \$262,825,000 as at 31 December 2019. The guarantee is secured on the assets of KrisEnergy Limited.

The financial effects of SFRS(I) 9 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

### 33. Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group has significant related party transactions as follows:

	Group	
	2019 \$'000	2018 \$'000
Sales of goods and/or services to		
- associated companies	246,684	183,486
- other related parties	73,164	63,544
	<b>319,848</b>	<b>247,030</b>
Purchase of goods and/or services from		
- associated companies	145,853	105,056
- other related parties	126,981	61,321
	<b>272,834</b>	<b>166,377</b>
Treasury transactions with		
- associated companies	36,378	21,412

### 34. Financial risk management

The Group operates internationally and is exposed to a variety of financial risks, comprising market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Financial risk management is carried out by the Keppel Group Treasury Department in accordance with established policies and guidelines. These policies and guidelines are established by the Group Central Finance Committee and are updated to take into account changes in the operating environment. This committee is chaired by the Chief Financial Officer of the Company and includes Chief Financial Officers of the Group's key operating companies and Head Office specialists.

#### Market Risk

##### (i) Currency risk

The Group has receivables and payables denominated in foreign currencies via US Dollars, Renminbi and other currencies. The Group's foreign currency exposures arise mainly from the exchange rate movement of these foreign currencies against the functional currencies of the respective Group entities. To hedge against the volatility of future cash flows caused by changes in foreign currency rates, the Group utilises forward foreign currency contracts and other foreign currency hedging instruments to hedge the Group's exposure to specific currency risks relating to investments, receivables, payables and other commitments. Group Treasury Department monitors the current and projected foreign currency cash flow of the Group and aims to reduce the exposure of the net position in each currency by borrowing in foreign currency and other currency contracts where appropriate.



NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management (continued)

As at the end of the financial year, the Group has outstanding forward foreign exchange contracts with notional amounts totalling \$4,333,439,000 (31 December 2018: \$5,284,557,000, 1 January 2018: \$6,344,009,000). The net positive fair value of forward foreign exchange contracts is \$3,796,000 (31 December 2018: net negative fair value of \$4,778,000, 1 January 2018: net positive fair value of \$58,266,000) comprising assets of \$30,022,000 (31 December 2018: \$28,143,000, 1 January 2018: \$105,511,000) and liabilities of \$26,226,000 (31 December 2018: \$32,921,000, 1 January 2018: \$47,245,000). These amounts are recognised as derivative assets and derivative liabilities.

As at the end of the financial year, the Company has outstanding forward foreign exchange contracts with notional amounts totalling \$4,205,443,000 (31 December 2018: \$5,203,754,000, 1 January 2018: \$6,269,592,000). The net positive fair value of forward foreign exchange contracts is \$4,839,000 (31 December 2018: net negative fair value of \$4,972,000, 1 January 2018: net positive fair value of \$56,859,000) comprising assets of \$30,022,000 (31 December 2018: \$27,731,000, 1 January 2018: \$104,045,000) and liabilities of \$25,183,000 (31 December 2018: \$32,703,000, 1 January 2018: \$47,186,000). These amounts are recognised as derivative assets and derivative liabilities.

Other than the above hedged foreign currency contracts, the unhedged currency exposure of financial assets and financial liabilities denominated in currencies other than the respective entities' functional currencies are as follows:

	2019					
	USD \$'000	RMB \$'000	BRL \$'000	Others \$'000		
<b>Group</b>						
<b>Financial Assets</b>						
Debtors	535,178	1,629	318,767	119,434		
Investments	474,060	-	-	114,741		
Bank balances, deposits & cash	47,303	41,209	53	38,380		
	<b>1,056,541</b>	<b>42,838</b>	<b>318,820</b>	<b>272,555</b>		
<b>Financial Liabilities</b>						
Creditors	136,595	1,052	18,542	12,362		
Term loans	997,104	9,683	-	180,882		
Lease liabilities	-	215	-	726		
	<b>1,133,699</b>	<b>10,950</b>	<b>18,542</b>	<b>193,970</b>		
	2018					
	USD \$'000	RMB \$'000	BRL \$'000	Others \$'000		
<b>Group</b>						
<b>Financial Assets</b>						
Debtors	22,038	19,388	360,479	13,645		
Investments	197,976	-	-	92,244		
Bank balances, deposits & cash	134,222	186,215	1,823	25,286		
	<b>354,236</b>	<b>205,603</b>	<b>362,302</b>	<b>131,175</b>		
<b>Financial Liabilities</b>						
Creditors	88,895	7,878	5,393	20,481		
Term loans	611,546	-	-	131,718		
	<b>700,441</b>	<b>7,878</b>	<b>5,393</b>	<b>152,199</b>		
	2019			2018		
	USD \$'000	RMB \$'000	Others \$'000	USD \$'000	RMB \$'000	Others \$'000
<b>Company</b>						
<b>Financial Assets</b>						
Debtors	579	54	-	776	83	-
Investments	-	-	-	27,400	-	-
Bank balances, deposits & cash	612	219	1	78	236	-
	<b>1,191</b>	<b>273</b>	<b>1</b>	<b>28,254</b>	<b>319</b>	<b>-</b>
<b>Financial Liabilities</b>						
Creditors	4,333	207	10	3,757	246	69
Term loans	965,903	9,683	89,370	294,550	-	13,607
Lease liabilities	-	215	-	-	-	-
	<b>970,236</b>	<b>10,105</b>	<b>89,380</b>	<b>298,307</b>	<b>246</b>	<b>13,676</b>

**Sensitivity analysis for currency risk**

If the relevant foreign currency change against SGD by 5% (2018: 5%) with all other variables held constant, the effects will be as follows:

	Profit before tax		Equity	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Group</b>				
USD against SGD				
- Strengthened	(11,518)	(25,195)	7,631	7,759
- Weakened	11,518	25,195	(7,631)	(7,759)
RMB against SGD				
- Strengthened	1,594	9,886	-	-
- Weakened	(1,594)	(9,886)	-	-
BRL against SGD				
- Strengthened	12,462	14,812	-	-
- Weakened	(12,462)	(14,812)	-	-
<b>Company</b>				
USD against SGD				
- Strengthened	(48,801)	(13,602)	-	-
- Weakened	48,801	13,602	-	-
RMB against SGD				
- Strengthened	(474)	3	-	-
- Weakened	474	(3)	-	-

**(ii) Interest rate risk**

The Group is exposed to interest rate risk for changes in interest rates primarily for debt obligations, placements in the money market and investments in bonds. The Group policy is to maintain a mix of fixed and variable rate debt instruments with varying maturities. Where necessary, the Group uses derivative financial instruments to hedge interest rate risks.

The Group enters into interest rate swap agreements to hedge the interest rate risk exposure arising from its SGD, USD and Renminbi variable rate term loans (Note 22). As at the end of the financial year, the Group has interest rate swap agreements with notional amount totalling \$2,752,273,000 (31 December 2018: \$1,667,483,000, 1 January 2018: \$1,778,962,000) whereby it receives variable rates equal to SOR and LIBOR (31 December 2018 and 1 January 2018: SOR and LIBOR) and pays fixed rates of between 1.41% and 3.62% (31 December 2018: 1.33% and 3.62%, 1 January 2018: 1.27% and 3.62%) on the notional amount.

The net negative fair value of interest rate swaps for the Group is \$108,661,000 (31 December 2018: net negative fair value of \$62,841,000, 1 January 2018: net negative fair value of \$58,025,000) comprising assets of \$444,000 (31 December 2018: \$4,677,000, 1 January 2018: \$4,339,000) and liabilities of \$109,105,000 (31 December 2018: \$67,518,000, 1 January 2018: \$62,364,000). These amounts are recognised as derivative assets and derivative liabilities.

**Sensitivity analysis for interest rate risk**

If interest rates increase/decrease by 0.5% (2018: 0.5%) with all other variables held constant, the Group's profit before tax would have been lower/higher by \$24,025,000 (2018: \$10,827,000) as a result of higher/lower interest expense on floating rate loans.

**(iii) Price risk**

The Group hedges against fluctuations arising on the purchase of natural gas that affect cost. Exposure to price fluctuations is managed via fuel oil forward contracts, whereby the price of natural gas is indexed to benchmark fuel price indices, HSFO 180-CST and Dated Brent. As at the end of the financial year, the Group has outstanding HSFO and Dated Brent forward contracts with notional amounts totalling \$690,044,000 (31 December 2018: \$938,774,000, 1 January 2018: \$542,679,000) and \$63,885,000 (31 December 2018: \$10,001,000, 1 January 2018: \$nil) respectively. The net negative fair value of HSFO forward contracts for the Group is \$96,885,000 (31 December 2018: net negative fair value of \$147,250,000, 1 January 2018: net positive fair value of \$89,599,000) comprising assets of \$7,592,000 (31 December 2018: \$25,568,000, 1 January 2018: \$97,957,000) and liabilities of \$104,477,000 (31 December 2018: \$172,818,000, 1 January 2018: \$8,358,000). These amounts are recognised as derivative assets and derivative liabilities. The net negative fair value of Dated Brent forward contracts for the Group of \$2,361,000 (31 December 2018: net negative fair value of \$14,138,000, 1 January 2018: \$nil) comprising assets of \$2,305,000 (31 December 2018: \$nil, 1 January 2018: \$nil) and liabilities of \$4,666,000 (31 December 2018: \$14,138,000, 1 January 2018: \$nil). These amounts are recognised as derivative assets and derivative liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

### 34. Financial risk management (continued)

The Group hedges against fluctuations in electricity prices via its daily sales of electricity. Exposure to price fluctuations is managed via electricity futures contracts. As at the end of the financial year, the Group has outstanding electricity futures contracts with notional amounts totalling \$142,980,000 (31 December 2018: \$80,055,000, 1 January 2018: \$47,042,000). The net positive fair values of electricity futures contracts is \$5,447,000 (31 December 2018: net positive fair value of \$7,857,000, 1 January 2018: net negative fair value of \$2,297,000) comprising assets of \$7,560,000 (31 December 2018: \$9,002,000, 1 January 2018: \$199,000) and liabilities of \$2,113,000 (31 December 2018: \$1,145,000, 1 January 2018: \$2,496,000). These amounts are recognised as derivative assets and derivative liabilities.

The Group is exposed to equity securities price risk arising from equity investments classified as investments at fair value through profit or loss and investments at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

#### *Sensitivity analysis for price risk*

If prices for HSFO and Dated Brent increase/decrease by 5% (31 December 2018 and 1 January 2018: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been higher/lower by \$29,658,000 (31 December 2018: \$39,366,000, 1 January 2018: \$30,635,000) and \$3,075,000 (31 December 2018: \$252,000, 1 January 2018: \$nil) respectively as a result of fair value changes on cash flow hedges.

If prices for electricity futures contracts increase/decrease by 5% (31 December 2018 and 1 January 2018: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been lower/higher by \$6,877,000 (31 December 2018: \$2,849,000, 1 January 2018: \$2,467,000) as a result of fair value changes on cash flow hedges.

If prices for quoted investments increase/decrease by 5% (2018: 5%) with all other variables held constant, the Group's profit before tax would have been higher/lower by \$7,835,000 (2018: \$5,205,000) as a result of higher/lower fair value gains on investments at fair value through profit or loss, and the Group's fair value reserve in other comprehensive income would have been higher/lower by \$2,008,000 (2018: \$2,047,000) as a result of higher/lower fair value gains on investments at fair value through other comprehensive income.

The various sensitivity rates used in the sensitivity analysis for currency, interest rate and price risks represent rates generally used internally by management when assessing the various risks.

#### Credit Risk

Credit risk refers to the risk that debtors will default on their obligation to repay the amount owing to the Group. A substantial portion of the Group's revenue is on credit terms. The Group adopts stringent procedures on extending credit terms to customers and on the monitoring of credit risk. The credit policy spells out clearly the guidelines on extending credit terms to customers, including monitoring the process and using related industry's practices as reference. This includes assessment and valuation of customers' credit reliability and periodic review of their financial status to determine the credit limits to be granted. Customers are also assessed based on their historical payment records. Where necessary, customers may also be requested to provide security or advance payment before services are rendered. The Group's policy does not permit non-secured credit risk to be significantly centralised in one customer or a group of customers.

The Group assesses on a forward looking basis the ECLs associated with its financial assets which are mainly debtors, amounts due from associated companies and bank balances, deposits and cash.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset. At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These events include probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group uses a provision matrix to measure the ECLs. In measuring the ECLs, assets are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group.

The Group's credit risk exposure in relation to debtors under SFRS(I) 9 as at 31 December 2019 are set out in the provision matrix as follows:

	Current \$'000	1 to 3 months \$'000	3 to 6 months \$'000	> 6 months \$'000	Total \$'000
<b>Offshore &amp; Marine</b>					
Expected loss rate	6.1%	13.3%	12.3%	69.4%	
Trade receivables	2,902	758	1,265	3,308	8,233
Loss allowance	178	101	155	2,295	2,729
<b>Infrastructure</b>					
Expected loss rate	0.1%	0.5%	1.0%	45.5%	
Trade receivables	178,600	28,999	11,814	4,946	224,359
Loss allowance	125	153	118	2,248	2,644
<b>Investments</b>					
Expected loss rate	2.0%	8.0%	15.2%	20.4%	
Trade receivables	266,978	27,995	4,862	27,555	327,390
Loss allowance	5,451	2,238	739	5,609	14,037

For the remaining subsidiaries which transact with low volume of customers and customers are monitored individually for credit loss assessment, the receivables (including concession service receivable and contract assets) are assessed individually for lifetime expected credit losses at each reporting date. In calculating the expected credit loss, the Group uses a probability-weighted amount that is determined by evaluating a range of possible outcomes. The possible outcomes include an unbiased estimate of the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss.

Individual customer will be evaluated periodically for its credit risk and the credit risk assessment is based on historical, current and forward-looking information such as:

- Historical financial and default rate of the customer
- Any publicly available information on the customer
- Any macro-economic or geopolitical information relevant to the customer
- Any other objectively supportable information on the quality and abilities of the customer's management relevant for its performance

#### Property

For investment properties, the Group manages credit risks arising from tenants defaulting on their rental by requiring the tenants to furnish cash deposits, and/or banker's guarantees. The Group also has a policy of regular review of debt collection and rental contracts are entered into with customers with an appropriate credit history.

In measuring the ECL, trade debtors and contract assets are grouped based on shared credit risk characteristics and days past due. The Group has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

In calculating the ECL rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are subject to immaterial credit loss under the property segment.

Balances due from associated companies are subject to immaterial credit loss.

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations and hence does not expect significant credit losses.

#### Liquidity Risk

Prudent liquidity risk management requires the Group to maintain sufficient cash and marketable securities, internally generated cash flows, and the availability of funding resources through an adequate amount of committed credit facilities. Group Treasury Department also maintains a mix of short-term money market borrowings and medium/long term loans to fund working capital requirements and capital expenditures/investments. Due to the dynamic nature of business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

## NOTES TO THE FINANCIAL STATEMENTS

## 34. Financial risk management (continued)

Information relating to the maturity profile of loans is given in Note 22. The following table details the liquidity analysis for derivative financial instruments and borrowings of the Group and the Company based on contractual undiscounted cash inflows/(outflows).

	Within one year \$'000	Within one to two years \$'000	Within two to five years \$'000	After five years \$'000
<b>Group</b>				
<b>31 December 2019</b>				
Gross-settled forward foreign exchange contracts				
- Receipts	3,113,245	773,921	478,026	-
- Payments	(3,107,938)	(766,231)	(468,296)	-
Net-settled HSFO forward contracts				
- Receipts	5,583	1,808	200	-
- Payments	(91,720)	(11,095)	(1,661)	-
Net-settled Dated Brent forward contracts				
- Receipts	2,305	-	-	-
- Payments	(3,581)	(1,085)	-	-
Net-settled electricity futures contracts				
- Receipts	6,701	859	-	-
- Payments	(1,639)	(474)	-	-
Borrowings	(4,775,144)	(1,403,358)	(4,359,758)	(1,597,868)
<b>31 December 2018</b>				
Gross-settled forward foreign exchange contracts				
- Receipts	4,371,906	595,863	291,056	-
- Payments	(4,376,578)	(590,895)	(293,122)	-
Net-settled HSFO forward contracts				
- Receipts	18,276	5,291	2,001	-
- Payments	(78,658)	(89,608)	(4,551)	-
Net-settled Dated Brent forward contracts				
- Receipts	588	-	-	-
- Payments	(11,333)	(2,377)	(1,019)	-
Net-settled electricity futures contracts				
- Receipts	3,042	5,960	-	-
- Payments	(986)	(159)	-	-
Borrowings	(1,880,464)	(1,107,664)	(3,958,879)	(1,565,429)
<b>1 January 2018</b>				
Gross-settled forward foreign exchange contracts				
- Receipts	5,367,540	989,250	48,742	-
- Payments	(5,310,740)	(989,397)	(50,423)	-
Net-settled HSFO forward contracts				
- Receipts	85,426	12,150	381	-
- Payments	(4,564)	(1,841)	(1,953)	-
Net-settled electricity futures contracts				
- Receipts	52	147	-	-
- Payments	(2,390)	(106)	-	-
Borrowings	(1,903,567)	(1,567,496)	(3,457,684)	(1,884,254)
<b>Company</b>				
<b>31 December 2019</b>				
Gross-settled forward foreign exchange contracts				
- Receipts	2,986,032	773,921	478,026	-
- Payments	(2,979,943)	(766,231)	(468,296)	-
Borrowings	(3,525,789)	(656,062)	(1,986,035)	(1,455,148)
<b>31 December 2018</b>				
Gross-settled forward foreign exchange contracts				
- Receipts	4,295,278	591,445	291,056	-
- Payments	(4,300,024)	(586,549)	(293,122)	-
Borrowings	(767,884)	(592,033)	(2,224,328)	(982,992)
<b>1 January 2018</b>				
Gross-settled forward foreign exchange contracts				
- Receipts	5,306,832	973,865	48,742	-
- Payments	(5,251,003)	(974,631)	(50,423)	-
Borrowings	(644,666)	(85,514)	(2,096,221)	(1,333,585)

In addition to the above, creditors (Note 20) of the Group and the Company have a maturity profile of within one year from the balance sheet date.

### Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Group's current strategy remains unchanged from the previous financial year. The Group and the Company are in compliance with externally imposed capital undertakings for the financial year ended 31 December 2019. Externally imposed capital undertakings are mainly debt covenants included in certain loans of the Group and the Company requiring the Group or certain subsidiaries of the Company to maintain net gearing to total equity not exceeding ratios ranging from 2.00 to 3.00 times.

Management monitors capital risk based on the Group's net gearing. Net gearing is calculated as net debt divided by total equity. Net debt is calculated as total term loans (Note 22) and total lease liabilities (Note 8) less bank balances, deposits & cash (Note 19).

	Group		
	31 December		1 January
	2019 \$'000	2018 \$'000	2018 \$'000
Net debt	9,873,556	5,567,103	5,519,215
Total equity	11,646,031	11,576,692	11,722,455
Net gearing ratio	0.85x	0.48x	0.47x

### Fair Value of Financial Instruments and Investment Properties

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Fair value is determined by reference to the net tangible assets of the investments.

The following table presents the assets and liabilities measured at fair value.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>				
<b>31 December 2019</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	55,841	-	55,841
Call option	-	-	157,518	157,518
Investments				
- Investments at fair value through other comprehensive income	12,336	-	202,623	214,959
- Investments at fair value through profit or loss	82,399	22,958	328,753	434,110
Short term investments				
- Investments at fair value through other comprehensive income	27,821	-	-	27,821
- Investments at fair value through profit or loss	74,300	19,460	-	93,760
	<b>196,856</b>	<b>98,259</b>	<b>688,894</b>	<b>984,009</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	246,587	-	246,587
<b>Non-financial assets</b>				
Investment Properties				
- Commercial and residential, completed	-	-	1,667,822	1,667,822
- Commercial, under construction	-	-	1,354,269	1,354,269
	<b>-</b>	<b>-</b>	<b>3,022,091</b>	<b>3,022,091</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 34. Financial risk management (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>				
<b>31 December 2018</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	67,978	-	67,978
Call option	-	-	150,500	150,500
Investments				
- Investments at fair value through other comprehensive income	6,527	-	201,830	208,357
- Investments at fair value through profit or loss	29,332	43,800	168,026	241,158
Short term investments				
- Investments at fair value through other comprehensive income	34,428	-	-	34,428
- Investments at fair value through profit or loss	74,759	-	-	74,759
	<u>145,046</u>	<u>111,778</u>	<u>520,356</u>	<u>777,180</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	289,132	-	289,132
<b>Non-financial assets</b>				
Investment Properties				
- Commercial and residential, completed	-	-	1,716,314	1,716,314
- Commercial, under construction	-	-	1,135,066	1,135,066
	<u>-</u>	<u>-</u>	<u>2,851,380</u>	<u>2,851,380</u>
<b>Group</b>				
<b>1 January 2018</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	208,006	-	208,006
Call option	-	-	137,200	137,200
Investments				
- Investments at fair value through other comprehensive income	4,123	-	271,955	276,078
- Investments at fair value through profit or loss	31,647	43,250	66,817	141,714
Short term investments				
- Investments at fair value through other comprehensive income	55,048	-	-	55,048
- Investments at fair value through profit or loss	147,654	-	74	147,728
	<u>238,472</u>	<u>251,256</u>	<u>476,046</u>	<u>965,774</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	120,463	-	120,463
<b>Non-financial assets</b>				
Investment Properties				
- Commercial and residential, completed	-	-	1,404,294	1,404,294
- Commercial, under construction	-	-	2,056,314	2,056,314
	<u>-</u>	<u>-</u>	<u>3,460,608</u>	<u>3,460,608</u>

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Company</b>				
<b>31 December 2019</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	30,462	-	30,462
Investments				
- Investments at fair value through other comprehensive income	-	-	19,230	19,230
	<b>-</b>	<b>30,462</b>	<b>19,230</b>	<b>49,692</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	78,766	-	78,766
<b>Company</b>				
<b>31 December 2018</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	31,968	-	31,968
Investments				
- Investments at fair value through other comprehensive income	-	-	16,957	16,957
	<b>-</b>	<b>31,968</b>	<b>16,957</b>	<b>48,925</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	71,099	-	71,099
<b>1 January 2018</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	107,631	-	107,631
Investments				
- Investments at fair value through other comprehensive income	-	-	15,012	15,012
	<b>-</b>	<b>107,631</b>	<b>15,012</b>	<b>122,643</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	90,049	-	90,049

There have been no significant transfers between Level 1, Level 2 and Level 3 for the Group and Company in 2019 and 2018.

The following table presents the reconciliation of financial instruments measured at fair value based on significant unobservable inputs (Level 3).

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January	520,356	471,982	16,957	15,012
Co acquired	23,884	-	-	-
Purchases	225,294	105,664	-	-
Sales	(39,171)	(122,034)	-	-
Fair value (loss)/gain recognised in other comprehensive income	(73,059)	(1,124)	2,273	1,945
Fair value gain recognised in profit or loss	6,802	47,785	-	-
Reclassification	43,245	16,877	-	-
Exchange differences	(332)	1,206	-	-
Distribution	(10,366)	-	-	-
Return on capital	(7,759)	-	-	-
At 31 December	<b>688,894</b>	<b>520,356</b>	<b>19,230</b>	<b>16,957</b>



NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management (continued)

The following table presents the reconciliation of investment properties measured at fair value based on significant unobservable inputs (Level 3).

	Group	
	2019 \$'000	2018 \$'000
At 1 January	2,851,380	3,460,608
Adoption of SFRS(I) 16	5,765	-
Development expenditure	304,803	94,099
Fair value gain	101,020	84,886
Disposal	(834)	(2,870)
Subsidiary acquired	-	360,000
Subsidiary disposed	-	(948,613)
Reclassification		
- Stocks	-	(158,300)
- Fixed assets	(217,121)	-
Exchange differences	(22,922)	(38,430)
At 31 December	3,022,091	2,851,380

The fair value of financial instruments categorised under Level 1 of the fair value hierarchy is based on published market bid prices at the balance sheet date.

The fair value of financial instruments categorised under Level 2 of the fair value hierarchy are fair valued under valuation techniques with market observable inputs. These include forward pricing and swap models utilising present value calculations using inputs such as observable foreign exchange rates (forward and spot rates), interest rate curves and forward rate curves and discount rates that reflects the credit risks of various counterparties. The fair value of investment at fair value through profit or loss categorised under Level 2 of the fair value hierarchy is based on the consideration specified in a sales and purchase agreement.

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments and investment properties categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 31 December 2019 \$'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Investments	531,376	Net asset value, discounted cash flow, and/or market comparative	Net asset value *	Not applicable
			Discount rate	11%
			Adjusted market multiple	1.4x
			Terminal growth rate	2.5%
Call option	157,518	Direct comparison method and investment method	Transacted price of comparable properties (psf)	\$2,200 to \$2,865
			Capitalisation rate	3.5%

\* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investments and investment properties stated at fair value.

<b>Description</b>	<b>Fair value as at 31 December 2019 \$'000</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Unobservable Inputs</b>
Investment Properties				
- Commercial and residential, completed	1,667,822	Investment method, discounted cash flow method and/or direct comparison method;	Discount rate Capitalisation rate Net initial yield	5.60% to 12.76% 3.75% to 9.00% 3.93% to 5.85%
		Residual Method	Price of comparable land plots (psm) Transacted price of comparable properties (psf)	\$5,032 to \$6,773 \$1,616 to \$3,502
- Commercial, under construction	1,354,269	Direct comparison method, discounted cash flow method, and/or residual value method	Price of comparable land plots (psm) Gross development value (\$million)	\$8,121 to \$19,219 \$510 to \$1,897

<b>Description</b>	<b>Fair value as at 31 December 2018 \$'000</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Unobservable Inputs</b>
Investments	369,856	Net asset value and/or discounted cash flow	Net asset value * Discount rate	Not applicable 11%
Call option	150,500	Direct comparison method and investment method	Transacted price of comparable properties (psf) Capitalisation rate	\$2,500 to \$3,200 3.5% to 3.65%
Investment Properties				
- Commercial and residential, completed	1,716,314	Direct comparison method, investment method, cost replacement method and/or discounted cash flow method	Discount rate Terminal yield Capitalisation rate Net initial yield Price of comparable land plots (psm) Transacted price of comparable properties (psf)	10.25% to 12.45% 7.00% 4.25% to 12.00% 3.7% \$4,700 to \$5,707 \$1,727 to \$3,294
- Commercial, under construction	1,135,066	Direct comparison method, and/or residual method	Price of comparable land plots (psm) Gross development value (\$million)	\$6,737 to \$11,990 \$636 to \$1,898

\* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investment properties stated at fair value.

## NOTES TO THE FINANCIAL STATEMENTS

## 34. Financial risk management (continued)

Description	Fair value as at 1 January 2018 \$'000	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs
Investments	338,846	Net asset value and/or discounted cash flow	Net asset value * Discount rate	Not applicable 11%
Call option	137,200	Direct comparison method and investment method	Transacted price of comparable properties (psf) Capitalisation rate	\$2,600 to \$3,200 3.5% to 3.75%
Investment Properties - Commercial and residential, completed	1,404,294	Direct comparison method, investment method, cost replacement method and/or discounted cash flow method	Discount rate Terminal yield Capitalisation rate Net initial yield	11.50% to 13.00% 7.00% 2.80% to 12.50% 3.8%
- Commercial, under construction	2,056,314	Direct comparison method, and/or residual method	Price of comparable land plots (psm) Gross development value (\$'million)	\$7,627 to \$12,463 \$588 to \$1,866

\* Fair value of unquoted equity instruments is determined by reference to the underlying assets value of the investee companies, which comprise mainly investment properties stated at fair value.

The financial instruments and investment properties categorised under Level 3 of the fair value hierarchy are generally sensitive to the various unobservable inputs tabled above. A significant movement of each input would result in significant change to the fair value of the respective asset/liability.

The Group's finance team assessed the fair value of investments at fair value through other comprehensive income on a quarterly basis.

Valuation process of investment properties is described in Note 7.

## 35. Segment analysis

The Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

**(i) Offshore & Marine**

Principal activities include offshore rig design, construction, repair and upgrading, ship conversions and repair, and specialised shipbuilding. The Division has operations in Brazil, China, Singapore, United States and other countries.

**(ii) Property**

Principal activities include property development and investment, and property fund management. The Division has operations in Australia, China, India, Indonesia, Singapore, Vietnam and other countries.

**(iii) Infrastructure**

Principal activities include environmental engineering, power generation, logistics and data centres. The Division has operations in China, Qatar, Singapore, United Kingdom and other countries.

**(iv) Investments**

The Investments Division consists mainly of the Group's investments in fund management, KrisEnergy Limited, M1 Limited, K1 Ventures Ltd, Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited and equities. M1 Limited, which was part of Investments prior to the acquisition, continues to be reported under Investments segment as it is currently undergoing transformation of its business. M1 contributed about 32% of the Group's total depreciation and amortisation, and contributed about 13% and 10% of the Group's total revenue and net profit respectively for the financial year ended 31 December 2019. M1 accounted for about 5% of the Group's total assets and total liabilities as at 31 December 2019.

Management monitors the results of each of the above operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss. Information regarding the Group's reportable segments is presented in the following table:

	Offshore & Marine \$'000	Property \$'000	Infrastructure \$'000	Investments \$'000	Elimination \$'000	Total \$'000	
<b>2019</b>							
<b>Revenue</b>							
External sales	2,219,397	1,336,236	2,927,331	1,096,739	-	7,579,703	
Inter-segment sales	323	11,187	31,018	112,809	(155,337)	-	
Total	<u>2,219,720</u>	<u>1,347,423</u>	<u>2,958,349</u>	<u>1,209,548</u>	<u>(155,337)</u>	<u>7,579,703</u>	
<b>Segment Results</b>							
Operating profit	60,041	507,740	113,612	194,988	120	876,501	
Investment income	4,988	48,131	1,410	10,065	-	64,594	
Interest income	74,444	48,776	63,443	356,896	(365,884)	177,675	
Interest expenses	(107,123)	(85,966)	(28,753)	(456,638)	365,764	(312,716)	
Share of results of associated companies	(56,823)	188,189	38,079	(22,032)	-	147,413	
(Loss)/profit before tax	(24,473)	706,870	187,791	83,279	-	953,467	
Taxation	33,182	(179,055)	(23,982)	(22,474)	-	(192,329)	
Profit for the year	<u>8,709</u>	<u>527,815</u>	<u>163,809</u>	<u>60,805</u>	<u>-</u>	<u>761,138</u>	
Attributable to:							
Shareholders of Company	10,050	517,373	168,391	11,161	-	706,975	
Non-controlling interests	(1,341)	10,442	(4,582)	49,644	-	54,163	
	<u>8,709</u>	<u>527,815</u>	<u>163,809</u>	<u>60,805</u>	<u>-</u>	<u>761,138</u>	
<b>External revenue from contracts with customers</b>							
- At a point in time	96,640	999,497	23,005	363,757	-	1,482,899	
- Over time	2,122,757	223,302	2,895,665	729,148	-	5,970,872	
	<u>2,219,397</u>	<u>1,222,799</u>	<u>2,918,670</u>	<u>1,092,905</u>	<u>-</u>	<u>7,453,771</u>	
<b>Other sources of revenue</b>	-	113,437	8,661	3,834	-	125,932	
Total	<u>2,219,397</u>	<u>1,336,236</u>	<u>2,927,331</u>	<u>1,096,739</u>	<u>-</u>	<u>7,579,703</u>	
<b>Other information</b>							
Segment assets	9,493,583	14,081,759	3,960,727	12,028,650	(8,243,159)	31,321,560	
Segment liabilities	6,663,302	6,435,784	2,552,695	12,266,907	(8,243,159)	19,675,529	
Net assets	<u>2,830,281</u>	<u>7,645,975</u>	<u>1,408,032</u>	<u>(238,257)</u>	<u>-</u>	<u>11,646,031</u>	
Investment in associated companies	645,946	3,443,534	1,067,436	1,193,929	-	6,350,845	
Additions to non-current assets	95,440	622,622	188,819	297,711	-	1,204,592	
Depreciation and amortisation	121,126	38,275	58,393	157,500	-	375,294	
Impairment loss/(write-back of impairment loss)	6,827	(10)	(776)	37,445	-	43,486	
<b>Geographical information</b>							
	Singapore \$'000	China/ Hong Kong \$'000	Brazil \$'000	Other Far East & ASEAN countries \$'000	Other countries \$'000	Elimination \$'000	Total \$'000
External sales	5,704,097	1,005,803	83,769	429,351	356,683	-	7,579,703
Non-current assets	8,741,671	3,111,521	286,862	1,891,462	686,175	-	14,717,691

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2019.

#### Information about a major customer

No single external customer accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2019.

Note: Pricing of inter-segment goods and services is at fair market value.

## NOTES TO THE FINANCIAL STATEMENTS

## 35. Segment analysis (continued)

	Offshore & Marine \$'000	Property \$'000	Infrastructure \$'000	Investments \$'000	Elimination \$'000	Total \$'000
<b>2018</b>						
<b>Revenue</b>						
External sales	1,874,571	1,340,235	2,628,571	121,404	-	5,964,781
Inter-segment sales	-	6,139	22,729	60,872	(89,740)	-
Total	1,874,571	1,346,374	2,651,300	182,276	(89,740)	5,964,781
<b>Segment Results</b>						
Operating (loss)/profit	(73,433)	1,044,448	105,332	(23,019)	1,834	1,055,162
Investment income	1,199	3,976	2,230	2,586	-	9,991
Interest income	53,675	57,268	57,265	295,233	(299,181)	164,260
Interest expenses	(102,630)	(77,250)	(16,969)	(305,322)	297,347	(204,824)
Share of results of associated companies	8,001	164,688	36,499	11,707	-	220,895
(Loss)/profit before tax	(113,188)	1,193,130	184,357	(18,815)	-	1,245,484
Taxation	2,523	(254,992)	(7,837)	(24,470)	-	(284,776)
(Loss)/profit for the year	(110,665)	938,138	176,520	(43,285)	-	960,708
Attributable to:						
Shareholders of Company	(109,250)	942,459	169,584	(54,401)	-	948,392
Non-controlling interests	(1,415)	(4,321)	6,936	11,116	-	12,316
	(110,665)	938,138	176,520	(43,285)	-	960,708
<b>External revenue from contracts with customers</b>						
- At a point in time	97,835	828,021	28,642	10,470	-	964,968
- Over time	1,776,736	433,529	2,592,846	105,655	-	4,908,766
	1,874,571	1,261,550	2,621,488	116,125	-	5,873,734
<b>Other sources of revenue</b>						
	-	78,685	7,083	5,279	-	91,047
Total	1,874,571	1,340,235	2,628,571	121,404	-	5,964,781
<b>Other information</b>						
Segment assets	8,461,013	13,831,333	3,649,336	7,596,099	(6,950,188)	26,587,593
Segment liabilities	5,556,134	5,684,310	2,248,589	8,472,056	(6,950,188)	15,010,901
Net assets	2,904,879	8,147,023	1,400,747	(875,957)	-	11,576,692
Investment in associated companies	706,189	3,206,355	1,066,849	1,259,660	-	6,239,053
Additions to non-current assets	87,478	461,857	61,394	28,225	-	638,954
Depreciation and amortisation	99,091	32,762	44,930	5,603	-	182,386
Impairment loss	32,503	796	1,754	53,000	-	88,053

**Geographical information**

	Singapore \$'000	China/ Hong Kong \$'000	Brazil \$'000	Other Far East & ASEAN countries \$'000	Other countries \$'000	Elimination \$'000	Total \$'000
External sales	4,370,849	741,759	224,573	374,430	253,170	-	5,964,781
Non-current assets	6,119,072	2,747,668	229,917	1,648,108	847,235	-	11,592,000

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2018.

**Information about a major customer**

Revenue of \$730,615,000 is derived from a single external customer and is attributable to the Infrastructure Division for the year ended 31 December 2018.

Note: Pricing of inter-segment goods and services is at fair market value.

### 36. Business combinations

On 15 February 2019, the Group's 80% owned subsidiary, Konnectivity Pte Ltd, acquired approximately 81% interest in M1 Limited, bringing to a total of 100% as at 31 December 2019. The principal activities of M1 Limited are the provision of telecommunications services, international call services and fixed services, retail sales of telecommunications equipment and accessories, and customer services. The acquisition seeks to drive the business transformation in M1 to enable it to compete effectively. The acquisition will also complement the Group's mission as a solutions provider for sustainable urbanisation, which includes connectivity. M1 can serve as a digital and connectivity platform to complement and augment the Group's current suite of solutions.

In the prior year, acquisition of subsidiaries relates mainly to the acquisition of 77.6% interest in PRE 1 Investments Pte Ltd.

Net assets of subsidiaries acquired at their fair values were as follows:

	2019 \$'000	2018 \$'000
Fixed assets	772,654	47
Investment Properties	-	360,000
Right-of-use assets	44,324	-
Intangible assets	610,516	-
Stocks	34,745	-
Contract assets	163,121	-
Debtors and other assets	197,211	530
Bank balances and cash	88,991	18,521
Creditors and other liabilities	(241,555)	(6,778)
Borrowings and lease liabilities	(496,189)	(297,923)
Current and deferred taxation	(251,498)	(3,827)
Non-controlling interests consolidated	(2,091)	-
Total identifiable net assets at fair value	920,229	70,570
Non-controlling interests measured at fair value	(308,001)	-
Amount previously accounted for as associated companies	(210,137)	(32,484)
Goodwill arising from acquisition	988,288	-
(Gain)/loss on remeasurement of previously held equity interest at fair value at acquisition date	(158,376)	18,487
Net assets acquired	1,232,003	56,573
Total purchase consideration	1,232,003	56,573
Less: Bank balances and cash acquired	(88,991)	(18,521)
<b>Cash outflow on acquisition</b>	<b>1,143,012</b>	<b>38,052</b>

The fair value of the acquired identifiable intangible assets of \$610,516,000 was finalised during the year.

The fair value of debtors and other assets acquired during the year was \$197,211,000 and it includes trade receivables with a fair value of \$121,794,000. The gross contractual amount for trade receivables due was \$131,019,000, of which \$9,225,000 is expected to be uncollectible.

The non-controlling interests at its fair value of \$308,001,000 represents the 16% effective non-controlling interest in M1 Limited, which was measured based on the \$2.06 offer price per M1 Limited's share under the voluntary conditional general offer, which was concluded during the year.

The goodwill of \$988,288,000 arising from the acquisition during the year was attributable to M1 Limited arising from the synergies that is expected to be harnessed as a multi-business group. The goodwill was not deductible for tax purposes.

The revenue and net profit of the acquired business for the period from 15 February to 31 December 2019 were \$950,002,000 and \$46,543,000 respectively. In addition, the Group recognised a net gain on the remeasurement of previously held equity interest at fair value at acquisition date of \$125,261,000, after taking into consideration the non-controlling interests share of \$33,115,000. Had M1 Limited been acquired from 1 January 2019, the revenue and net profit of the Group for the year ended 31 December 2019 would have been \$7,764,708,000 and \$715,255,000 respectively.

Acquisition-related costs of \$4,800,000 was included in the other operating expense in the consolidated profit and loss account for the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 37. New accounting standards and interpretations

At the date of authorisation of these financial statements, the following new/revised SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s that are relevant to the Group and the Company were issued but not effective:

- Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business. These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted.

- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform* (effective for annual periods beginning on or after 1 January 2020)

In December 2019, the ASC issued 'Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*' (effective 1 January 2020). The amendments provide exceptions that allow entities to continue hedge accounting for existing hedge relationships under the assumption that Inter Bank Offer Rate (IBOR) based hedged cash flows are not altered as a result of the IBOR Reform.

These amendments are issued due to global reform of interest rate benchmarks such as IBORs. IBORs are key reference rates for financial instruments such as derivatives, loans and bonds. In response to cases of attempted manipulation in relation to key IBORs, and to the decline in liquidity in key interbank unsecured funding markets, the Financial Stability Board made several recommendations relating to:

- strengthening of IBORs by anchoring them to a greater number of transactions, where possible, and improving the processes and controls around submissions;
- identifying alternative near-risk-free rates (RFRs) and, where suitable, encouraging market participants to transition new contracts to an appropriate RFR.

Regulators in a number of jurisdictions, including Singapore, are in the midst of phasing out IBORs and replacing them with more suitable alternative reference rates. There is currently uncertainty around the timing and precise nature of these changes.

For the current financial year, the Group has determined that hedge relationships that include IBORs as a hedged risk continue to qualify for hedge accounting without early adoption of the amendments. The Group continues to monitor the developments of IBOR reform and it will assess the impact for the Group as further information becomes available.

The management anticipates that the adoption of the above SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

### 38. Significant subsidiaries and associated companies

Information relating to significant subsidiaries consolidated in these financial statements and significant associated companies whose results are equity accounted for is given in the following pages.