Singapore Technologies Engineering Ltd and its Subsidiaries

Company Registration No: 199706274H

Financial Statements

Together with Directors' Statement and Auditors' Report

31 December 2019

Singapore Technologies Engineering Ltd and its Subsidiaries

General Information

Directors

Kwa Chong Seng	(Chairman)
Vincent Chong Sy Feng	
Dr Beh Swan Gin	
Joseph Leong Weng Keong	(Appointed on 7 June 2019)
Lim Ah Doo	
Lim Chin Hu	
Lim Sim Seng	
LG Ong Su Kiat Melvyn	
Quek Gim Pew	
Quek See Tiat	
Song Su-Min	
COL Xu Youfeng	(Alternate Director to LG Ong Su Kiat Melvyn)

Secretary

Ng Kwee Lian (Karen)

Registered Office

1 Ang Mo Kio Electronics Park Road
#07-01 ST Engineering Hub
Singapore 567710

Auditors

KPMG LLP
(Partner: Quek Shu Ping)

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Singapore Technologies Engineering Ltd and its Subsidiaries

Directors' Statement

31 December 2019

(Currency - Singapore dollars unless otherwise stated)

We are pleased to submit this annual report to the members of the Company together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 18 to 127 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and changes in equity, financial performance and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors of the Company in office at the date of this statement are as follows:

Kwa Chong Seng	(Chairman)
Vincent Chong Sy Feng	
Dr Beh Swan Gin	
Joseph Leong Weng Keong	(Appointed on 7 June 2019)
Lim Ah Doo	
Lim Chin Hu	
Lim Sim Seng	
LG Ong Su Kiat Melvyn	
Quek Gim Pew	
Quek See Tiat	
Song Su-Min	
COL Xu Youfeng	(Alternate Director to LG Ong Su Kiat Melvyn)

Arrangements to enable directors to acquire shares or debentures

Except for the Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010) (collectively the ST Engineering Share Plans), neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

(Currency - Singapore dollars unless otherwise stated)

Directors' interests

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants, share options or awards of the Company or of related corporations either at the beginning of the financial year or date of appointment if later, or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year in shares, debentures, warrants, share options and awards in the Company and its related corporations were as follows:

		Holdings in the name of the director, spouse or infant children	
		1 January 2019 or date of appointment if later	**31 December 2019**
The Company			
Ordinary Shares			
Kwa Chong Seng		1,027,300*1	1,084,700*1
Vincent Chong Sy Feng		1,568,084	1,736,259
Lim Ah Doo		60,000	72,400*2
Lim Chin Hu		20,000*3	44,400*3
Lim Sim Seng		35,600*3	48,400*3
Quek See Tiat		45,400	57,900
Song Su-Min		–	2,000
Conditional Award of Shares under PSP2010 for performance period 2016 to 2018			
Vincent Chong Sy Feng	(70,000 shares)	0 to 119,000#1	–#2
Conditional Award of Shares under PSP2010 for performance period 2017 to 2019			
Vincent Chong Sy Feng	(258,800 shares)	0 to 439,960#1	0 to 439,960#1
Conditional Award of Shares under PSP2010 for performance period 2018 to 2020			
Vincent Chong Sy Feng	(428,600 shares)	0 to 728,620#1	0 to 728,620#1
Conditional Award of Shares under PSP2010 for performance period 2019 to 2021			
Vincent Chong Sy Feng	(469,385 shares)	–	0 to 797,954#1

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

		Holdings in the name of the director, spouse or infant children	
		1 January 2019 or date of appointment if later	**31 December 2019**
The Company			
Unvested restricted shares to be delivered after 2015			
Vincent Chong Sy Feng	(64,676 shares)	16,169#3	–
Unvested restricted shares to be delivered after 2017			
Vincent Chong Sy Feng	(82,264 shares)	61,698#3	41,132#3
Award of restricted shares to be delivered after 2018			
Vincent Chong Sy Feng		180,800#4	–
Unvested restricted shares to be delivered after 2018			
Vincent Chong Sy Feng	(180,800 shares)	–	135,600#3
Award of restricted shares to be delivered after 2019			
Vincent Chong Sy Feng		–	219,234#4
Related Corporations			
Ascendas Funds Management (S) Limited ***Unit holdings in Ascendas Real Estate Investment Trust***			
Quek See Tiat		34,000	40,000
Ascendas Hospitality Fund Management Pte. Ltd. ***Unit holdings in Ascendas Hospitality Trust***			
Lim Chin Hu		198,000*3	–

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2019 or date of appointment if later	**31 December 2019**
Related Corporations		
Ascott Residence Trust Management Limited ***Unit holdings in Ascott Residence Trust***		
Lim Chin Hu	N.A.	117,541*3
Quek See Tiat	N.A.	31,000
Astrea V Pte. Ltd. ***Class B 5.75% Secured Fixed Rate Bonds***		
Kwa Chong Seng	N.A.	US$200,000*3
CapitaLand Commercial Trust Management Limited ***Unit holdings in CapitaLand Commercial Trust***		
Quek See Tiat	N.A.	94,500
CapitaLand Limited ***Ordinary Shares***		
Quek See Tiat	N.A.	13,000
Song Su-Min	N.A.	25,000
Fullerton Fund Management Company Ltd ***Fullerton SGD Income Fund – Class A***		
Lim Chin Hu	N.A.	S$453,613*3
Quek See Tiat	N.A.	S$1,833,085
Mapletree Commercial Trust Management Ltd. ***Unit holdings in Mapletree Commercial Trust***		
Lim Chin Hu	–	30,500*3
Mapletree Industrial Trust Management Ltd. ***Unit holdings in Mapletree Industrial Trust***		
Lim Chin Hu	121	10,121*4

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2019 or date of appointment if later	**31 December 2019**
Related Corporations		
Mapletree Logistics Trust Management Ltd.		
Unit holdings in Mapletree Logistics Trust		
Lim Ah Doo	185,000	185,000
Lim Chin Hu	–	2,200*[3]
Olam International Limited		
Ordinary Shares		
Kwa Chong Seng	609,279*[5]	609,279*[5]
Combined S$350m 5.5% Perpetual Capital Securities		
Lim Chin Hu	S$250,000*[3]	S$250,000*[3]
SIA Engineering Company Limited		
Ordinary Shares		
Lim Chin Hu	–	15,000*[3]
Singapore Telecommunications Limited		
Ordinary Shares		
Kwa Chong Seng	26,466	–
Lim Chin Hu	–	33,000*[3]
Quek Gim Pew	3,120	3,120
Quek See Tiat	680	680
Song Su-Min	190	190
StarHub Ltd		
Ordinary Shares		
Quek See Tiat	5,000	5,000
Song Su-Min	140,600	140,600

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

	Holdings in the name of the director, spouse or infant children	
	1 January 2019 or date of appointment if later	**31 December 2019**
Related Corporations		
Temasek Financial (I) Limited ***T2028 USD 10-year Temasek Bond 3.625% coupon due August 2028***		
Lim Chin Hu	US$250,000*3	US$250,000*3
Temasek Financial (IV) Private Limited ***T2023 SGD Temasek Bond S$500m 2.70% coupon due October 2023***		
Quek Gim Pew	S$14,000	S$14,000
Quek See Tiat	S$7,000	S$7,000

*1 Includes interest in 300,000 shares in Singapore Technologies Engineering Ltd, held in trust by a trustee company on behalf of the director.

*2 Includes interest in 60,000 shares in Singapore Technologies Engineering Ltd, held in trust by a trustee company on behalf of the director.

*3 Held in trust by a trustee company on behalf of the director.

*4 Includes interest in 10,000 unit holdings in Mapletree Industrial Trust Management Ltd, held in trust by a trustee company on behalf of the director.

*5 Includes interest in 189,279 shares in Olam International Limited, held in trust by a trustee company on behalf of the director.

#1 A minimum threshold performance over a 3-year period is required for any performance shares to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

#2 For this period, Mr Vincent Chong Sy Feng was awarded 86,240 shares based on partial achievement of targets set. The balance of the conditional award covering the period from 2016 to 2018 has thus lapsed.

#3 Balance of unvested restricted shares to be released according to the stipulated vesting periods.

#4 Restricted shares will vest annually over four years, subjected to the recipients continued employment with the Group and maintaining a satisfactory performance rating for the financial year preceding each tranche of vesting.

(Currency - Singapore dollars unless otherwise stated)

Directors' interests (continued)

There was no change in any of above-mentioned directors' interest in the Company between the end of the financial year and 21 January 2020.

Share Plans

The Executive Resource and Compensation Committee (ERCC) is responsible for administering the ST Engineering Share Plans.

The ERCC members are Mr Kwa Chong Seng (Chairman), Mr Lim Sim Seng and Mr Lim Chin Hu.

As at 31 December 2019, no participants have been granted options and/or have received shares under the ST Engineering Share Plans which, in aggregate, represent 5% or more of the total number of new shares available under the ST Engineering Share Plans.

The aggregate number of new shares issued pursuant to the RSP2010 and PSP2010 did not exceed 8% of the issued share capital of the Company.

Except as disclosed below, there were no shares awarded by the Company to any person to take up unissued shares of the Company.

(a) ***PSP2010 (PSP)***

The PSP is established with the objective of motivating Senior Management Executive to strive for sustained long-term growth and performance in ST Engineering and its subsidiaries (ST Engineering Group). Awards of performance shares are granted conditional on performance targets set based on the ST Engineering Group corporate objectives.

Pursuant to the PSP, the ERCC has decided to grant awards on an annual basis, conditional on targets set for a performance period, currently prescribed to be a 3-year performance period. The performance shares will only be released to the recipient at the end of the performance qualifying period. A specified number of performance shares shall be released by the ERCC to the recipient and the actual number of performance shares will depend on the achievement of set targets over the respective performance period. A minimum threshold performance is required for any performance share to be released and the actual number of performance shares to be released is capped at 170% of the conditional award.

The performance measures used in PSP grants are Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and Earnings Per Share (EPS) Growth against pre-determined targets. In addition to the PSP performance targets being met, final award for PSP is conditional upon satisfactory performance of the recipient.

(Currency - Singapore dollars unless otherwise stated)

Share Plans (continued)

(a) ***PSP2010 (PSP)*** (continued)

The awards granted under the PSP2010 are as follows:

Participant	Conditional awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate conditional awards not released as at end of financial year under review
PSP2010					
Director of the Company					
Vincent Chong Sy Feng	0 to 797,954	86,240	0 to 2,299,734	150,500	0 to 1,966,534
Group Executives(including Vincent Chong Sy Feng)	0 to 3,222,785	2,041,497	0 to 25,000,108	5,959,328	0 to 8,323,215

(b) ***RSP2010 (RSP)***

The RSP is established with the objective of motivating managers and above to strive for sustained long-term growth of ST Engineering Group. It also aims to foster a share ownership culture among employees within the ST Engineering Group and to better align employees' incentive scheme with shareholders' interest.

Pursuant to the RSP, the ERCC has decided to grant shares on an annual basis, and released equally to the recipient over four consecutive years.

Since 2011, the awards granted under the ST Engineering RSP2010 to the Non-Executive Directors (other than those from the public sector) are outright shares with no performance and vesting conditions but with a Moratorium on selling. These shares will form up to 30% of their total compensation with the remaining 70% payable in cash.

The awards granted under the RSP2010 are as follows:

Participant	Awards granted during the financial year under review	Awards released during the financial year under review	Aggregate conditional awards/awards granted since commencement to end of financial year under review	Aggregate awards released since commencement to end of financial year under review	Aggregate awards not released as at end of financial year
RSP2010					
Directors of the Company					
Kwa Chong Seng	57,400	57,400	284,700	284,700	–
Vincent Chong Sy Feng	219,234	81,935	0 to 2,024,985	1,555,759	395,966
Lim Ah Doo	12,400	12,400	42,400	42,400	–
Lim Chin Hu	4,400	4,400	4,400	4,400	–
Lim Sim Seng	12,800	12,800	48,400	48,400	–
Quek See Tiat	12,500	12,500	57,900	57,900	–
Song Su-Min	2,000	2,000	2,000	2,000	–
Non-Executive Directors of the Company and its subsidiaries (including current and former directors)	101,500	101,500	1,304,600	1,304,600	–
Group Executives (including Vincent Chong Sy Feng)	6,492,986	5,104,494	0 to 71,176,687	30,181,833	13,308,887

(Currency - Singapore dollars unless otherwise stated)

Audit Committee

The Audit Committee comprises three independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Audit Committee at the date of this report are as follows:

Quek See Tiat (Chairman)
Lim Ah Doo
Song Su-Min

The Audit Committee carried out its functions in accordance with Section 201B of the Singapore Companies Act, Chapter 50, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee met during the year to review the scope of the internal audit function and the scope of work of the statutory auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The Audit Committee also reviewed the assistance given by the Company's officers to the auditors. The consolidated financial statements of the Group and the financial statements of the Company were reviewed by the Audit Committee prior to their submission to the directors of the Company for adoption.

In addition, the Audit Committee has reviewed the requirements for approval and disclosure of interested person transactions, reviewed the procedures set up by the Group and the Company to identify and report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee has recommended to the Board of Directors the appointment of PricewaterhouseCoopers LLP as external auditor of the Company in place of the retiring auditors, KPMG LLP, at the forthcoming Annual General Meeting of the Company on 23 April 2020.

The Company has complied with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

Auditors

The retiring auditors, KPMG LLP, will not be seeking re-appointment. PricewaterhouseCoopers LLP has expressed its willingness to accept appointment as auditors.

On behalf of the Board of Directors

Kwa Chong Seng
Director

Vincent Chong Sy Feng
Director

Singapore
21 February 2020

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Singapore 048581

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Independent auditors' report

Members of the Company
Singapore Technologies Engineering Ltd

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Singapore Technologies Engineering Ltd (the Company) and its subsidiaries (the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2019, the consolidated statement of changes in equity, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 127.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2019, and changes in equity, financial performance and cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Acquisition of businesses	
During the year the Group completed two significant business acquisitions in the United States and Belgium, requiring the purchase price to be allocated to the fair value of the identifiable assets (including intangible assets) acquired and liabilities assumed. Total intangible assets acquired from these two businesses was S$877 million, which includes goodwill on acquisition of S$311 million. There is judgement and inherent uncertainty involved in estimating the fair value of each identifiable asset acquired and liability assumed.	Our procedures included, among others: • We reviewed the purchase price allocation (PPA) prepared by management by comparing the methodologies and key assumptions used in deriving the allocated values of the components of the purchase price to generally accepted market practices and market data; • We considered the objectivity, independence and competency of external specialists, and the scope of their engagement; and • We assessed the adequacy of disclosures in describing the areas of judgement in estimating the uncertainty on the amounts recognised. **Findings:** We found that the PPA exercises have been performed in accordance with SFRS(I) 3 *Business Combinations*. Material intangible assets acquired in the business combination, including the identification of previously non-recorded intangible assets, has been appropriately identified. We found the key assumptions applied in the PPA exercises in arriving at the fair values of the assets acquired and liabilities assumed to be within a reasonable range of our expectations, and the valuation methods used, including the key inputs, are in line with generally accepted market practices and within the range of market data. We found the disclosures of these acquisitions to be appropriate.

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Impairment of non-financial assets, including goodwill and other intangible assets	
Goodwill and intangible assets form 21% of the Group's total assets. The Group uses the discounted cash flow (DCF) technique to determine the recoverable amounts of each cash-generating unit (CGU). There is a risk of impairment of a certain CGU in the United States which is operating in a challenging business environment. This increases the level of judgement and estimation uncertainties within management's cash flow forecast.	Our procedures included, among others: • We evaluated the identification of CGUs within the Group against the requirements of the accounting standards. • We reviewed the basis and methodology adopted to arrive at the recoverable amounts of the CGUs. • We assessed the key assumptions used in the cash flow projections, namely sales growth rates, earnings before interest, depreciation and amortisation (EBIDA) growth rates, discount rates, terminal growth rates by comparing the Group's assumptions to externally derived data where available. • We reviewed the historical accuracy of the Group's estimates in the previous periods, identified and analysed changes in the assumptions from prior periods, focusing particularly on those CGUs operating in challenging business environment. • We have also assessed the adequacy of related disclosures in Note C3 to the financial statements. **Findings:** We found that the assumptions and resulting estimates used in the DCF projections for all the CGUs were within acceptable range. There was a CGU in the United States with growth estimates that exceeded historical performance as it includes potential growth opportunities the CGU is pursuing. In this instance, we have re-computed the recoverable amount using reduced growth estimates and we agree with management that no impairment charge is required for this CGU. Overall, the results of our evaluation of the Group's impairment charge are consistent with management's assessment. We found the Group's disclosure provides sufficient details on the sensitivity of the impairment assessment to variations in key assumptions.

THE KEY AUDIT MATTER	HOW WAS THE MATTER ADDRESSED IN OUR AUDIT
Revenue recognition	
In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether the contracts comprise one or more performance obligations, determination of whether variable consideration are allocated to one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time are areas requiring critical judgement and estimates by the Group. The Group's three largest revenue streams are derived from the sale of goods, rendering of services and long-term contract revenues. Some of these revenue streams have contracts that are accounted for based on the stage of completion of performance obligations of each individual contract. The amount of revenue and profit recognised is dependent on management's assessment on the stage of completion of each performance obligation and the forecast cost profile of each long-term contract. As long-term contracts can extend over multiple years, changes in conditions and circumstances over time can result in changes in the nature or extent of project cost incurred. Judgement is applied in determining each performance obligation within a contract and in forecasting the costs to be incurred, the overall margins of these performance obligations and assessment of the stage of completion of each performance obligation. Such estimates are inherently judgemental.	Our procedures included, amongst others: • We reviewed the contractual terms and work status of the customer contracts and verified that revenue is recognised according to the stage of completion of each performance obligation. • We tested the controls designed and applied by the Group to ensure that the estimates used in assessing revenue and costs are appropriate. The controls tested include, amongst others, controls over the preparation and authorisation of project evaluation, approval of revenue calculated and project budgets, and accuracy and completeness over manpower and labour rates computed. • We selected a sample of contracts for testing based on a number of qualitative and quantitative factors, such as contracts with significant deterioration in margin, those contracts with variations, claims and other factors which indicated that a greater level of judgement is required in the estimates developed for current and forecast contract performance. • For each selected contract, we assessed the appropriateness of estimates used in the forecasts and whether the estimates showed any evidence of management bias. • We evaluated the revenue recognition policies of the Group for the different revenue streams to ensure revenue is recognised appropriately. **Findings:** We found the basis over identification of performance obligations and the revenue recognised based on the stage of completion of each performance obligation to be fair.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for Shareholding Statistics which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read Shareholding Statistics, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Quek Shu Ping.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 February 2020

Contents

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Income Statement for the year ended 31 December 2019

(Currency - Singapore dollars)

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	B2	7,868,276	6,697,928
Cost of sales		(6,232,814)	(5,292,389)
Gross profit		1,635,462	1,405,539
Distribution and selling expenses		(263,990)	(200,180)
Administrative expenses		(583,600)	(509,874)
Other operating expenses		(133,883)	(125,227)
Earnings before interest and tax	B3	653,989	570,258
Other income		44,393	55,391
Other expenses		(5,496)	(20,405)
Other income, net	B4	38,897	34,986
Finance income		14,290	22,357
Finance costs		(50,915)	(55,909)
Finance costs, net	E2	(36,625)	(33,552)
Share of results of associates and joint ventures, net of tax		38,983	49,056
Profit before taxation		695,244	620,748
Taxation	B6	(102,570)	(104,326)
Profit after taxation		592,674	516,422
Attributable to:			
Shareholders of the Company		577,945	494,241
Non-controlling interests	F3	14,729	22,181
		592,674	516,422
Earnings per share (cents)	B5		
Basic		18.53	15.85
Diluted		18.42	15.76

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Comprehensive Income for the year ended 31 December 2019

(Currency - Singapore dollars)

	Note	Group 2019 $'000	Group 2018 $'000
Profit after taxation		592,674	516,422
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit plan remeasurements		(46,150)	201
Net fair value changes on equity investments at FVOCI		182	80
		(45,968)	281
Items that are or may be reclassified subsequently to profit or loss:			
Debt investments at FVOCI – reclassified to income statement		–	(2,343)
Net fair value changes of cash flow hedges reclassified to income statement		3,680	2
Effective portion of changes in fair value of cash flow hedges		(34,897)	(35,110)
Share of net fair value changes on cash flow hedges of joint ventures		(5,379)	505
Foreign currency translation differences		(48,333)	302
Share of foreign currency translation differences of associates and joint ventures		(7,371)	(213)
Reserves released on disposal of subsidiaries and a joint venture		2,722	13,714
		(89,578)	(23,143)
Other comprehensive loss for the year, net of tax		(135,546)	(22,862)
Total comprehensive income for the year, net of tax		457,128	493,560
Total comprehensive income attributable to:			
Shareholders of the Company		459,759	482,888
Non-controlling interests	F3	(2,631)	10,672
		457,128	493,560

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Balance Sheet as at 31 December 2019

(Currency - Singapore dollars)

	Note	Group 2019 $'000	Group 2018 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	C1	1,805,034	1,742,742
Right-of-use assets	C2	483,975	–
Associates and joint ventures	F4	453,419	455,703
Investments	E3	16,178	16,392
Intangible assets	C3	1,980,215	1,151,238
Long-term trade receivables		1,668	1,172
Deferred tax assets	B6	111,595	72,136
Amounts due from related parties	C4	4,806	4,806
Advances and other receivables	C7	11,849	20,074
Derivative financial instruments	C16	13,351	11,483
		4,882,090	3,475,746
Current assets			
Contract assets	C13	1,246,207	1,070,396
Inventories	C5	1,311,858	1,183,510
Trade receivables	C6	1,245,881	1,137,816
Amounts due from related parties	C4	35,661	35,392
Advances and other receivables	C7	345,744	253,961
Short-term investments	E3	604	422
Bank balances and other liquid funds	C8	453,230	415,780
		4,639,185	4,097,277
Total assets		9,521,275	7,573,023
EQUITY AND LIABILITIES			
Current liabilities			
Contract liabilities	C13	1,043,215	1,324,093
Deposits from customers		9,291	4,219
Trade payables and accruals	C9	2,012,897	1,829,758
Amounts due to related parties	C10	70,007	85,445
Provisions	C11	233,459	212,935
Provision for taxation		195,059	163,232
Borrowings	E4	1,868,812	225,416
Deferred income	C12	2,403	3,761
Employee benefits	D3	11,265	2,401
		5,446,408	3,851,260
Net current (liabilities)/assets		(807,223)	246,017

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Balance Sheet as at 31 December 2019

(Currency - Singapore dollars)

	Note	Group 2019 $'000	Group 2018 $'000
Non-current liabilities			
Contract liabilities	C13	422,992	495,453
Trade payables and accruals	C9	57,983	80,345
Provisions	C11	16,994	–
Deferred tax liabilities	B6	174,732	170,726
Borrowings	E4	468,895	270,363
Deferred income	C12	34,309	42,405
Employee benefits	D3	380,061	108,016
Derivative financial instruments	C16	27,900	19,842
		1,583,866	1,187,150
Total liabilities		7,030,274	5,038,410
Net assets		2,491,001	2,534,613
Share capital and reserves			
Share capital	E6	895,926	895,926
Treasury shares	E7	(26,731)	(9,030)
Capital reserves	E8	112,563	118,174
Other reserves	E9	(149,445)	(72,054)
Retained earnings		1,389,966	1,313,361
Equity attributable to owners of the Company		2,222,279	2,246,377
Non-controlling interests	F3	268,722	288,236
		2,491,001	2,534,613
Total equity and liabilities		9,521,275	7,573,023

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

(Currency - Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2019		895,926	(9,030)	118,174	(72,054)	1,313,361	2,246,377	288,236	2,534,613
Total comprehensive income for the year									
Profit after taxation		–	–	–	–	577,945	577,945	14,729	592,674
Other comprehensive income									
Equity investments at FVOCI – net change in fair value		–	–	–	182	–	182	–	182
Reclassified to income statement									
– Net fair value changes on cash flow hedges		–	–	–	(1,371)	–	(1,371)	5,051	3,680
Effective portion of changes in fair value of cash flow hedges		–	–	–	(29,476)	–	(29,476)	(5,421)	(34,897)
Share of net fair value changes on cash flow hedges of joint ventures		–	–	–	(5,379)	–	(5,379)	–	(5,379)
Foreign currency translation differences		–	–	–	(43,951)	–	(43,951)	(4,382)	(48,333)
Share of foreign currency translation differences of associates and joint ventures		–	–	–	(7,371)	–	(7,371)	–	(7,371)
Reserves released on disposal of subsidiaries and a joint venture		–	–	–	2,231	–	2,231	491	2,722
Defined benefit plan remeasurements		–	–	–	–	(33,051)	(33,051)	(13,099)	(46,150)
Other comprehensive loss for the year, net of tax		–	–	–	(85,135)	(33,051)	(118,186)	(17,360)	(135,546)
Total comprehensive income for the year, net of tax		–	–	–	(85,135)	544,894	459,759	(2,631)	457,128
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	3,700	–	3,700	(47)	3,653
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Capital contribution by non-controlling interests		–	–	–	–	–	–	4,263	4,263
Return of capital contribution by non-controlling interests		–	–	–	–	–	–	(8,652)	(8,652)
Cost of share-based payment		–	–	–	24,279	–	24,279	75	24,354
Purchase of treasury shares	E7	–	(43,768)	–	–	–	(43,768)	–	(43,768)
Treasury shares reissued pursuant to share plans		–	26,067	(5,611)	(20,368)	–	88	(88)	–
Dividends paid	E10	–	–	–	–	(468,156)	(468,156)	–	(468,156)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(12,247)	(12,247)
Total contributions by and distributions to owners of the Company		–	(17,701)	(5,611)	3,911	(468,156)	(487,557)	(16,649)	(504,206)
Changes in ownership interests in a subsidiary									
Disposal of subsidiary		–	–	–	–	–	–	(187)	(187)
Total transactions with owners of the Company		–	(17,701)	(5,611)	3,911	(468,156)	(487,557)	(16,836)	(504,393)
Transfer from retained earnings to statutory reserve		–	–	–	133	(133)	–	–	–
Balance at 31 December 2019		895,926	(26,731)	112,563	(149,445)	1,389,966	2,222,279	268,722	2,491,001

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

(Currency - Singapore dollars)

Group	Note	Share capital $'000	Treasury shares $'000	Capital reserves $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018		895,926	(22,870)	119,782	(67,480)	1,286,056	2,211,414	280,716	2,492,130
Total comprehensive income for the year									
Profit after taxation		–	–	–	–	494,241	494,241	22,181	516,422
Other comprehensive income									
Equity investments at FVOCI – net change in fair value		–	–	–	52	28	80	–	80
Reclassified to income statement									
– Debt investments at FVOCI		–	–	–	(2,343)	–	(2,343)	–	(2,343)
– Net fair value changes on cash flow hedges		–	–	–	2	–	2	–	2
Effective portion of changes in fair value of cash flow hedges		–	–	–	(25,294)	–	(25,294)	(9,816)	(35,110)
Share of net fair value changes on cash flow hedges of joint ventures		–	–	–	505	–	505	–	505
Foreign currency translation differences		–	–	–	2,030	–	2,030	(1,728)	302
Share of foreign currency translation differences of associates and joint ventures		–	–	–	(213)	–	(213)	–	(213)
Reserves released on disposal of subsidiaries		–	–	–	13,714	–	13,714	–	13,714
Defined benefit plan remeasurements		–	–	–	–	166	166	35	201
Other comprehensive loss for the year, net of tax		–	–	–	(11,547)	194	(11,353)	(11,509)	(22,862)
Total comprehensive income for the year, net of tax		–	–	–	(11,547)	494,435	482,888	10,672	493,560
Hedging gains and losses and costs of hedging transferred to the cost of inventory		–	–	–	3,955	–	3,955	–	3,955
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Capital contribution by non-controlling interests		–	–	–	–	–	–	432	432
Cost of share-based payment		–	–	–	20,415	–	20,415	75	20,490
Purchase of treasury shares	E7	–	(4,354)	–	–	–	(4,354)	–	(4,354)
Treasury shares reissued pursuant to share plans		–	18,194	(1,608)	(16,523)	–	63	(64)	(1)
Dividends paid	E10	–	–	–	–	(468,004)	(468,004)	–	(468,004)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(3,595)	(3,595)
Total contributions by and distributions to owners of the Company		–	13,840	(1,608)	3,892	(468,004)	(451,880)	(3,152)	(455,032)
Transfer from retained earnings to statutory reserve		–	–	–	(874)	874	–	–	–
Balance at 31 December 2018		895,926	(9,030)	118,174	(72,054)	1,313,361	2,246,377	288,236	2,534,613

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Cash Flows for the year ended 31 December 2019

(Currency - Singapore dollars, unless otherwise stated)

Cash and cash equivalents comprise cash balances and fixed deposits. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

	Group	
	2019	**2018**
	$'000	**$'000**
Cash flows from operating activities		
Profit before taxation	695,244	620,748
Adjustments:		
Share of results of associates and joint ventures, net of tax	(38,983)	(49,056)
Share-based payment expense	24,354	20,490
Depreciation charge	275,632	194,714
Property, plant and equipment written off	1,408	982
Amortisation of other intangible assets	92,620	49,331
Impairment of property, plant and equipment	2,786	81
Impairment of goodwill and other intangible assets	23,227	1,861
Impairment of an associate	4,000	–
Gain on disposal of property, plant and equipment	(9,029)	(2,000)
Gain on disposal of intangible assets	–	(41)
Gain on disposal of associates, net	(1,723)	(12,426)
Loss on disposal of investments, net	–	5,173
Loss on disposal of subsidiaries	925	20,081
Changes in fair value of an associate	1,978	–
Changes in fair value of financial instruments and hedged items	2,731	5,280
Interest expense	44,753	44,900
Interest income	(9,487)	(17,906)
Amortisation of deferred income	(272)	(144)
Operating profit before working capital changes	1,110,164	882,068
Changes in:		
Inventories	46,216	(60,784)
Contract assets	(34,001)	(134,319)
Trade receivables	13,174	(200,106)
Advance payments to suppliers	(48,201)	20,616
Other receivables, deposits and prepayments	(54,041)	(11,903)
Amounts due from holding company and related corporations balances	3,175	9,474
Amounts due to holding company and related corporations balances	(924)	1,677
Amounts due from associates	2,889	(431)
Amounts due from joint ventures	(36,508)	(3,777)
Contract liabilities	(374,285)	36,026
Trade payables	(10,031)	163,941
Deposits from customers	(1,504)	(1,590)
Other payables, accruals and provisions	61,226	28,604
Loans to staff and third parties	(1,219)	542
Deferred income	(1,111)	(11,459)
Foreign currency translation of foreign operations	(4,046)	(2,435)
Cash generated from operations	670,973	716,144
Interest received	9,459	22,510
Income tax paid	(90,470)	(99,161)
Net cash from operating activities	589,962	639,493

The accompanying notes are an integral part of the financial statements.

Singapore Technologies Engineering Ltd and its Subsidiaries

Consolidated Statement of Cash Flows for the year ended 31 December 2019

(Currency - Singapore dollars, unless otherwise stated)

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		118,172	4,097
Proceeds from disposal of associates and a joint venture and return of capital from a joint venture		6,095	27,682
Proceeds from sale and maturity of investments		–	375,098
Proceeds from unwinding of cross currency interest rate swaps		–	13,210
Proceeds from sale of intangible assets		–	64
Purchase of property, plant and equipment		(290,124)	(336,102)
Purchase of investments		–	(40,920)
Additions to other intangible assets		(104,435)	(115,408)
Dividends from associates and joint ventures		47,839	61,081
Investments in associates and joint ventures		(28,767)	(34,305)
Repayment of loan by/(loan to) a joint venture		19,661	(19,806)
Acquisition of controlling interests in subsidiaries, net of cash acquired		(1,050,121)	–
Disposal of subsidiaries, net of cash disposed		8,855	138
Net cash used in investing activities		(1,272,825)	(65,171)
Cash flows from financing activities			
Proceeds from bank loans		1,079,911	307,901
Proceeds from commercial papers		1,440,175	–
Proceeds of a loan from a joint venture		–	17,925
Proceeds from finance lease receivables		844	–
Repayment of bank loans		(1,119,271)	(247,134)
Repayment of other loans		–	(148)
Repayment of lease liabilities		(92,894)	(2,513)
Repayment of loan to a joint venture		(4,000)	(30,805)
Redemption of medium term notes		–	(681,100)
Purchase of treasury shares		(43,768)	(4,354)
Capital contribution from non-controlling interests of subsidiaries		4,263	432
Return of capital to non-controlling interests of a subsidiary		(8,652)	–
Dividends paid to shareholders of the Company		(468,156)	(468,004)
Dividends paid to non-controlling interests		(12,247)	(4,200)
Interest paid		(56,213)	(49,416)
Deposits discharged		245	9
Net cash from/(used in) financing activities		720,237	(1,161,407)
Net increase/(decrease) in cash and cash equivalents		37,374	(587,085)
Cash and cash equivalents at beginning of the year		414,400	997,614
Exchange difference on cash and cash equivalents at beginning of the year		321	3,871
Cash and cash equivalents at end of the year	C8	452,095	414,400

The accompanying notes are an integral part of the financial statements.

(Currency - Singapore dollars unless otherwise stated)

A
About this report

General

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 1 Ang Mo Kio Electronics Park Road #07-01 ST Engineering Hub, Singapore 567710.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries (collectively referred to as the Group) as at 31 December 2019 and for the year then ended were authorised and approved by the Board of Directors for issuance on 21 February 2020.

Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on the historical cost convention, except as otherwise described in the accounting policies below.

Accounting policies, estimates and critical accounting judgements applied to the preparation of the financial statements is disclosed together with the related accounting balance or financial statement matters discussed.

Information is only being included in the financial report to the extent it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if:

- dollar amount is significant in value
- dollar amount is significant by nature
- financial results cannot be understood without specific disclosure
- critical to allow user to understand significant changes in group businesses

The financial statements are presented in Singapore dollars (SGD) which is the Company’s functional currency. All values are rounded to the nearest thousand ($’000) unless otherwise indicated.

Significant accounting policies

The accounting policies have been applied consistently by Group entities to all periods presented in these financial statements unless otherwise indicated.

(Currency - Singapore dollars unless otherwise stated)

Foreign currency

The major functional currencies of the Group entities are the Singapore dollar (SGD), the United States dollar (USD) and the Euro (EUR).

Transactions, assets and liabilities denominated in foreign currencies are translated into SGD at reporting date using the following applicable exchange rates:

Foreign currency amount	**Applicable exchange rate**
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined
Non-monetary assets and liabilities carried at cost	Date of transaction

Foreign exchange gains and losses resulting from translation of monetary assets and liabilities are recognised in the income statement, except for qualifying cash flow hedges, which are recognised in other comprehensive income (OCI).

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into SGD using the following applicable exchange rates:

Foreign currency amount	**Applicable exchange rate**
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to profit or loss on disposal of the foreign operation.

(Currency - Singapore dollars unless otherwise stated)

B Business Performance

The highlights of the Group's financial performance during the financial year are:

- Revenue of $7.9 billion, up 17%
- Earnings before interest and tax of $654.0 million, up 15%
- Profit before tax of $695.2 million, up 12%
- Profit attributable to shareholders of $577.9 million, up 17%
- Earnings per share of 18.53 cents per share, up 17%

B1 Segment information

The principal activities of the Company are those of an investment holding company and the provision of engineering and related services.

The Group is organised on a worldwide basis into four major operating segments. Management reviews the segments' operating results regularly in order to allocate resources to the segments and to assess the segments' performance.

The principal activities of these operating segments are outlined below:

Segments	**Principal activities**
Aerospace	Provides a wide spectrum of aircraft maintenance, engineering and training services for both military and commercial aircraft operators. These services include airframe, component and engine maintenance, repair and overhaul, aircraft design engineering and parts manufacturing, aviation materials, asset management and pilot training.
Electronics	Specialises in the design, development and delivery of information communications technologies products, solutions and services for Smart Cities connectivity, mobility and security.
Land Systems	Delivers customised land systems, security solutions and their related through-life support for defence, homeland security and commercial applications.
Marine	Provides turnkey and sustainable defence and commercial solutions to the marine, offshore and environmental engineering industries.
Others*	Research and development, provision of engineering products and solutions, treasury, investment holding and provision of management, consultancy and other support services. * *None of these segments meets any of the quantitative thresholds for determining reportable segments in financial years 2019 and 2018.*

(Currency - Singapore dollars unless otherwise stated)

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Inter-segment pricing is based on terms negotiated between the parties which are intended to reflect competitive terms.

	Aerospace $'000	Electronics $'000	Land Systems $'000	Marine $'000	Others $'000	Elimination $'000	Group $'000
2019							
Revenue							
External sales	3,450,442	2,281,663	1,428,480	647,128	60,563	–	7,868,276
Inter-segment sales	4,580	28,281	29,164	23	2,305	(64,353)	–
	3,455,022	2,309,944	1,457,644	647,151	62,868	(64,353)	7,868,276
Reportable segment earnings before interest and tax	309,605	229,239	83,384	54,107	(22,346)	–	653,989
Other income	18,697	15,616	12,149	8,791	2,200	(13,060)	44,393
Other expenses	(7,439)	(25)	(4,422)	(83)	(483)	6,956	(5,496)
Finance income	14,018	4,666	1,807	3,782	76,365	(86,348)	14,290
Finance costs	(40,336)	(21,518)	(9,937)	(5,693)	(55,359)	81,928	(50,915)
Share of results of associates and joint ventures, net of tax	38,227	(1,445)	5,579	(75)	(3,303)	–	38,983
Profit before taxation	332,772	226,533	88,560	60,829	(2,926)	(10,524)	695,244
Taxation	(48,914)	(35,824)	(11,459)	(9,287)	2,914	–	(102,570)
Non-controlling interests	(14,962)	24	209	–	–	–	(14,729)
Profit attributable to shareholders	268,896	190,733	77,310	51,542	(12)	(10,524)	577,945
Other assets	4,415,722	3,052,212	1,723,451	805,296	6,030,044	(6,958,869)	9,067,856
Associates and joint ventures	253,884	73,639	82,276	2,850	40,770	–	453,419
Segment assets	4,669,606	3,125,851	1,805,727	808,146	6,070,814	(6,958,869)	9,521,275
Segment liabilities	3,781,016	2,613,255	1,458,862	803,159	3,828,754	(5,454,772)	7,030,274
Capital expenditure	293,215	123,801	43,522	8,876	20,420	698	490,532
Depreciation and amortisation	185,359	89,851	51,308	32,478	13,261	(4,005)	368,252
Impairment losses	26,013	–	4,000	–	–	–	30,013
Other non-cash expenses	954	363	91	–	–	–	1,408

(Currency - Singapore dollars unless otherwise stated)

	Aerospace $'000	Electronics $'000	Land Systems $'000	Marine $'000	Others $'000	Elimination $'000	Group $'000
2018							
Revenue							
External sales	2,646,992	2,143,415	1,282,022	574,084	51,415	–	6,697,928
Inter-segment sales	7,127	23,118	20,787	270	4,244	(55,546)	–
	2,654,119	2,166,533	1,302,809	574,354	55,659	(55,546)	6,697,928
Reportable segment earnings before interest and tax	268,148	220,774	59,076	44,375	(22,115)	–	570,258
Other income	30,380	15,718	12,775	6,809	1,800	(12,091)	55,391
Other expenses	(13,281)	(53)	(12,071)	(276)	(81)	5,357	(20,405)
Finance income	8,773	2,533	1,375	3,072	6,604	–	22,357
Finance costs	(14,773)	(9,375)	(6,290)	(4,275)	(21,196)	–	(55,909)
Share of results of associates and joint ventures, net of tax	40,748	(4,905)	7,396	555	5,262	–	49,056
Profit before taxation	319,995	224,692	62,261	50,260	(29,726)	(6,734)	620,748
Taxation	(54,644)	(37,419)	(8,726)	(5,059)	1,522	–	(104,326)
Non-controlling interests	(20,724)	(782)	(675)	–	–	–	(22,181)
Profit attributable to shareholders	244,627	186,491	52,860	45,201	(28,204)	(6,734)	494,241
Other assets	3,104,811	2,174,291	1,626,420	800,078	4,191,077	(4,779,357)	7,117,320
Associates and joint ventures	248,906	62,749	92,206	4,099	47,743	–	455,703
Segment assets	3,353,717	2,237,040	1,718,626	804,177	4,238,820	(4,779,357)	7,573,023
Segment liabilities	2,394,681	1,909,405	1,339,760	761,596	1,954,163	(3,321,195)	5,038,410
Capital expenditure	299,766	88,857	37,879	10,309	13,367	–	450,178
Depreciation and amortisation	113,015	56,519	37,993	29,985	6,575	(42)	244,045
(Write-back of)/impairment losses	(11)	–	1,953	–	–	–	1,942
Other non-cash expenses	847	38	43	–	54	–	982

(Currency - Singapore dollars unless otherwise stated)

Analysis by country of incorporation

Revenue is based on the country of incorporation regardless of where the goods are produced or services rendered. Non-current assets, excluding derivative financial instruments, employee benefits and deferred tax assets, are based on the location of those assets.

	Revenue		Non-current assets	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Asia	5,079,390	4,884,431	1,790,865	1,622,510
U.S.	2,091,860	1,198,872	1,663,115	921,086
Europe	612,046	540,575	1,213,482	752,059
Others	84,980	74,050	89,682	96,472
	7,868,276	6,697,928	4,757,144	3,392,127

For the year ended 31 December 2019:

- Within Europe, revenue of approximately $458,508,000 (2018: $453,695,000) were from subsidiaries located in Germany.
- Within Asia, most of the revenue were from subsidiaries located in Singapore.
- The remaining revenue from customers in Asia, Europe and Others were individually insignificant.

As at 31 December 2019:

- Within Europe, non-current assets of approximately $683,672,000 (2018: $585,913,000) were located in Germany.
- Within Asia, most of the non-current assets were from subsidiaries located in Singapore.
- The remaining non-current assets located in Asia, Europe and Others were individually insignificant.

(Currency - Singapore dollars unless otherwise stated)

B2 Revenue

Disaggregation of revenue

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

	Aerospace $'000		Electronics $'000		Land Systems $'000		Marine $'000		Others $'000		Elimination $'000		Group $'000	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Primary geographical markets														
Asia	1,291,747	1,234,221	1,746,559	1,706,868	996,353	857,638	326,541	403,557	6,843	10,055	(64,232)	(54,628)	4,303,811	4,157,711
U.S.	780,228	631,501	218,554	178,870	382,407	360,016	209,998	111,125	54,615	43,914	(121)	(918)	1,645,681	1,324,508
Europe	1,134,494	558,029	181,262	131,707	10,424	8,378	52,323	47,115	1,077	1,624	–	–	1,379,580	746,853
Others	248,553	230,368	163,569	149,088	68,460	76,777	58,289	12,557	333	66	–	–	539,204	468,856
	3,455,022	2,654,119	2,309,944	2,166,533	1,457,644	1,302,809	647,151	574,354	62,868	55,659	(64,353)	(55,546)	7,868,276	6,697,928
Major products/ service lines														
Sale of goods	713,371	501,138	469,662	464,852	1,017,422	879,513	6,221	5,897	59,766	50,988	(4,135)	(3,305)	2,262,307	1,899,083
Service income	202,318	202,646	725,629	606,574	423,544	384,124	320,054	275,399	2,806	4,190	(39,240)	(33,774)	1,635,111	1,439,159
Contract revenue	2,539,333	1,950,335	1,114,653	1,095,107	16,678	39,172	320,876	293,058	296	481	(20,978)	(18,467)	3,970,858	3,359,686
	3,455,022	2,654,119	2,309,944	2,166,533	1,457,644	1,302,809	647,151	574,354	62,868	55,659	(64,353)	(55,546)	7,868,276	6,697,928
Timing of revenue recognition														
Transferred at a point in time	1,107,280	841,649	1,008,438	849,672	1,138,438	1,008,858	6,221	5,897	60,360	50,809	(22,702)	(15,749)	3,298,035	2,741,136
Transferred over time	2,347,742	1,812,470	1,301,506	1,316,861	319,206	293,951	640,930	568,457	2,508	4,850	(41,651)	(39,797)	4,570,241	3,956,792
	3,455,022	2,654,119	2,309,944	2,166,533	1,457,644	1,302,809	647,151	574,354	62,868	55,659	(64,353)	(55,546)	7,868,276	6,697,928

(Currency - Singapore dollars unless otherwise stated)

Revenue from contracts with customers

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

The following provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

(a) Revenue from sale of goods

Revenue is recognised when goods are delivered to the customer and the criteria for acceptance have been satisfied. Where applicable, a portion of the contract consideration is received in advance from the customers and the remaining consideration is received after delivery.

(b) Revenue from services rendered

Revenue from services rendered are recognised as performance obligations are satisfied. Payments are due from customers based on the agreed billing milestones stipulated in the contracts or based on the amounts certified by the customers.

Where performance obligations are satisfied over time as work progresses, revenue is recognised progressively based on the percentage of completion method. The stage of completion is assessed by reference to assessment of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer. The related costs are recognised in profit or loss when they are incurred, unless they relate to future performance obligations.

If the value of services rendered for the contract exceeds payments received from the customer, a contract asset is recognised and presented separately on the balance sheet. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and separately presented on the balance sheet.

(c) Revenue from long-term contracts

The Group builds specialised assets customised to customers' order for which the Group does not have an alternative use. These contracts can span several years.

(i) Contracts with enforceable right to payment

The Group has determined that for contracts where the Group has an enforceable right to payment, the customer controls all of the work-in-progress. This is because under those contracts, the assets are at the customer’s specification and the Group is entitled to reimbursement of costs incurred to date, including a reasonable margin when the contract is terminated by the customer. Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones.

Revenue is recognised over time. The stage of completion is typically assessed by reference to either surveys of work performed (output method) or the cost incurred relative to total estimated costs (input method) depending on which method commensurates with the pattern of transfer of control to the customer.

(ii) Contracts without enforceable right to payment

For contracts where the Group does not have an enforceable right to payment, customers do not take control of the specialised asset until they are completed. At the inception of the contract, the customers usually make an advance payment that is not refundable if the contract is cancelled. The advance payment is presented as a contract liability. The rest of the consideration is only billed upon acceptance by the customer.

Revenue is recognised at a point in time when the assets are completed and have been accepted by customers.

When the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would be reflected separately as a financing income from contract inception.

For contracts with variable consideration (i.e. liquidated damages, bonus and penalty adjustments), revenue is recognised to the extent that it is highly probable that a reversal of previously recognised revenue will not occur. Therefore, the amount of revenue recognised is adjusted for possibility of delays to the projects and ability to meet key performance indicators stipulated in the contract. The Group reviews the progress of the projects at each reporting date and updates the transaction price accordingly.

The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as a continuation of the original contract and recognises a cumulative adjustment to revenue at the date of modification.

Key estimate and judgement: Revenue recognition

Significant judgement is applied in determining:

- *whether performance obligations are distinct.*

  Requires an assessment of whether the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and if the promise is separately identifiable from other promises in the contract.

- *the transaction price for contracts with variable consideration (e.g. bonus, liquidated damages, penalties, etc).*

  Requires an evaluation of potential risk and factors which may affect completion or delivery of the contract, in accordance with contract obligations.

- *estimated cost to complete.*

  For revenue recognised over time, the percentage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated costs for each contract. In making the estimates, management relies on the expertise of its project team and past experience of completed projects. The estimated total costs is reviewed regularly and adjusted where necessary, with the corresponding effect of the change being recognised prospectively from the date of change.

(Currency - Singapore dollars unless otherwise stated)

B3 Earnings before interest and tax

Earnings before interest and tax is arrived after charging/(crediting) the following items (excluding those disclosed in the other notes to the financial statements):

	Group	
	2019	**2018**
	$'000	**$'000**
After charging/(crediting)		
Auditors' remuneration		
- auditors of the Company	3,862	3,791
- other auditors #	1,741	1,678
Non-audit fees		
- auditors of the Company	597	698
- other auditors #	1,112	1,736
Fees paid to a firm of which a director is a member	420	711
Allowance for inventory obsolescence	76,780	56,432
Impairment loss on trade receivables and contract assets	53,473	7,405
Provision for/(write-back of) onerous contracts	16,305	(1,290)
Property, plant and equipment written off	1,408	982
Research, design and development expenses	100,605	106,069
Short-term lease expense	29,284	–
Low-value assets lease expense	2,638	–
Operating lease expense ^	–	45,713

Refers to other member firms of KPMG International

^ Previously reported under SFRS(I) 1-17

(Currency - Singapore dollars unless otherwise stated)

B4 Other income, net

	Note	Group 2019 $'000	Group 2018 $'000
Other income			
Government grants		13,180	18,577
Rental income		4,084	4,682
Gain on disposal of property, plant and equipment		9,029	2,000
Gain on disposal of subsidiaries		571	–
Gain on disposal of associates		1,723	12,750
Grant income from Wage Credit Scheme		5,910	8,549
Others		9,896	8,833
		44,393	55,391
Other expenses			
Loss on disposal of subsidiaries		(1,496)	(20,081)
Loss on disposal of an associate		–	(324)
Impairment of an associate	F4	(4,000)	–
		(5,496)	(20,405)
Other income, net, recognised in profit or loss		38,897	34,986

Recognition and measurement

(i) Government grants are recognised when the conditions associated with the grants are complied with.

Grants that compensate the Group for expenses incurred are recognised in profit or loss in the same periods in which the expenses are recognised.

Grants relating to depreciable assets are recognised in profit or loss over the estimated useful lives of the relevant assets.

(ii) Rental income from leasing facilities is accounted on a straight-line basis over the lease term.

(iii) The gain or loss on disposal of an item of property, plant and equipment, subsidiary, associate or joint venture is determined by comparing the proceeds from disposal with the carrying amount of the disposed item.

(Currency - Singapore dollars unless otherwise stated)

B5 Earnings per share

Basic earnings per share

The weighted average number of ordinary shares used in the calculation of earnings per share is arrived at as follows:

	Company 2019 '000	Company 2018 '000
Number of shares		
Issued ordinary shares at beginning of the year	3,119,794	3,115,722
Effect of performance shares and restricted shares released	5,328	3,826
Effect of treasury shares held	(5,794)	(691)
Weighted average number of ordinary shares issued during the year	3,119,328	3,118,857

Diluted earnings per share

When calculating diluted earnings per share, the weighted average number of ordinary shares is adjusted for the effect of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares from performance share plans and restricted share plans (2018: two categories of dilutive potential ordinary shares from performance share plans and restricted share plans).

The weighted average number of ordinary shares adjusted for the dilutive potential shares is as follows:

	Company 2019 '000	Company 2018 '000
Number of shares		
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	3,119,328	3,118,857
Adjustment for dilutive potential ordinary shares	18,205	17,319
Weighted average number of ordinary shares (diluted) during the year	3,137,533	3,136,176

B6 Taxation

(i) Tax expenses

	Group	
	2019	**2018**
	$'000	**$'000**
Current income tax		
Current year	193,893	127,422
Overprovision in respect of prior years	(9,211)	(8,461)
	184,682	118,961
Deferred income tax		
Current year	(69,565)	(12,181)
Overprovision in respect of prior years	(12,320)	(2,406)
Effect of reduction in tax rates	(227)	(48)
	(82,112)	(14,635)
	102,570	104,326

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the year ended 31 December is as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Profit before taxation	695,244	620,748
Taxation at statutory tax rate of 17% (2018: 17%)	118,191	105,527
Adjustments:		
Income not subject to tax	(3,786)	(8,728)
Expenses not deductible for tax purposes	17,571	26,294
Different tax rates of other countries	7,416	2,411
Overprovision in respect of prior years	(21,531)	(10,867)
Effect of change in tax rates	(227)	(48)
Effect of results of associates and joint ventures presented net of tax	(6,627)	(8,340)
Tax incentives	(1,346)	(1,324)
Deferred tax assets not recognised	7,692	10,520
Deferred tax assets previously not recognised now utilised	(11,792)	(8,769)
Others	(2,991)	(2,350)
	102,570	104,326

(Currency - Singapore dollars unless otherwise stated)

(ii) Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019	**2018**	**2019**	**2018**
Group	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant and equipment	(2,275)	(249)	95,790	111,267
Intangible assets	(13,136)	(4,293)	190,016	182,447
Allowance for doubtful debts	(1,987)	(1,721)	–	–
Allowance for inventory obsolescence	(26,869)	(20,396)	–	–
Provisions and accruals	(127,913)	(110,042)	575	–
Lease liabilities	(4,461)	–	3,710	–
Unabsorbed capital allowances and unutilised tax losses	(45,190)	(56,682)	8,377	–
Fair value of derivative financial instruments designated as cash flow hedges	(10,791)	(7,447)	838	530
Fair value of defined benefit plans	(27,013)	(13,798)	–	–
Other items	(13,777)	(9,215)	37,243	28,189
Deferred tax (assets)/liabilities	(273,412)	(223,843)	336,549	322,433
Set off of tax	161,817	151,707	(161,817)	(151,707)
Net deferred tax (assets)/liabilities	(111,595)	(72,136)	174,732	170,726

The Group's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Group considers the asset and liability collectively and accounts for the deferred taxation on a net basis.

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2019	**2018**
	$'000	**$'000**
Tax losses	182,254	359,059
Deductible temporary differences	30,571	8,895
Unabsorbed wear and tear allowance and investment allowance	5,456	1,306
	218,281	369,260

(c) Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2019, a deferred tax liability of $133,105,000 (2018: $121,015,000) for temporary difference of $559,899,000 (2018: $484,367,000) related to undistributed earnings of certain subsidiaries was not recognised as the Group has determined that the undistributed profits of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but will be retained for organic growth and acquisitions.

(Currency - Singapore dollars unless otherwise stated)

(d) Movement in deferred tax balances during the year:

	As at 1 January 2018	Recognised in profit or loss	Recognised in other comprehen- sive income	Deconsolidation of subsidiaries	Utilisation of tax losses	Exchange difference	As at 31 December 2018	Recognised in profit or loss	Recognised in other comprehen- sive income	Acquisition/ deconsolidation of subsidiaries	Utilisation of tax losses	Exchange difference	As at 31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group													
Property, plant and equipment	109,984	369	–	2	–	663	111,018	(21,603)	–	3,251	1,268	(419)	93,515
Intangible assets	180,852	399	–	(4,290)	–	1,193	178,154	(16,570)	–	15,924	423	(1,051)	176,880
Allowance for doubtful debts	(990)	(709)	–	4	–	(26)	(1,721)	(294)	–	–	–	28	(1,987)
Allowance for inventory obsolescence	(13,865)	(6,261)	–	14	–	(284)	(20,396)	(6,657)	–	(21)	–	205	(26,869)
Provisions and accruals	(121,089)	11,353	15	16	–	(337)	(110,042)	(22,750)	–	1,814	3,207	433	(127,338)
Lease liabilities	–	–	–	–	–	–	–	(758)	–	–	–	7	(751)
Unabsorbed capital allowances and unutilised tax losses	(26,844)	(27,258)	–	3	(1,924)	(659)	(56,682)	(22,321)	(64)	(1,894)	43,328	820	(36,813)
Fair value of derivative financial instruments designated as cash flow hedges	4,735	(36)	(11,535)	–	–	(81)	(6,917)	(74)	(3,132)	–	–	170	(9,953)
Fair value of defined benefit plans	(13,124)	–	(950)	–	–	276	(13,798)	(202)	(13,898)	–	–	885	(27,013)
Other items	11,513	7,508	–	(38)	–	(9)	18,974	9,117	(4,728)	(61)	–	164	23,466
	131,172	(14,635)	(12,470)	(4,289)	(1,924)	736	98,590	(82,112)	(21,822)	19,013	48,226	1,242	63,137

(Currency - Singapore dollars unless otherwise stated)

Recognition and measurement

Current tax

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities, using tax rates and tax laws that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists and they relate to taxes levied by the same tax authority on the same taxable entity.

Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Key estimate and judgement: Income taxes

The Group is subject to income taxes in Singapore and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes and in assessing whether deferred tax balances are recognised on the balance sheet. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

Key estimate and judgement: Recovery of deferred tax assets

Deferred tax assets are recognised for tax losses and deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available to utilise them. Judgement and estimates are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

(Currency - Singapore dollars unless otherwise stated)

C
Operating Assets and Liabilities

This section provides information relating to the operating assets and liabilities of the Group.

The Group maintains a strong balance sheet to support the Group's strategy to maximise returns to the shareholders through efficient use of capital, taking into consideration the Group's expenditures, growth and investment requirements.

(Currency - Singapore dollars unless otherwise stated)

C1 Property, plant and equipment

Group	Freehold and leasehold land, buildings and improvements $'000	Wharves, floating docks and boats $'000	Plant and machinery $'000	Production tools and equipment $'000	Furniture, fittings, office equipment and others * $'000	Aircraft and aircraft engines $'000	Construction-in-progress $'000	Total $'000
Cost								
At 1 January 2019	1,353,537	314,966	1,002,294	397,087	375,395	310,713	92,077	3,846,069
Additions	36,581	–	64,966	24,279	51,240	35,219	83,184	295,469
Disposals/write-off	(3,110)	(170,660)	(33,443)	(9,230)	(10,285)	(2,883)	(60)	(229,671)
Acquisition of subsidiaries	15,831	–	117,144	2,764	1,825	–	10,530	148,094
Deconsolidation/disposal of subsidiaries	(2,938)	–	(584)	(1)	(1,304)	(6,732)	–	(11,559)
Reclassifications	10,751	546	17,965	1,958	(1,536)	–	(59,995)	(30,311)
Translation difference	(8,800)	(531)	(8,418)	(3,772)	(1,845)	(3,517)	(1,223)	(28,106)
At 31 December 2019	1,401,852	144,321	1,159,924	413,085	413,490	332,800	124,513	3,989,985
Accumulated depreciation								
At 1 January 2019	692,653	180,532	570,066	269,931	292,178	97,967	–	2,103,327
Depreciation charge/impairment losses	55,002	7,339	85,863	23,802	32,395	18,453	–	222,854
Disposals/write-off	(2,650)	(69,553)	(27,719)	(8,257)	(10,150)	(791)	–	(119,120)
Deconsolidation/disposal of subsidiaries	(1,145)	–	(333)	(1)	(1,104)	(1,936)	–	(4,519)
Reclassifications	(6,597)	–	(702)	(75)	(556)	–	–	(7,930)
Translation difference	(2,703)	(230)	(4,659)	(598)	(1,031)	(440)	–	(9,661)
At 31 December 2019	734,560	118,088	622,516	284,802	311,732	113,253	–	2,184,951
Net book value								
At 31 December 2019	667,292	26,233	537,408	128,283	101,758	219,547	124,513	1,805,034

* Others comprise transportation equipment, vehicles and satellites

(Currency - Singapore dollars unless otherwise stated)

Group	Freehold and leasehold land, buildings and improvements $'000	Wharves, floating docks and boats $'000	Plant and machinery $'000	Production tools and equipment $'000	Furniture, fittings, office equipment and others * $'000	Aircraft and aircraft engines $'000	Construction-in-progress $'000	Total $'000
Cost								
At 1 January 2018	1,425,594	314,179	958,136	381,109	342,735	255,607	45,177	3,722,537
Additions	15,915	–	64,862	22,692	40,733	105,203	85,365	334,770
Disposals/write-off	(10,076)	(75)	(10,792)	(10,226)	(11,048)	(2,956)	(12)	(45,185)
Deconsolidation/disposal of subsidiaries	(85,054)	–	(15,715)	(771)	(5,914)	(4,088)	(668)	(112,210)
Reclassifications	2,377	–	6,168	2,838	7,622	(44,699)	(37,274)	(62,968)
Translation difference	4,781	862	(365)	1,445	1,267	1,646	(511)	9,125
At 31 December 2018	1,353,537	314,966	1,002,294	397,087	375,395	310,713	92,077	3,846,069
Accumulated depreciation								
At 1 January 2018	668,661	171,708	534,897	253,675	278,315	95,885	–	2,003,141
Depreciation charge/impairment losses	55,908	8,546	65,573	23,014	28,805	12,949	–	194,795
Disposals/write-off	(9,755)	(33)	(9,845)	(8,985)	(10,599)	(2,956)	–	(42,173)
Deconsolidation/disposal of subsidiaries	(24,873)	–	(11,637)	(363)	(5,281)	(799)	–	(42,953)
Reclassifications	6	–	(8,407)	(6)	(12)	(7,567)	–	(15,986)
Translation difference	2,706	311	(515)	2,596	950	455	–	6,503
At 31 December 2018	692,653	180,532	570,066	269,931	292,178	97,967	–	2,103,327
Net book value								
At 31 December 2018	660,884	134,434	432,228	127,156	83,217	212,746	92,077	1,742,742

* Others comprise transportation equipment, vehicles and satellites

(Currency - Singapore dollars unless otherwise stated)

Reclassifications due to changes in the use of assets:

(a) Plant and machinery with net book value amounting to $1,850,000 (2018: $47,293,000) were reclassified to inventories;

(b) Asset under construction with net book value of $915,000 (2018: Nil) were reclassified to intangibles on completion;

(c) Inventories of $4,791,000 (2018: $311,000) were reclassified to property, plant and equipment;

(d) Restoration costs and assets acquired on finance lease under SFRS(I) 1-17 in property, plant and equipment of $24,407,000 were reclassified to right-of-use assets on 1 January 2019.

There were no movements in the following amounts carried at valuation from 1 January 2018 to 31 December 2019.

Group	Valuation $'000	Accumulated depreciation $'000	Net book value $'000
At Valuation			
Freehold and leasehold land, buildings and improvements	1,919	1,919	–
Wharves, floating docks and boats	5,930	5,930	–
Plant and machinery	1,683	1,683	–
Furniture, fittings, office equipment and others *	285	285	–
Total	9,817	9,817	–

Operating lease

Included in the tables above are assets that the Group leases out, comprising aircraft and office equipment. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Movements in these assets that are subject to operating leases are presented below.

Group	Furniture, fittings, office equipment and others * $'000	Aircraft and aircraft engines $'000	Total $'000
Cost			
At 1 January 2019	837	105,203	106,040
Additions	162	32,793	32,955
Reclassifications	386	–	386
Translation difference	(8)	(1,375)	(1,383)
At 31 December 2019	1,377	136,621	137,998
Accumulated depreciation			
At 1 January 2019	197	128	325
Depreciation charge for the year	280	5,684	5,964
Translation difference	(5)	(67)	(72)
At 31 December 2019	472	5,745	6,217
Net book value			
At 31 December 2019	905	130,876	131,781

* Others comprise transportation equipment, vehicles and satellites

(Currency - Singapore dollars unless otherwise stated)

(a) Property, plant and equipment pledged as security

Property, plant and equipment of certain overseas subsidiaries of the Group with a carrying value of $89,735,000 (2018: $56,336,000) are pledged as security for bank loans.

(b) Major properties

Major land and buildings and improvements to premises are:

Location	Description	Tenure	Land area (sq. m.)	Net book value 2019 $'000	Net book value 2018 $'000
Singapore					
1 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.11.2011	20,000	45,530	51,378
3 Ang Mo Kio Electronics Park Road	Industrial and commercial buildings	30 years from 1.12.2015	30,000	40,635	43,625
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028, renewable to 10.10.2065	206,031	84,430	97,465
People's Republic of China					
No 2, Huayu Road, Huli District, Xiamen 361006, Fujian	Leasehold land for factory building	50 years from 20.11.2008	38,618	40,468	42,681
Germany					
Grenzstr. 1, Dresden	Hangar and office building	Freehold	183,970	83,762	40,333

For this purpose, freehold and leasehold land and buildings, and improvements to premises are considered major properties if the net book value of these assets represent 5% or more of the Group's aggregated net book value in these categories.

Recognition and measurement

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises expenditure that is:
- directly attributable to the acquisition of the asset;
- subsequent costs incurred to replace parts that are eligible for capitalisation; and/or
- transfers from equity on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Certain items of property, plant and equipment which were subject to a one-time valuation in 1972 are stated at valuation, net of depreciation and any impairment losses.

Disposals

Gains or losses on disposal of property, plant and equipment are included in profit or loss.

Depreciation

Depreciation of property, plant and equipment is recognised in profit and loss on a straight-line basis over their useful lives, except for freehold land which are not depreciated, and leasehold land which are depreciated over the remaining lease term. The estimated useful lives are as follows:

Item #		Useful life
Leasehold buildings and improvements	-	2 to 50 years ^
Wharves, floating docks and boats	-	10 to 23 years
Plant and machinery	-	2 to 25 years
Production tools and equipment	-	2 to 22 years
Furniture, fittings, office equipment and others *	-	2 to 12 years
Aircraft and aircraft engines	-	2 to 30 years
Satellites	-	5 years

Property, plant and equipment purchased specifically for projects are depreciated over the useful life or the duration of the project, whichever is shorter.

^ Refer to Note C1(b) Major Properties for details of the lease tenure used to approximate the useful lives of the leasehold land, buildings and improvements.

* Others comprise transportation equipment, vehicles and satellites.

Impairment

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit exceeds its estimated recoverable amount.

Key estimate and judgement: Depreciation charge

Management estimates the useful lives based on factors such as changes in the expected level of usage and technological developments. These are reassessed at each reporting date, and adjusted prospectively, where appropriate.

(Currency - Singapore dollars unless otherwise stated)

C2 Right-of-use assets

The Group leases many assets including land and buildings, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

Group	Freehold and leasehold land, buildings and improvements $'000	Wharves, floating docks and boats $'000	Plant and machinery $'000	Production tools and equipment $'000	Furniture, fittings, office equipment and others * $'000	Total $'000
Cost						
Recognition on initial application of SFRS(I) 16 at 1 January 2019	418,865	1,243	1,242	221	9,949	431,520
Additions	83,924	–	69	220	6,415	90,628
Acquisition of subsidiaries	23,349	–	–	–	2,872	26,221
Deconsolidation/disposal of subsidiaries	(937)	–	–	–	–	(937)
Modifications to contracts	(2,122)	–	–	23	(1,273)	(3,372)
Lease termination	(1,243)	–	–	–	(406)	(1,649)
Depreciation	(49,465)	(648)	(391)	(185)	(4,875)	(55,564)
Translation difference	(2,775)	–	(3)	(5)	(89)	(2,872)
At 31 December 2019	469,596	595	917	274	12,593	483,975

* Others comprise transportation equipment, vehicles and satellites

(Currency - Singapore dollars unless otherwise stated)

C3 Intangible assets

Group	Goodwill $'000	Dealer network $'000	Development expenditure $'000	Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Authorised repair centre agreement $'000	Others $'000	Total $'000
Cost										
At 1 January 2019	561,003	175,890	424,526	94,901	81,775	56,319	34,474	5,859	18,808	1,453,555
Additions	–	–	93,425	3,934	–	7,076	–	–	–	104,435
Acquisition of subsidiaries	311,018	–	40,585	515,167	–	6	–	–	9,745	876,521
Deconsolidation/disposal of subsidiaries	(493)	–	–	(1,507)	–	–	–	–	–	(2,000)
Write-off	–	–	–	(75)	–	(32)	–	–	–	(107)
Translation difference	(14,631)	(5,197)	(11,344)	(7,209)	(1,095)	74	(451)	–	–	(39,853)
At 31 December 2019	856,897	170,693	547,192	605,211	80,680	63,443	34,023	5,859	28,553	2,392,551
Accumulated amortisation and impairment losses										
At 1 January 2019	43,663	36,573	83,780	70,812	15,958	13,706	15,274	4,018	18,533	302,317
Amortisation for the year *	–	7,621	43,079	24,795	1,195	2,511	2,615	989	9,815	92,620
Impairment losses +	–	–	11,876	–	–	11,351	–	–	–	23,227
Deconsolidation/disposal of subsidiaries	(161)	–	–	(1,507)	–	–	–	–	–	(1,668)
Write-off	–	–	–	(75)	–	(32)	–	–	–	(107)
Translation difference	(616)	(804)	(1,118)	(1,101)	(232)	48	(230)	–	–	(4,053)
At 31 December 2019	42,886	43,390	137,617	92,924	16,921	27,584	17,659	5,007	28,348	412,336
Net book value										
At 31 December 2019	814,011	127,303	409,575	512,287	63,759	35,859	16,364	852	205	1,980,215

(Currency - Singapore dollars unless otherwise stated)

Group	Goodwill $'000	Dealer network $'000	Development expenditure $'000	Commercial and intellectual property rights $'000	Brands $'000	Licenses $'000	Technology agreement $'000	Authorised repair centre agreement $'000	Others $'000	Total $'000
Cost										
At 1 January 2018	566,485	179,101	312,900	94,504	80,150	57,466	33,743	5,859	18,928	1,349,136
Additions	–	–	114,789	619	–	–	–	–	–	115,408
Finalisation of purchase price allocation	(4,293)	–	–	–	–	–	–	–	–	(4,293)
Deconsolidation/disposal of subsidiaries	(10,883)	–	–	(1,366)	–	(996)	–	–	–	(13,245)
Write-off	–	–	–	–	–	–	–	–	(120)	(120)
Translation difference	9,694	(3,211)	(3,163)	1,144	1,625	(151)	731	–	–	6,669
At 31 December 2018	561,003	175,890	424,526	94,901	81,775	56,319	34,474	5,859	18,808	1,453,555
Accumulated amortisation and impairment losses										
At 1 January 2018	54,293	29,278	53,355	66,751	14,519	9,898	12,386	2,678	18,566	261,724
Amortisation for the year *	–	7,621	29,531	4,586	1,189	2,400	2,589	1,339	76	49,331
Impairment losses/(write-back of impairment) +	307	–	–	62	–	1,503	–	–	(11)	1,861
Deconsolidation/disposal of subsidiaries	(10,883)	–	–	(1,366)	–	–	–	–	–	(12,249)
Write-off	–	–	–	–	–	–	–	–	(97)	(97)
Translation difference	(54)	(326)	894	779	250	(95)	299	1	(1)	1,747
At 31 December 2018	43,663	36,573	83,780	70,812	15,958	13,706	15,274	4,018	18,533	302,317
Net book value										
At 31 December 2018	517,340	139,317	340,746	24,089	65,817	42,613	19,200	1,841	275	1,151,238

* Amortisation charge of $92,620,000 (2018: $49,331,000) is recognised in the income statement as part of:
- Other operating expenses of $31,528,000 (2018: $11,755,000); and
- Cost of sales of $61,092,000 (2018: $37,576,000)

\+ During the year, the Group assessed that certain development expenditure and licenses and commercial and intellectual property rights were impaired as these intangible assets were not expected to be generating future economic benefits and impairment losses of $23,227,000 were recognised in cost of sales in the income statement. In the prior year, impairment losses of $1,565,000 were recognised in other operating expenses in the income statement on certain licenses and commercial and intellectual property rights assessed by the Group to be impaired as these intangible assets were not expected to be generating future economic benefits.

In the prior year, an impairment loss on goodwill of $307,000 was recognised in other operating expenses in the income statement as the recoverable amount of one CGU was determined to be lower than the carrying amount.

Recognition and measurement

(i) Goodwill

Goodwill represents the excess of:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

<table>
<tr><th>Class of intangible assets</th><th>Background</th><th>Valuation method</th><th>Useful lives</th></tr>
<tr><td>Dealer network</td><td>Includes customer relationships and networks acquired</td><td rowspan="6">Initial recognition:

Separately acquired intangible assets are recognised at cost.

Intangible assets arising from business combinations are recognised at fair value at the date of acquisition.

Subsequent measurement:

Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses following initial recognition.

Amortisation is calculated on a straight-line basis over the estimated useful lives.</td><td>5 to 25 years</td></tr>
<tr><td>Commercial and intellectual property rights</td><td>Relates to intellectual property</td><td>2 to 20 years</td></tr>
<tr><td>Brands</td><td>Includes LeeBoy™ and Rosco brands of road construction equipment</td><td>Aerospace:
5 years
Electronics:
20 years
Land Systems:
70 years</td></tr>
<tr><td>Licenses</td><td>Relates to licenses to
- conduct commercial aviation activities
- purchase and lease Boeing parts
- develop MRO capabilities for specific aircraft types</td><td>7 to 30 years</td></tr>
<tr><td>Technology agreement</td><td>Relates to the intellectual property required to operate the EcoPower Engine Wash business</td><td>13 years</td></tr>
<tr><td>Authorised repair centre agreements</td><td>Relates to the sole appointed authorised service centre for repair and overhaul of landing gear</td><td>5 years</td></tr>
</table>

(Currency - Singapore dollars unless otherwise stated)

Class of intangible assets	Background	Valuation method	Useful lives
Development expenditure	Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical and commercial feasibility of development. The capitalised costs are directly attributable to activities preparing the asset for its intended use, and capitalised borrowing costs. In any other circumstances, development costs are recognised in profit or loss as incurred. Included in development cost are costs related to development and assembly of aircraft seats, B757 15-PTF, A330-200 PTF and A330-300 PTF, A350 PTF and A320/A321 PTF*. * Amortisation have been deferred for the year ended 31 December 2019 as the assets are not yet ready for management's intended use.	(i) Initially recognised at cost (ii) Subsequently, carried at cost less any accumulated amortisation and accumulated impairment losses	B757 15-PTF: 4 years A330-200 PTF and A330-300 PTF: 41 years A350 PTF: 8 years Others: 3 to 10 years

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated intangible assets, is recognised in profit or loss as incurred.

Impairment review

The Group tests intangible assets for impairment to ensure they are not carried at above their recoverable amounts annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows.

The recoverable amount is the higher of an asset or a CGU's fair value less costs to sell and value-in-use. The value-in-use calculations are based on discounted cash flows expected to arise from the asset.

Reversal of impairment

Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(Currency - Singapore dollars unless otherwise stated)

Key estimate and judgement: Recognition and measurement of intangible assets

Key assumptions used in estimating the recoverable amount, useful life of an intangible asset (reassessed at each reporting date) requires management's judgement.

Aggregate carrying amounts of goodwill allocated to each CGU within the business divisions and the key assumptions used in determining the recoverable amount of each CGU are as follows:

			Pre-tax discount rate		Terminal value growth rate	
Group	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**%**	**%**	**%**	**%**
Aerospace						
Aircraft Maintenance & Modification	13,170	13,666	12.0	11.0 – 11.5	2.5	2.0 – 2.5
Component/Engine Repair & Overhaul	13,206	13,381	14.5	15.2	2.5	2.4
Engineering & Material Services	62,983	26,168	12.7	12.4	2.0	1.0
Electronics						
Communication & Sensor Systems Group	509,952	246,747	9.8 – 13.3	10.0 – 10.6	4.0 – 5.0	4.0 – 5.0
Software Systems Group	27,663	27,866	8.8 – 12.7	8.7 – 13.1	2.0 – 3.0	2.0 – 3.0
Land Systems						
Automotive	152,245	154,260	12.0 – 17.2	12.3 – 15.3	2.3 – 3.0	3.0 – 3.5
Others	34,792	35,252	10.3	10.0	3.0	3.0
	814,011	517,340				

(Currency - Singapore dollars unless otherwise stated)

Recognition and measurement

The recoverable amounts of the CGUs are determined based on value-in-use calculations, using cash flow projections derived from the financial budgets approved by management for the next five years. The key assumptions used in the calculation of recoverable amounts are as follows:

- The discount rate used is estimated based on the industry weighted average cost of capital.
- The long-term terminal value growth rate has been determined based on either the nominal GDP rates for the country in which the CGU is based or the long-term growth rate estimated by management by reference to forecasts included in industry reports and expected market development.

Sensitivity to changes in assumptions:

(a) Management has identified the following key assumption for which a change as set out below could cause the carrying amount to exceed the recoverable amount.

Business Divisions	Assumption	Change required for carrying amount to equal the recoverable amount 2019 %	2018 %
Others	Sales growth rate (average of next 5 years)	0.5	0.7

(b) No sensitivity analysis was disclosed for the remaining CGUs as the Group believes that any reasonable possible change in the key assumptions is unlikely to result in any material impairment to the CGUs.

Key estimate and judgement: Impairment of goodwill

Determination of potential impairment requires an estimation of the recoverable amount of the CGUs to which goodwill are allocated. Key assumptions made to the projected cash flows requiring judgement include growth rate estimates and discount rates.

(Currency - Singapore dollars unless otherwise stated)

C4 Amounts due from related parties

	Group	
	2019	**2018**
	$'000	**$'000**
Trade:		
Associates	3,360	2,509
Joint ventures	24,720	1,952
Related corporations	7,376	10,425
	35,456	14,886
Non-trade:		
Joint ventures *	4,955	25,130
Related corporations	56	182
	5,011	25,312
	40,467	40,198
Receivable:		
Within 1 year	35,661	35,392
After 1 year	4,806	4,806
	40,467	40,198

There were no significant amounts due from related parties denominated in currencies other than the respective entities' functional currencies as at 31 December 2019 and 31 December 2018.

* Included in the amounts due from joint ventures (non-trade) are:

(a) a loan of $4,806,000 (2018: $4,806,000) bearing interest at 6.38% (2018: 6.38%) per annum, which is the effective interest rate. The loan is unsecured and repayable by 2029; and

(b) a loan of $19,806,000 as at 31 December 2018, bearing effective interest rate at 3.49% per annum, was repaid during the year.

C5 Inventories

	Group	
	2019	**2018**
	$'000	**$'000**
Inventories of equipment and spares	1,311,858	1,183,510

In 2019, raw materials, consumables and changes in finished goods and work-in-progress recognised as cost of sales amounted to $5,447,863,000 (2018: $4,919,045,000). This includes inventories that were reclassified as contract assets and subsequently expensed in the course of fulfilling performance obligations in contracts with customers.

(Currency - Singapore dollars unless otherwise stated)

Allowances for inventory obsolescence

As at 31 December 2019, the inventories are stated after allowance for inventory obsolescence of $340,728,000 (2018: $383,486,000).

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. Cost (comprising direct labour, material costs, direct expenses and an appropriate allocation of production overheads) is calculated on a first-in, first-out basis or weighted average cost basis depending on the nature and pattern of use of the inventories.

Cost may also include transfers from equity on qualifying cash flow hedges of foreign currency purchases of inventories. Allowance is made for deteriorated, damaged, obsolete and slow-moving inventories.

Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs to sell.

Key estimate and judgement: Allowance for inventory obsolescence

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventory write-offs could be higher or lower than the allowance made.

C6 Trade receivables

	Group	
	2019	**2018**
	$'000	**$'000**
Gross receivables	1,322,767	1,170,064
Allowance for doubtful debts	(76,886)	(32,248)
Trade receivables, net	1,245,881	1,137,816

Trade receivables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $289,538,000 (2018: $231,057,000) denominated in USD
- $26,245,000 (2018: $22,092,000) denominated in Euro

Trade receivables amounting to $1,848,000 (2018: $4,319,000) are arranged to be repaid through letters of credit issued by reputable banks.

(Currency - Singapore dollars unless otherwise stated)

C7 Advances and other receivables

	Group 2019 $'000	Group 2018 $'000
Deposits	14,887	14,719
Interest receivables	789	758
Finance lease receivables	3,614	–
Other recoverables	68,470	48,963
Non-trade receivables	30,911	18,307
Advance payments to suppliers	161,840	113,665
Prepayments	67,424	67,913
Derivative financial instruments	6,035	6,565
Housing and car loans and advances to staff	2,563	2,642
Loans to third parties	1,060	503
	357,593	274,035
Receivable:		
Within 1 year	345,744	253,961
After 1 year	11,849	20,074
	357,593	274,035

The Group entered into finance lease arrangements with customers with terms ranging from 1.6 to 3.0 years and effective interest rates ranging from 2.29% to 2.74% per annum.

C8 Bank balances and other liquid funds

	Group 2019 $'000	Group 2018 $'000
Fixed deposits with financial institutions	73,738	65,532
Cash and bank balances	379,492	350,248
Bank balances and other liquid funds	453,230	415,780
Deposits pledged	(1,135)	(1,380)
Cash and cash equivalents in the statement of cash flows	452,095	414,400

Fixed deposits with financial institutions mature at varying periods within 10 months (2018: 12 months) from the financial year-end. Interest rates range from 1.2% to 3.8% (2018: 1.1% to 6.4%) per annum, which are also the effective interest rates.

Cash and bank balances of $1,135,000 (2018: $1,380,000) have been placed with banks as security for letters of credit issued to third parties. Cash and cash equivalents denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $176,836,000 (2018: $60,256,000) denominated in USD
- $97,962,000 (2018: $89,470,000) denominated in Euro

(Currency - Singapore dollars unless otherwise stated)

C9 Trade payables and accruals

	Group 2019 $'000	Group 2018 $'000
Trade payables	859,102	885,441
Non-trade payables	84,131	72,494
Purchase of property, plant and equipment	5,386	41
Accrued operating expenses *	1,094,509	922,772
Accrued interest payable	376	8,064
Derivative financial instruments	27,376	21,291
	2,070,880	1,910,103
Payable:		
Within 1 year	2,012,897	1,829,758
After 1 year	57,983	80,345
	2,070,880	1,910,103

Trade payables denominated in currencies other than the respective entities' functional currencies as at 31 December are as follows:

- $114,062,000 (2018: $112,102,000) denominated in USD
- $34,636,000 (2018: $48,313,000) denominated in Euro

* Included in the accrued operating expenses is an amount of $319,060,000 (2018: $323,849,000) for the Group's obligations under its employee compensation schemes.

C10 Amounts due to related parties

	Group 2019 $'000	Group 2018 $'000
Trade:		
Associates	11,029	7,289
Joint ventures	140	252
Related corporations	1,537	3,869
	12,706	11,410
Non-trade:		
Joint ventures *	55,682	73,824
Related corporations	1,619	211
	57,301	74,035
	70,007	85,445
Payable:		
Within 1 year	70,007	85,445

(Currency - Singapore dollars unless otherwise stated)

There were no significant amounts due to related parties denominated in currencies other than the respective entities' functional currencies as at 31 December 2019 and 31 December 2018.

* Included in the amounts due to joint ventures (non-trade) is an amount of $55,682,000 (2018: $69,786,000) placed by joint ventures to a subsidiary of the Group under a cash pooling arrangement, where an effective interest of 1.46% per annum (2018: 1.36%) is charged on the outstanding balance.

C11 Provisions

Movements in provisions are as follows:

	Warranties $'000	Onerous contracts $'000	Closure costs $'000	Restoration costs $'000	Total $'000
Group					
2019					
At 1 January 2019	171,315	39,070	2,550	–	212,935
Reclassification	–	–	–	20,004	20,004
Charged to profit or loss	19,343	16,305	–	378	36,026
Additions	–	–	–	292	292
Acquisition of subsidiaries	9,250	23,577	–	–	32,827
Provision utilised	(23,475)	(25,927)	(1,140)	–	(50,542)
Translation difference	(287)	(703)	(71)	(28)	(1,089)
At 31 December 2019	176,146	52,322	1,339	20,646	250,453

On 1 January 2019, the Group reclassified $20,004,000 of provision for restoration costs from trade payables and accruals.

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) 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.

(i) Warranties

The warranty provision represents the best estimate of the Group's contractual obligations at the reporting date.

Under the terms of the revenue contracts with key customers, the Group is obligated to make good, by repair or replacement, engineering or manufacturing defects that become apparent within the warranty period from the date of sale. The warranty obligation varies from 60 days to 15 years. The Group's experience of the proportion of its products sold that requires repair or replacement differs from year to year as every contract is customised to the specification of the customers.

The estimation of the provision for warranty expenses is based on the Group's past claim experience over the duration of the warranty period and the industry average in relation to warranty exposures and represents the best estimates of the costs expected to incur per dollar of sales.

The warranty provision made as at 31 December 2019 is expected to be incurred over the applicable warranty periods.

(ii) Onerous contracts

Provision for onerous contracts on uncompleted contracts is recognised immediately in profit or loss when it is determinable.

(iii) Closure costs

Provision for closure costs is made in respect of the expected costs that the Group will undertake between the cessation of certain operations of the Group to the completion of their liquidation.

(iv) Restoration costs

Provision for restoration costs is made for dismantlement, removal or restoration costs expected to be incurred on expiry of lease agreements.

Key estimate and judgement: Provision for warranty

The provision for warranty is based on estimates from known and expected warranty work to be performed after completion. The warranty expense incurred could be higher or lower than the provision made.

Key estimate and judgement: Provision for onerous contracts

The Group conducts a critical review of all its long-term contracts regularly. Allowance is made where necessary to account for onerous contracts and significant judgement is used to estimate the total cost to complete.

(Currency - Singapore dollars unless otherwise stated)

C12 Deferred income

	Group	
	2019	**2018**
	$'000	**$'000**
Government grants	34,888	37,466
Deferred rents	1,824	8,700
	36,712	46,166
Recognise:		
Within 1 year	2,403	3,761
After 1 year	34,309	42,405
	36,712	46,166

Government grants relate mainly to grants received to subsidise the cost of capital assets.

On 1 January 2019, on adoption of SFRS(I) 16, $6,713,000 of deferred rent for long-term leases were reclassified to right-of-use assets.

C13 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

	Group	
	2019	**2018**
	$'000	**$'000**
Contract assets	1,246,207	1,070,396
Contract liabilities	(1,466,207)	(1,819,546)

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (included in trade receivables), unbilled receivables (contract assets), and customer advances (contract liabilities) on the balance sheet.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. If the value of services rendered exceeds payments received from the customer, a contract asset is recognised and presented separately. The contract asset is transferred to receivables when the entitlement to payment becomes unconditional.

The contract liabilities primarily relate to advance consideration received from customers for contract revenue. If the amounts invoiced to the customer exceeds the value of services rendered, a contract liability is recognised and presented separately.

These assets and liabilities are reported on the balance sheet on a contract by contract basis at each reporting date.

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

	Group			
	Contract assets		Contract liabilities	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	734,615	530,126
Increase due to cash received, excluding amounts recognised as revenue during the year	–	–	(591,263)	(591,971)
Contract assets recognised	902,185	774,994	–	–
Contract assets reclassified to trade receivables	(669,757)	(610,114)	–	–
Changes in measurement of progress	(262)	4,804	–	–

Transaction price allocated to the remaining performance obligations

The aggregate amount of transaction price allocated to the remaining performance obligations as at 31 December 2019 is $15,319,082,000 and the Group expects to recognise $5,867,193,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2020 with the remaining $9,451,889,000 in 2021 and beyond.

As at 31 December 2018, the aggregate amount of transaction price allocated to the remaining performance obligations was $13,183,505,000 and the Group expected to recognise $4,944,523,000 as revenue relating to the unsatisfied (or partially unsatisfied) performance obligations in 2019 with the remaining $8,238,982,000 in 2020 and beyond.

Variable consideration that is constrained and therefore not included in the transaction price is excluded in the amount presented above.

Key estimate and judgement: Contract balances

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

(Currency - Singapore dollars unless otherwise stated)

C14 Financial risk management objectives and policies

The Group has exposure to the following financial risks arising from its operations and the use of financial instruments:

- Interest rate
- Foreign exchange
- Market
- Liquidity
- Credit

The Group's principal financial instruments, other than foreign exchange contracts and derivatives, comprise bank guarantees, performance bonds, bank loans and overdrafts, finance leases and hire purchase contracts, investments, cash and short-term deposits.

All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facilities limits. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation. The purpose of engaging in treasury transactions is solely for hedging. The Group's treasury mandates allow only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency swap, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option. These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board of Directors.

The policies for managing each of these risks are broadly summarised below:

Interest rate risk

As at reporting date, the interest rate profile of the interest-bearing financial instruments is:

	Group	
	2019	**2018**
	$'000	**$'000**
Fixed rate instruments		
Financial assets	82,158	90,144
Financial liabilities	(840,378)	(250,835)
	(758,220)	(160,691)
Variable rate instruments		
Financial liabilities	(1,552,971)	(314,654)
	(1,552,971)	(314,654)

(Currency - Singapore dollars unless otherwise stated)

The Group has cash balances placed with reputable banks and financial institutions. The Group manages its interest rate risk on its interest income by placing the cash balances in varying maturities and interest rate terms with due consideration to operating cash flow requirements and optimising yield.

The Group's debts include bank loans, commercial papers and lease liabilities (2018: bank loans and lease liabilities). The Group seeks to minimise its interest rate risk exposure through tapping different sources of funds to refinance the debt instruments and/or enter into interest rate swaps.

An increase/decrease of 50 basis points in interest rate, with all other variables being held constant, would lead to a reduction/increase of the Group’s profit or loss by approximately $7.8 million (2018: $1.6 million).

Information relating to the Group's interest rate risk exposure is also disclosed in the notes on the Group's borrowings, investments and loans receivable, where applicable.

Foreign exchange risk

The Group is exposed to foreign exchange risk from its global operations and revenues, costs and borrowings denominated in a currency other than the respective entities’ functional currencies. The Group’s foreign exchange exposures are primarily from USD and Euro, and manages its exposure through forward currency contracts and embedded derivatives.

The Group’s centralised Treasury Unit monitors the current and projected foreign currency cash flows within the Group and aims to reduce the exposure of the net position by transacting with the banks where appropriate.

No foreign exchange sensitivity analysis was disclosed as a reasonable change in the exchange rates would not result in any significant impact on the Group’s results.

Market risk

The Group has strategic investments in quoted and unquoted equity shares. The market value of these investments will fluctuate with market conditions.

No sensitivity analysis was disclosed as a reasonable change in the market value of these investments would not result in any significant impact on the Group's results.

Liquidity risk

To manage liquidity risk, the Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and secured committed funding facilities from financial institutions. In assessing the adequacy of these funding facilities, management reviews its working capital requirements regularly.

The table below analyses the maturity profile of the Group’s financial liabilities based on the contractual undiscounted cash flows including estimated interest payments and excluding impact of netting arrangements.

(Currency - Singapore dollars unless otherwise stated)

Group	Contractual cash flow $'000	Within 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000
2019				
Bank loans	(492,798)	(360,295)	(34,326)	(98,177)
Commercial papers	(1,440,175)	(1,440,175)	–	–
Lease liabilities	(567,420)	(65,836)	(159,544)	(342,040)
Trade and other payables	(2,113,511)	(2,055,528)	(57,572)	(411)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	(1,055,031)	(612,682)	(442,349)	–
- receipts	1,044,018	599,405	444,613	–
• Net-settled interest rate swaps	(7,690)	(2,151)	(5,503)	(36)
Financial guarantees	(106,052)	(23,125)	(22,220)	(60,707)
2018				
Bank loans	(499,291)	(231,435)	(230,210)	(37,646)
Lease liabilities	(24,825)	(1,181)	(4,488)	(19,156)
Trade and other payables	(1,974,257)	(1,893,912)	(75,058)	(5,287)
Derivative financial instruments:				
• Gross-settled forward currency contracts				
- payments	(1,191,268)	(601,037)	(590,231)	–
- receipts	1,178,865	592,641	586,224	–
• Net-settled interest rate swaps	2,231	1,479	752	–
Financial guarantees	(87,921)	(2,384)	(19,239)	(66,298)

Except for the cash flows arising from the intra-group financial guarantee, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

At the reporting date, the Group does not consider it probable that a claim will be made against the Group under the financial guarantees.

Recognition and measurement

Financial guarantees are financial instruments issued by the Group to joint ventures that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

(Currency - Singapore dollars unless otherwise stated)

Credit risk

Credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Where appropriate, the Company or its subsidiaries obtain collaterals from customers or arrange master netting agreements. Cash terms, advance payments, and letters of credit or bank guarantees are required for customers of lower credit standing.

The carrying amounts of financial assets and contract assets represent the Group's maximum exposures to credit risk, before taking into account any collateral held.

	Group	
	2019	**2018**
	$'000	**$'000**
Investments	16,782	16,814
Derivative financial instruments, non-current	13,351	11,483
Contract assets	1,246,207	1,070,396
Trade receivables	1,247,549	1,138,988
Amounts due from related parties	40,467	40,198
Advances and other receivables	128,329	92,457
Bank balances and other liquids funds	453,230	415,780
	3,145,915	2,786,116

Impairment losses on financial assets and contract assets recognised in profit or loss are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Trade receivables	50,750	1,612
Contract balances arising from contracts with customers	2,723	5,793
	53,473	7,405

(Currency - Singapore dollars unless otherwise stated)

Exposure to credit risk

As at 31 December 2019, 31% (2018: 26%) of trade receivables and contract assets relate to three major customers of the Group.

The table below analyses the trade receivables and contract assets by the Group's main reportable segments:

	Group Carrying amount 2019 $'000	Group Carrying amount 2018 $'000
Aerospace	956,963	780,856
Electronics	1,178,797	1,040,822
Land Systems	231,774	269,770
Marine	118,246	108,768
Others	7,976	9,168
	2,493,756	2,209,384

A summary of the Group's exposures to credit risk for trade receivables and contract assets is as follows:

	2019		2018	
	Not credit impaired $'000	**Credit impaired $'000**	**Not credit impaired $'000**	**Credit impaired $'000**
Group				
Receivables measured at lifetime ECL:				
Trade receivables and contract assets	2,493,756	97,749	2,209,384	38,986
Loss allowance	–	(97,749)	–	(38,986)
Total	2,493,756	–	2,209,384	–

Expected credit loss assessment

Trade receivables and contract assets

The Group uses an allowance matrix to measure the expected credit loss (ECL) of trade receivables and contract assets from its customers as there is no applicable credit ratings (or equivalent).

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the common credit risk characteristics.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for customers:

	Group			
	Weighted average loss rate %	**Gross carrying amount $'000**	**Impairment loss allowance $'000**	**Credit Impaired**
2019				
Not past due	1.02	2,239,608	(22,908)	No
1 – 90 days	1.18	207,191	(2,441)	No
91 – 180 days	3.00	41,929	(1,259)	No
181 – 360 days	22.58	34,360	(7,758)	No
> 360 days	92.64	68,417	(63,383)	Yes
		2,591,505	(97,749)	
2018				
Not past due	0.55	1,807,360	(9,860)	No
1 – 90 days	0.57	338,958	(1,927)	No
91 – 180 days	2.07	64,920	(1,347)	No
181 – 360 days	31.81	10,902	(3,468)	No
> 360 days	85.34	26,230	(22,384)	Yes
		2,248,370	(38,986)	

Loss rates are based on actual credit loss experience over the past four years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss.

Movements in allowance for impairment in respect of trade receivables and contract assets

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year were as follows:

	Group lifetime ECL	
	2019	**2018**
	$'000	**$'000**
At 1 January	38,986	47,766
Impairment loss recognised	53,473	7,405
Amounts written off	(8,066)	(4,594)
Acquisition of subsidiaries	12,142	–
Disposal of subsidiaries	(8)	(11,048)
Translation differences	1,222	(543)
At 31 December	97,749	38,986

Bank balances and other liquid funds

Bank balances and other liquid funds are placed with financial institutions, which mainly have long-term rating of A3 by Moody's or A- by Standard & Poor's or the equivalent by a reputable credit rating agency. Impairment on bank balances and other liquid funds has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its bank balances and other liquid funds to have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on bank balances and other liquid funds is insignificant.

Other financial assets

Other financial assets comprise amounts due from related parties and other receivables, which are mostly short-term in nature. Impairment on other financial assets has been measured on the 12-month expected loss basis and reflects the short maturities of exposures. The Group considers its other financial assets to have low credit risk and the amount of the allowance on other financial assets is insignificant.

Recognition and measurement

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost, contract assets (as defined in SFRS(I)15), debt investments at FVOCI and financial guarantee contracts, but not for equity investments.

Loss allowances of the Group are measured using either the simplified or general approach.

The Group applies the simplified approach to provide for ECLs for all trade receivables (including lease receivables) and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track record, current macroeconomics situation as well as general industry trend.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt investments 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or payment remains outstanding for more than a reasonable range of past due days;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the balance sheets

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Key estimate and judgement: Impairment of financial assets and contract assets

Impairment of financial assets and contract assets are estimated based on historical loss experience for assets with similar credit risk characteristics. The estimated ECL is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

(Currency - Singapore dollars unless otherwise stated)

C15 Classification and fair value of financial instruments

Group	Carrying amount						Fair value			
	Amortised cost $'000	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019										
Financial assets measured at fair value										
Investments	–	–	–	16,782	–	16,782	604	6,741	9,437	16,782
Associates	–	23,328	–	–	–	23,328	–	17,481	5,847	23,328
Derivative financial instruments	–	7,591	11,795	–	–	19,386	–	19,386	–	19,386
	–	30,919	11,795	16,782	–	59,496	604	43,608	15,284	59,496
Financial assets not measured at fair value										
Trade receivables	1,247,549	–	–	–	–	1,247,549				
Amounts due from related parties	40,467	–	–	–	–	40,467				
Advances and other receivables	122,294	–	–	–	–	122,294				
Bank balances and other liquid funds	453,230	–	–	–	–	453,230				
	1,863,540	–	–	–	–	1,863,540				
Financial liabilities measured at fair value										
Derivative financial instruments	–	(3,067)	(52,209)	–	–	(55,276)	–	(55,276)	–	(55,276)
Financial liabilities not measured at fair value										
Creditors and accruals	–	–	–	–	(2,043,504)	(2,043,504)				
Amounts due to related parties	–	–	–	–	(70,007)	(70,007)				
Borrowings	–	–	–	–	(2,337,707)	(2,337,707)				
	–	–	–	–	(4,451,218)	(4,451,218)				

(Currency - Singapore dollars unless otherwise stated)

Group	Amortised cost $'000	Mandatorily at FVTPL $'000	Fair value – hedging instruments $'000	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
	Carrying amount						Fair value			
2018										
Financial assets measured at fair value										
Investments	–	–	–	16,814	–	16,814	422	16,392	–	16,814
Associates	–	23,698	–	–	–	23,698	–	23,698	–	23,698
Derivative financial instruments	–	5,728	12,320	–	–	18,048	–	18,048	–	18,048
	–	29,426	12,320	16,814	–	58,560	422	58,138	–	58,560
Financial assets not measured at fair value										
Trade receivables	1,138,988	–	–	–	–	1,138,988				
Amounts due from related parties	40,198	–	–	–	–	40,198				
Advances and other receivables	85,892	–	–	–	–	85,892				
Bank balances and other liquid funds	415,780	–	–	–	–	415,780				
	1,680,858	–	–	–	–	1,680,858				
Financial liabilities measured at fair value										
Derivative financial instruments	–	(3,057)	(38,076)	–	–	(41,133)	–	(41,133)	–	(41,133)
Financial liabilities not measured at fair value										
Creditors and accruals	–	–	–	–	(1,888,812)	(1,888,812)				
Amounts due to related parties	–	–	–	–	(85,445)	(85,445)				
Borrowings	–	–	–	–	(495,779)	(495,779)				
	–	–	–	–	(2,470,036)	(2,470,036)				

Movements in Level 3 financial instruments measured at fair value

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

	Group	
	2019	**2018**
	$'000	**$'000**
Associate		
Opening balance	–	–
Transfer from Level 2	7,825	–
Total unrealised losses recognised in profit or loss, finance costs	(1,978)	–
Closing balance	5,847	–
Equity instruments (unquoted)		
Opening balance	–	12
Transfer from Level 2	9,437	–
Total gain:		
- recognised in other comprehensive income	–	(12)
Closing balance	9,437	–
	15,284	–

Recognition and measurement

(a) Non-derivative financial assets and liabilities

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets	Classification	Subsequent measurement
Amortised cost	• The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and • The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	Measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(Currency - Singapore dollars unless otherwise stated)

Financial assets	Classification	Subsequent measurement
Debt investments at FVOCI	• The asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; and • The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.	Measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.	Measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.
FVTPL*	All other financial assets are classified as measured at FVTPL. Financial assets that are held-for-trading or are managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL. ** On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.*	Measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model and how those risks are managed;
- How managers of the portfolio are compensated; and
- The frequency, volume and timing of disposals in prior periods, the reasons for such disposals and its expectations about future activity.

(Currency - Singapore dollars unless otherwise stated)

Assessment of whether contractual cash flows are solely payments of principal and interest

For assessment purposes, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers contingent events, leverage features, modifications of the time value of money and other limiting terms in the contractual terms of the instrument, which change the timing or amount of contractual cash flows such that the cash flows of the instrument would not be reflective of solely payments of principal and interest.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing those financial assets.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(b) Fair value

The Group has an established approach with respect to the measurement of fair values.

(Currency - Singapore dollars unless otherwise stated)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table shows the levels of fair value hierarchy and the respective valuation technique used in measuring the fair values, as well as significant unobservable inputs:

	Types of financial instruments	Valuation method
Level 1	**FVOCI** - Equity investments (quoted)	Determined by reference to their quoted bid prices for these investments as at reporting date.
Level 2	**FVOCI** - Equity investments (unquoted)	Determined by reference to the most recent purchase price.
	Derivatives - Forward currency contracts - Interest rate swaps - Embedded derivatives	Determined based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
	FVTPL - Investment in associates	Determined by reference to the most recent purchase price.
Level 3	**FVOCI** - Equity investment (unquoted)	Determined based on latest funding round.
	FVTPL - Investment in associate	Determined based on valuation performed using adjusted market multiples. The market multiples used is 7.9. Changing one or more of the inputs to reasonable alternative assumptions is not expected to have a material impact on the changes in fair value.

Measurement of fair values

The Group regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair value, then the Group assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I)s, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. In 2019, other than a transfer from Level 2 to Level 3, there were no other transfers between the different levels of fair value hierarchy. There were no transfers between the different levels of fair value hierarchy in 2018.

The following methods and assumptions are used to estimate the fair value of other classes of financial instruments:

Types of financial instruments	**Valuation method**
Bank balances, other liquid funds and short-term receivables Short-term borrowings and other current payables	Carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.
Long-term receivables	Estimated based on the expected cash flows discounted to present value.
Long-term payables	Estimated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(Currency - Singapore dollars unless otherwise stated)

C16 Derivative financial instruments

Cash flow hedges

At 31 December 2019, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates:

	Maturity		
	Within 1 year	**Between 1 to 5 years**	**More than 5 years**
2019			
Foreign currency risk			
Nominal amount of forward exchange contracts (in thousands of SGD)	325,796	211,924	–
- Average EUR:USD forward contract rate	1.2039	1.1752	–
- Average EUR:SGD forward contract rate	1.6639	1.6752	–
- Average THB:SGD forward contract rate	0.0441	–	–
Nominal amount of embedded derivatives (in thousands of SGD)	99,680	147,862	–
- Average EUR:SGD	1.6405	1.6494	–
- Average USD:SGD	1.3766	1.3808	–
- Average GBP:SGD	1.8005	1.8222	–
Interest rate risk			
Nominal amount of interest rate swaps	134,810	–	195,475
- Average fixed interest rate	1.6325	–	2.6731
2018			
Foreign currency risk			
Nominal amount of forward exchange contracts (in thousands of SGD)	493,801	237,406	–
- Average USD:SGD forward contract rate	1.3539	–	–
- Average EUR:SGD forward contract rate	1.6536	1.6645	–
- Average EUR:USD forward contract rate	1.2049	1.2251	–
Nominal amount of embedded derivatives (in thousands of SGD)	69,832	250,421	–
- Average USD:SGD	1.3794	1.3801	–
- Average EUR:SGD	1.6573	1.6452	–
- Average GBP:SGD	1.7934	1.8144	–
Interest rate risk			
Nominal amount of interest rate swaps	–	163,914	–
- Average fixed interest rate	–	1.6273	–

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Change in value used for calculating hedge ineffectiveness $'000	Cash flow hedge reserve $'000
2019		
Foreign currency risk		
Sales	(12,300)	(8,370)
Receivables	129	(330)
Purchases	(8,844)	(5,938)
Payables	(566)	(268)
Embedded derivatives	(1,029)	(13,156)
Interest rate risk		
Variable rate borrowings	(9,832)	(7,001)
2018		
Foreign currency risk		
Sales	(19,837)	6,090
Receivables	(481)	(458)
Purchases	(4,884)	(1,277)
Payables	170	(20)
Embedded derivatives	(8,207)	(12,127)
Interest rate risk		
Variable rate borrowings	794	2,831

There are no balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied.

(Currency - Singapore dollars unless otherwise stated)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

	2019				During the year 2019					
	Nominal amount $'000	**Assets $'000**	**Liabilities $'000**	**Line item in the statement of financial position where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in OCI $'000**	**Hedge ineffectiveness recognised in profit or loss $'000**	**Line item in profit or loss that includes hedge ineffectiveness**	**Amount from hedging reserve transferred to cost of inventory $'000**	**Amount reclassified from hedging reserve to profit or loss $'000**	**Line item in profit or loss affected by the reclassification**
Foreign currency risk										
Forward exchange contracts	537,720	3,136	(21,180)	Derivative financial instruments, advances and other receivables and trade payables and accruals	(21,581)	1,071	Cost of sales / Finance costs, net	3,700	(1,371)	Revenue / Cost of sales / Operating expenses / Finance costs, net
Embedded derivatives	247,542	–	(13,489)		(1,029)	–	–	–	–	–
Interest rate risk										
Interest rate swaps	330,285	12	(7,560)	Derivative financial instruments	(9,832)	–	–	–	–	–

(Currency - Singapore dollars unless otherwise stated)

	2018				During the year 2018					
	Nominal amount $'000	Assets $'000	Liabilities $'000	Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in OCI $'000	Hedge ineffectiveness recognised in profit or loss $'000	Line item in profit or loss that includes hedge ineffectiveness	Amount from hedging reserve transferred to cost of inventory $'000	Amount reclassified from hedging reserve to profit or loss $'000	Line item in profit or loss affected by the reclassification
Foreign currency risk										
Forward exchange contracts	731,206	3,766	(20,734)	Derivative financial instruments, advances and other receivables and trade payables and accruals	(25,032)	(201)	Cost of sales / Finance costs, net	3,955	2	Revenue / Cost of sales / Operating expenses / Finance costs, net
Embedded derivatives	320,253	156	(11,427)		(8,207)	–	–	–	–	–
Interest rate risk										
Interest rate swaps	163,914	2,854	–	Derivative financial instruments	794	–	–	–	–	–

(Currency - Singapore dollars unless otherwise stated)

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

	Hedging reserve	
	2019	**2018**
	$'000	**$'000**
Balance at 1 January	(424)	20,408
Change in fair value:		
Foreign currency risk	(22,610)	(33,239)
Interest rate risk	(9,832)	794
Equity accounted joint ventures	(5,379)	505
Amount reclassified to profit or loss:		
Foreign currency risk	(1,371)	2
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	3,700	3,955
Tax movements on reserves during the year	2,966	7,151
Balance at 31 December	(32,950)	(424)

Derivative financial instruments and hedge accounting

The Group early adopted the amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7. The related disclosures for the comparative period are made under SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 before the amendments.

The derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into. Attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit or loss.

Designation of hedges

At inception or upon reassessment of the hedge arrangement, the Group documents the relationship between hedging instrument and hedged item, and the methods that will be used to measure the effectiveness of the hedged relationship, as well as risk management policies and strategies in undertaking various hedged transactions.

The Group also documents its assessment, both at inception and on an ongoing basis, the economic relationship between hedging instruments and hedged item, including whether derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged item.

(Currency - Singapore dollars unless otherwise stated)

	Category	Subsequent measurement
(1)	**Cash flow hedges**	When a derivative is designated in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income limited to the cumulative change in the fair value of the hedged item and presented in the fair value reserve. Any ineffective portion of changes in the fair value of the derivative (i.e. the extent to which changes in the fair value of the hedge instrument do not match the changes in fair value of the hedged item) is recognised immediately in profit or loss. The amount accumulated in equity is retained in other comprehensive income, and depending on the nature of the hedged item, will either be transferred to the profit or loss in the same period that the underlying transaction affects profit or loss or be capitalised in the initial carrying amount of the non-financial item. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the fair value reserve remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.
(2)	**Fair value hedges**	Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
(3)	**Net investment hedges**	The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation. When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

D
Employee Benefits

The Group uses the following programs to reward and recognise employees and key executives, including key management personnel.

- Economic Value Added (EVA)-based Incentive Scheme
- Defined contribution plans
- Employee benefits
- Share plans

The Group believes that these programs reinforce the value of ownership and incentivise and drive performance both individually and collectively to maximise returns to the shareholders.

D1 Economic Value Added (EVA)-based Incentive Scheme

The Group adopts an incentive compensation plan, which is tied to the creation of EVA, as well as attainment of individual and Group performance goals for its key executives. An EVA bank is used to hold incentive compensation credited in any year.

Typically a portion of EVA-based bonus declared in the financial year is paid out in cash each year, with the balance being deferred for payment in the following years.

Key estimate and judgement: EVA-based Incentive Scheme (EBIS)

Estimates of the Group's obligations arising from the EBIS at the reporting date may be affected by future events, which cannot be predicated with any certainty. The assumptions and estimates are made based on management's knowledge and experience and may vary from actual experience so that the actual liability may vary considerably from the best estimates. Negative EVA will result in a clawback of EVA bonus accumulated in previous years.

(Currency - Singapore dollars unless otherwise stated)

D2 Personnel expenses

	Group	
	2019	2018
	$'000	$'000
Wages and salaries	1,843,879	1,617,337
Contributions to defined contribution plans	192,178	174,852
Defined benefit plan expenses	21,800	8,140
Share-based payments	23,925	20,038
Other personnel expenses	224,022	195,720
	2,305,804	2,016,087

Recognition and measurement

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund and will have no legal or constructive obligation to pay further amounts. The Group's contributions to the defined contribution plans are recognised in the income statement as expenses in the financial year to which they relate.

D3 Employee benefits

	Group	
	2019	2018
	$'000	$'000
Net defined benefit liabilities	377,987	106,041
Liability for staff benefits	13,339	4,376
Total employee benefit liabilities	391,326	110,417
Non-current	380,061	108,016
Current	11,265	2,401
	391,326	110,417

(Currency - Singapore dollars unless otherwise stated)

Movement in net defined benefit liability/(asset)

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit liability/(asset) and its components.

Group	Defined benefit obligation 2019 $'000	Defined benefit obligation 2018 $'000	Fair value of plan assets 2019 $'000	Fair value of plan assets 2018 $'000	Net defined benefit liability/(asset) 2019 $'000	Net defined benefit liability/(asset) 2018 $'000
Balance at 1 January	113,361	107,874	(7,320)	(7,603)	106,041	100,271
Included in profit or loss						
Current service cost	12,809	6,522	–	–	12,809	6,522
Interest cost/(income)	15,130	2,044	(7,646)	(117)	7,484	1,927
Administrative expenses	243	–	1,264	(243)	1,507	(243)
Translation difference	–	(591)	–	525	–	(66)
	28,182	7,975	(6,382)	165	21,800	8,140
Included in OCI						
Remeasurement loss/(gain):						
• Actuarial loss/(gain) arising from:						
- demographic assumptions	16,504	143	–	–	16,504	143
- financial assumptions	74,847	424	(43)	35	74,804	459
- experience assumptions	720	146	(143)	–	577	146
• Return on plan assets excluding interest income	–	–	(27,110)	(13)	(27,110)	(13)
	92,071	713	(27,296)	22	64,775	735
Others						
Contributions paid by the employer	1,331	1,181	(26,420)	–	(25,089)	1,181
Contributions paid by the employee	51	–	(51)	–	–	–
Benefits paid	(15,875)	(2,271)	13,714	226	(2,161)	(2,045)
Acquisition of subsidiaries	505,988	–	(286,688)	–	219,300	–
Translation difference	(10,265)	(2,111)	3,586	(130)	(6,679)	(2,241)
Balance at 31 December	714,844	113,361	(336,857)	(7,320)	377,987	106,041

The expenses are recognised in the following line items in profit or loss:

	Group 2019 $'000	Group 2018 $'000
Cost of sales	19,960	8,393
Administrative expenses	1,610	(243)
Other operating expenses	16	–
Finance cost, net	214	(10)
Defined benefit obligation expenses	21,800	8,140

(Currency - Singapore dollars unless otherwise stated)

The fair value of plan assets in each category are as follows:

	Group	
	2019 **$'000**	**2018** **$'000**
Equity securities	135,201	214
Government bonds	30,314	433
Corporate bonds	108,642	–
Derivatives	208	67
Cash/money markets	4,183	–
Property occupied by the Group	40,777	–
Funds managed by a trustee	2,234	1,990
Funds with insurance companies	15,298	4,616
Fair value of plan assets	336,857	7,320

All equity securities and government bonds have quoted prices in active markets. All government bonds have an average rating of A+.

Defined benefit obligation

(a) Actuarial assumptions

The following relates to the actuarial assumptions of significant post-employment defined benefit plans for subsidiaries in Germany and United States of America. The remaining defined benefit plans are not material to the Group and additional disclosures are not shown at the reporting date.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group	
	2019 **%**	**2018** **%**
Discount rate	2.3	1.9
Future salary growth	3.2	2.8
Future pension growth	2.5	1.6

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	Group			
	2019		**2018**	
	Germany	**U.S.**	**Germany**	**U.S.**
Longevity at age 65 for current pensioners:				
Males	20.3	19.6	20.2	–
Females	23.8	21.6	23.7	–
Longevity at age 65 for current members aged 45:				
Males	23.1	20.1	23.0	–
Females	26.0	22.4	25.9	–

At 31 December 2019, the weighted average duration of the defined benefit obligation was 24.2 years (2018: 17.8 years) for the subsidiaries in Germany and 13.1 years (2018: Nil) for the subsidiary in United States of America.

(b) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2019		2018	
Group	**Increase $'000**	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
Discount rate (0.5% movement)	(51,601)	58,782	(8,453)	9,690
Future salary growth (0.25% movement)	2,148	(2,060)	200	(183)
Future pension growth (0.25% movement)	2,350	(2,246)	880	(847)
Future mortality (10% movement)	(16,316)	21,499	–	1,253

Recognition and measurement

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

D4 Share-based payment arrangements

Movement in the number of shares under the PSP and RSP are as follows:

	Group			
	2019		2018	
	PSP2010	**RSP2010**	**PSP2010**	**RSP2010**
Outstanding awards				
Balance at 1 January	4,818,034	12,501,287	5,007,919	10,412,458
Granted	2,280,194	6,594,486	1,724,540	7,299,438
Lapsed	(160,722)	(580,892)	(261,901)	(654,122)
Released	(2,041,497)	(5,205,994)	(842,788)	(4,550,187)
Cancelled	–	–	(809,736)	(6,300)
Balance at 31 December	4,896,009	13,308,887	4,818,034	12,501,287

These shares were awarded by reissuance of treasury shares.

(Currency - Singapore dollars unless otherwise stated)

Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010)

	Group			
	PSP Year of grant		RSP Year of grant	
	2019	**2018**	**2019**	**2018**
Volatility of the Company's shares (%)	13.37	18.17	13.37	18.17
Risk-free rate (%)	1.92	1.99	1.91 – 1.93	1.73 – 2.03
Share price ($)	3.75	3.59	3.75	3.59
Cost of equity (%)	7.0	7.3	N.A.	N.A.
Dividend yield	(--Management's forecast in line with dividend policy--)		(--Management's forecast in line with dividend policy--)	

The fair value of the performance and restricted shares is determined on grant date using the Monte Carlo simulation model.

During the current year, the Group met the pre-determined target performance level and hence, 2,041,497 performance shares were awarded in respect of the grant made in 2016 under PSP2010.

Recognition and measurement

The Group operates a number of share-based payment plans. A description of each type of share-based payment arrangement that existed at any time during the period is described in the Directors' Statement.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(Currency - Singapore dollars unless otherwise stated)

E
Capital Structure and Financing

This section provides information relating to the Group's capital structure and how they affect the Group's financial position and performance, and how the risks are managed.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy financial metrics in order to support its business and maximise shareholder value. Capital consists of total shareholders' funds and gross debts.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group.

E1 Capital management

The Group is currently in a net debt position after the issuance of commercial papers during the year. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements other than those imposed by local regulatory bodies.

	Group	
	2019 **$'000**	**2018** **$'000**
Gross debt		
Bank loans	477,409	481,060
Commercial papers	1,436,140	–
Lease liabilities *	424,158	–
Capitalised lease obligations *	–	14,719
Present value of operating leases *	–	243,359
Financial guarantees	106,052	87,921
	2,443,759	827,059

(Currency - Singapore dollars unless otherwise stated)

	Group	
	2019	**2018**
	$'000	**$'000**
Shareholders' funds		
Share capital	895,926	895,926
Treasury shares	(26,731)	(9,030)
Capital and other reserves	(36,882)	46,120
Retained earnings	1,389,966	1,313,361
	2,222,279	2,246,377
Non-controlling interests	268,722	288,236
	2,491,001	2,534,613
Gross debt/equity ratio	1.0	0.3
Cash and cash equivalents	452,095	414,400
Gross debt (excluding bank overdrafts)	(2,443,759)	(827,059)
Net debt position	(1,991,664)	(412,659)

* Lease liability relates to obligations for lease payments recognised on adoption of SFRS(I) 16. Previously under SFRS(I) 1-17, the Group presented capitalised lease obligations for finance leases and present value of operating leases as part of gross debt.

E2 Finance costs, net

	Group	
	2019	**2018**
	$'000	**$'000**
Finance income		
Interest income		
- bank deposits	4,620	8,809
- staff loans	7	9
- finance lease	160	107
- bonds	–	6,834
- contracts with customers	–	495
- others	4,700	1,652
Exchange gain, net	3,350	3,895
Fair value changes of financial instruments		
- gain on forward currency contract designated as hedging instrument	118	359
- gain on ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges	3	8
Fair value changes of hedged items	1,332	189
	14,290	22,357

(Currency - Singapore dollars unless otherwise stated)

	Group 2019 $'000	Group 2018 $'000
Finance costs		
Interest expense		
- bank loans and overdrafts	(18,988)	(7,754)
- bonds and commercial papers	(8,902)	(31,891)
- lease liabilities	(12,481)	(1,210)
- contracts with customers	(1,579)	(1,550)
- others	(2,803)	(2,495)
Loss on disposal of investments	–	(5,173)
Net change in fair value of cash flow hedges reclassified from equity on occurrence of forecast transactions	(1,343)	(570)
Fair value changes of financial instruments		
- loss on fair value changes of forward currency contract and cross currency interest rate swaps not designated as hedging instrument	(2,841)	(5,266)
Fair value changes of investment in an associate	(1,978)	–
	(50,915)	(55,909)
Finance costs, net, recognised in profit or loss	(36,625)	(33,552)

Recognition and measurement

Finance income comprises interest income, dividend income, gains on disposal and fair valuation of financial assets and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

Finance costs comprise interest expense, losses on disposal and fair valuation of financial assets or impairment losses recognised on investments, and losses on hedging instruments that are recognised in profit or loss. Interest expense that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and liabilities are reported on a net basis as either finance income or finance cost.

(Currency - Singapore dollars unless otherwise stated)

E3 Investments

	Group 2019 $'000	Group 2018 $'000
Equity shares, at FVOCI		
- quoted	604	422
- unquoted	16,178	16,392
Total investments, net of impairment losses	16,782	16,814
Represented by:		
Short-term investments	604	422
Long-term investments	16,178	16,392
	16,782	16,814

E4 Borrowings

	Note	Group Non-current $'000	Group Current $'000	Group Total $'000
31 December 2019				
Bank loans	(a)	106,389	371,020	477,409
Commercial papers	(b)	–	1,436,140	1,436,140
Lease liabilities	(c)	362,506	61,652	424,158
		468,895	1,868,812	2,337,707
31 December 2018				
Bank loans	(a)	256,105	224,955	481,060
Lease liabilities	(c)	14,258	461	14,719
		270,363	225,416	495,779

(a) Bank loans

	Currency	Effective interest rate %	Maturity	Group 2019 $'000	Group 2018 $'000
Bank loans	SGD	1.50	2020	350,000	80,000
	USD	5.01	2020 – 2023	14,827	299,394
	RMB	4.35 – 4.75	2020 – 2021	17,302	21,106
	EUR	0.47 – 1.59	2025 – 2029	95,280	80,560
				477,409	481,060
- Unsecured				408,313	400,253
- Secured				69,096	80,807
				477,409	481,060

There are bank loans which are secured by assets as follows:

Secured by		**Loan amount ($)**
Certain property, plant and equipment of subsidiaries	-	$35,388,000 (2018: $62,573,000)
Subsidiary's land use right	-	$33,708,000 (2018: $18,234,000)

As at 31 December 2018, bank loans denominated in currencies other than the respective entities' functional currency was $81,960,000, denominated in USD.

(Currency - Singapore dollars unless otherwise stated)

(b) Commercial papers

	Group 2019 $'000	Group 2018 $'000
Principal	1,440,175	–
Unamortised interest	(3,687)	–
Unamortised costs	(348)	–
	1,436,140	–

On 26 August 2019, the Group set up a US$1.5 billion U.S. Commercial Paper Programme. Under this programme, the Group may issue short-term unsecured promissory notes to eligible investors in reliance on available exemptions under the United States Securities Act of 1933. At 31 December 2019, the Group had outstanding notes with par value of US$1,068,300,000 issued at interest rates ranging from 1.74% to 2.13%, which mature within 3 months from the financial reporting date. The notes are unconditionally and irrevocably guaranteed by the Company.

(c) Lease liabilities

The Group leases many assets including real estate leases, vehicles, machinery and IT equipment. Information about leases for which the Group is a lessee is presented below.

	Group 2019 $'000
Maturity analysis – contractual undiscounted cash flows	
Within 1 year	65,836
Between 1 and 5 years	159,544
After 5 years	342,040
Total undiscounted lease liabilities at 31 December	567,420
Lease liabilities included in the balance sheet at 31 December	424,158
Repayable:	
Within 1 year	61,652
After 1 year	362,506
	424,158

(i) Real estate leases

The Group leases land and buildings for its office space, hangar and production facilities. The leases of office space typically run for a period of 5 to 30 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices. Some also require the Group to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor; these amounts are generally determined annually.

The Group sub-leases some of its properties under operating and finance leases.

(Currency - Singapore dollars unless otherwise stated)

Extension options

Some leases of office buildings contain extension options exercisable by the Group up to the day before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Group	Lease liabilities recognised (discounted) \$'000	Potential future lease payments not included in lease liabilities (discounted) \$'000
Office buildings	26,388	48,231

(ii) Other leases

The Group leases vehicles and equipment, with lease terms of three to five years. In some cases, the Group has options to purchase the assets at the end of the contract term.

The Group monitors the use of these vehicles and equipment, and reassesses the estimated amount payable under the residual value guarantees at the reporting date to remeasure lease liabilities and right-of-use assets.

The Group also leases IT equipment and machinery with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

(Currency - Singapore dollars unless otherwise stated)

Comparative information under SFRS(I) 1-17

A subsidiary leases certain land, buildings and equipment from a foreign Airport Authority under a finance lease arrangement until 31 October 2041, with an option to terminate the lease at any time with a 36-month written notice. The leased assets are pledged as collateral against the lease.

The obligations under the finance leases to be paid by the subsidiaries are as follows:

Group	Within 1 year $'000	Between 1 and 5 years $'000	After 5 years $'000	Total $'000
2018				
Minimum lease payment	1,181	4,488	19,156	24,825
Interest	(720)	(2,727)	(6,659)	(10,106)
Present value of payment	461	1,761	12,497	14,719

	2018 $'000
Repayable:	
Within 1 year	461
After 1 year	14,258
	14,719

Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

(Currency - Singapore dollars unless otherwise stated)

Reconciliation of movements of liabilities and assets to cash flows arising from financing activities

	Liabilities			Assets	
	Borrowings $'000	Trade payables and accruals $'000	Amounts due to related parties $'000	Deposits pledged $'000	Total $'000
Balance at 1 January 2019	495,779	1,910,103	85,445	(1,380)	2,489,947
Adjustment on initial application of SFRS(I) 16	389,515	–	–	–	389,515
Changes from financing cash flows					
Proceeds from bank loans	1,079,911	–	–	–	1,079,911
Proceeds from commercial papers	1,440,175	–	–	–	1,440,175
Repayment of bank loans	(1,119,271)	–	–	–	(1,119,271)
Repayment of lease liabilities	(92,894)	–	–	–	(92,894)
Repayment of loan to a joint venture	–	–	(4,000)	–	(4,000)
Interest paid	(25,315)	(30,898)	–	–	(56,213)
Deposit discharged	–	–	–	245	245
Total changes from financing cash flows	1,282,606	(30,898)	(4,000)	245	1,247,953
Changes arising from obtaining or losing control of subsidiaries or other businesses	53,130	111,187	–	–	164,317
The effect of changes in foreign exchange rates	5,679	(5,387)	–	–	292
Change in fair value	–	6,085	–	–	6,085
Liability-related other changes					
Working capital changes	(1,707)	57,332	(12,350)	–	43,275
New leases	91,322	–	–	–	91,322
Interest expense	21,383	22,458	912	–	44,753
Total liability-related other changes	110,998	79,790	(11,438)	–	179,350
Balance at 31 December 2019	2,337,707	2,070,880	70,007	(1,135)	4,477,459

(Currency - Singapore dollars unless otherwise stated)

	Liabilities			Assets	
	Borrowings $'000	**Trade payables and accruals $'000**	**Amounts due to related parties $'000**	**Deposits pledged $'000**	**Total $'000**
Balance at 1 January 2018	1,116,064	1,731,582	104,059	(1,389)	2,950,316
Changes from financing cash flows					
Proceeds from bank loans	307,901	–	–	–	307,901
Proceeds of a loan from a joint venture	–	–	17,925	–	17,925
Repayment of bank loans	(247,134)	–	–	–	(247,134)
Repayment of other loans	(148)	–	–	–	(148)
Repayment of lease liabilities	(2,513)	–	–	–	(2,513)
Repayment of loan to a joint venture	–	–	(30,805)	–	(30,805)
Redemption of medium term notes	(681,100)	–	–	–	(681,100)
Interest paid	–	(49,416)	–	–	(49,416)
Deposit discharged	–	–	–	9	9
Total changes from financing cash flows	(622,994)	(49,416)	(12,880)	9	(685,281)
Changes arising from obtaining or losing control of subsidiaries or other businesses	(13,326)	(45,345)	–	–	(58,671)
The effect of changes in foreign exchange rates	14,714	1,595	8	–	16,317
Change in fair value	–	11,174	–	–	11,174
Liability-related other changes					
Working capital changes	573	216,814	(6,195)	–	211,192
Interest expense	748	43,699	453	–	44,900
Total liability-related other changes	1,321	260,513	(5,742)	–	256,092
Balance at 31 December 2018	495,779	1,910,103	85,445	(1,380)	2,489,947

(Currency - Singapore dollars unless otherwise stated)

E5 Commitments and contingent liabilities

(i) Capital commitments

	Group 2019 $'000	Group 2018 $'000
Capital expenditure contracted but not provided in the financial statements	62,670	98,976

(ii) Leases – As lessee

As at 31 December 2019, the Group had certain non-cancellable future minimum lease payments for short-term leases or leases for low-value assets amounting to $3,110,000.

Comparative information under SFRS(I) 1-17

Future minimum lease payments under non-cancellable operating asset leases are as follows:

	Group 2018 $'000
Third parties	
Within 1 year	56,588
Between 1 and 5 years	119,768
After 5 years	172,039
	348,395
Related parties	
Within 1 year	5,972
Between 1 and 5 years	15,426
After 5 years	21,079
	42,477

The Group has several operating lease agreements for leasehold land and buildings, office premises and computers. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing.

None of the operating leases is subject to contingent rent arrangements.

(iii) Leases – As lessor

The Group has entered into non-cancellable operating leases on its aircraft, aircraft engines and certain property, plant and equipment. The lease terms range from 1 to 15 years.

(Currency - Singapore dollars unless otherwise stated)

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Group 2019 $'000
Less than 1 year	10,758
1 to 2 years	6,509
2 to 3 years	5,556
3 to 4 years	5,510
4 to 5 years	3,088
More than 5 years	9,725
Total undiscounted lease payments	41,146

Comparative information under SFRS(I) 1-17

The future lease payment receivables under non-cancellable operating leases are as follows:

	2018 $'000
Within 1 year	8,751
Between 1 and 5 years	13,727
After 5 years	7,639
	30,117

(iv) Contingent liabilities (unsecured)

The Group is a party to various claims that arise in the normal course of the Group's business. The total liability on these matters cannot be determined with certainty. However, in the opinion of management, the ultimate liability, to the extent not otherwise provided for, will not materially impact the consolidated financial statements of the Group.

Recognition and measurement

Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately and the impact of changes is disclosed in G2.

Policy under SFRS(I) 16 (applicable from 1 January 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

(Currency - Singapore dollars unless otherwise stated)

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of 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.

The Group presents right-of-use assets that do not meet the definition of investment property separately in the balance sheet and lease liabilities in 'Borrowings' in the balance sheet.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered during current reporting period that resulted in a finance lease classification.

Leases - Policy applicable before 1 January 2019

As a lessee

Finance lease

The Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

(Currency - Singapore dollars unless otherwise stated)

Operating lease

Assets held under other leases are classified as operating leases and were not recognised in the Group's balance sheet. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

Rental income from operating leases and sub-leased property was recognised as 'other income' on a straight-line basis over the term of the lease. Rental income from sub-leased property was recognised as 'other income'.

E6 Share capital

	Company	
	2019	**2018**
	$'000	**$'000**
Issued and fully paid, with no par value		
At beginning and end of the year		
3,122,495,197 ordinary shares	895,926	895,926

Included in share capital is a special share issued to the Minister for Finance. The special share enjoys all the rights attached to the ordinary shares. In addition, the special share carries the right to approve any resolution to be passed by the Company, either in general meeting or by its Board of Directors, on certain matters specified in the Company's Constitution. The special share may be converted at any time into an ordinary share.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Recognition and measurement

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(Currency - Singapore dollars unless otherwise stated)

E7 Treasury shares

	Company	
	2019	**2018**
	$'000	**$'000**
At beginning of the year	(9,030)	(22,870)
Purchased during the year	(43,768)	(4,354)
Reissue of treasury shares pursuant to share plans	26,067	18,194
At end of the year	(26,731)	(9,030)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the year, the Company purchased 11,300,000 (2018: 1,321,400) of its ordinary shares by way of on-market purchases. The shares, held as treasury shares, were included as deduction against shareholders' equity. 7,247,491 (2018: 5,392,975) treasury shares, at a cost of $26,067,000 (2018: $18,194,000), were reissued pursuant to its RSP and PSP.

Recognition and measurement

When ordinary shares are reacquired by the Company, the consideration paid is recognised as a deduction from equity. Reacquired shares are classified as treasury shares. When treasury shares are sold, or re-issued subsequently, the cost of treasury shares is reversed from treasury shares account and the realised gain or loss on transaction is presented as a change in equity of the Company. No gain or loss is recognised in profit or loss.

Treasury shares have no voting rights and no dividends are allocated to them.

E8 Capital reserves

Included in capital reserve are:

(a) an amount of $115,948,000 (2018: $115,948,000) relating to share premium of the respective pooled enterprises, namely ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd. and ST Engineering Marine Ltd. classified as capital reserve upon the pooling of interests during the financial year ended 31 December 1997; and

(b) an amount of $3,385,000 (2018: $2,226,000) relating to realised loss (2018: realised gain) on re-issuance of treasury shares under share-based payment arrangements as at 31 December 2019.

(Currency - Singapore dollars unless otherwise stated)

E9 Other reserves

Group	2019 $'000	2018 $'000
Foreign currency translation reserve	(194,076)	(142,980)
Statutory reserve	1,323	1,190
Fair value reserve	(32,703)	(359)
Share-based payment reserve	79,175	75,264
Premium paid on acquisition of non-controlling interests	(3,164)	(5,169)
	(149,445)	(72,054)

Fair value reserve movement arising from other comprehensive income comprises of:

	2019 $'000	2018 $'000
Net fair value changes on financial assets:		
- Net fair value changes during the year for FVOCI equity instruments	182	124
- Reclassification adjustment to profit or loss on disposal of financial assets in finance costs, net	–	(2,343)
- Reclassification to retained earnings on realisation	–	(28)
	182	(2,247)

Foreign currency translation reserve movement arising from other comprehensive income comprises of:

Foreign currency translation differences arising from:

	2019 $'000	2018 $'000
- Translation of loans forming part of net investments in foreign entities	(4,926)	(1,180)
- Translation of foreign currency loans used as hedging instruments for effective net investment hedges	–	(7,254)
- Share of translation difference of associates and joint ventures	(7,371)	(213)
- Reserves released on disposal of subsidiaries and a joint venture	246	12,394
- Translation of foreign entities	(39,045)	10,464
	(51,096)	14,211

(Currency - Singapore dollars unless otherwise stated)

Type of reserve	Nature
Foreign currency translation reserve	Comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.
Statutory reserve	Statutory reserve comprise transfers from revenue reserve in accordance with the regulations of the foreign jurisdiction in which the Group's subsidiaries and joint ventures operate, principally in the People's Republic of China where the subsidiaries and joint ventures are required to make appropriation to a Statutory Reserve Fund and Enterprise Expansion Fund. The laws of the countries restrict the distribution and use of these statutory reserves.
Fair value reserve	Fair value reserve comprises the cumulative fair value changes of financial instruments at FVOCI and the effective portion of hedging instruments, until they are disposed or impaired.
Share-based payment reserve	Represents the cumulative value of services received for the issuance of the options and shares under the share plans of the Company issued to employees and non-executive directors.
Premium paid on acquisition of non-controlling interests	Difference between the consideration paid on acquisition of non-controlling interests and the carrying value of the proportionate share of the net assets acquired.

E10 Dividends

	Company	
	2019	**2018**
	$'000	**$'000**
Final dividend paid in respect of the previous financial year of 10.0 cents (2018: 10.0 cents) per share	312,164	312,036
Interim dividend paid in respect of the current financial year of 5.0 cents (2018: 5.0 cents) per share	155,992	155,968
	468,156	468,004

The Directors propose a final dividend of 10.0 cents (2018: 10.0 cents) per share amounting to $312.2 million (2018: $312.2 million) in respect of the financial year ended 31 December 2019.

These dividends have not been recognised as a liability as at year end as they are subject to the approval by shareholders at the Annual General Meeting of the Company.

(Currency - Singapore dollars unless otherwise stated)

F
Group Structure

This section explains significant aspects of ST Engineering's group structure, including joint arrangements that the Group has interest in, its controlled entities and how changes have affected the Group structure. It also provides information on business acquisitions and disposals made during the financial year as well as information relating to ST Engineering's related parties, the extent of related party transactions and the impact they had on the Group's financial performance and position.

F1	Subsidiaries	**F4**	Associates and joint ventures
F2	Acquisition and disposal of controlling interests in subsidiaries in 2019/2018	**F5**	Related party information
F3	Non-controlling interests in subsidiaries	**F6**	Parent entity disclosures

F1 Subsidiaries

Details of the significant subsidiaries of the Group are as follows:

	Country of incorporation	Effective equity interest held by the Group 2019 %	2018 %
ST Engineering Aerospace Ltd.	Singapore	100	100
Elbe Flugzeugwerke GmbH [z]	Germany	55	55
ST Engineering Aerospace Aircraft Maintenance Pte. Ltd. (formerly known as ST Aerospace Engineering Pte Ltd)	Singapore	100	100
ST Engineering Aerospace Engines Pte. Ltd. (formerly known as ST Aerospace Engines Pte Ltd)	Singapore	100	100
ST Engineering Aerospace Services Company Pte. Ltd. (formerly known as ST Aerospace Services Co Pte. Ltd.)	Singapore	80	80
ST Engineering Electronics Ltd.	Singapore	100	100
ST Electronics (Info-Comm Systems) Pte. Ltd.	Singapore	100	100
ST Engineering Land Systems Ltd.	Singapore	100	100
ST Engineering Marine Ltd.	Singapore	100	100
ST Engineering North America, Inc. (formerly known as Vision Technologies Systems, Inc.) [#]	U.S.	100	100
Middle River Aerostructure Systems, LLC (formerly known as MRA Systems, LLC)	U.S.	100	–
ST Engineering RHQ Ltd. (formerly known as Singapore Technologies Engineering (Europe) Ltd)	United Kingdom	100	100
ST Engineering iDirect (Europe) NV (formerly known as Newtec Group NV) ^	Belgium	100	–
ST Engineering Treasury Pte. Ltd.	Singapore	100	100

[#] Not required to be audited under the law in the country of incorporation.
[z] Audited by member firms of KPMG International for consolidation purposes.
^ Audited by Ernst & Young LLP

All significant subsidiaries that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except as indicated above.

(Currency - Singapore dollars unless otherwise stated)

F2 Acquisition and disposal of controlling interests in subsidiaries in 2019/2018

Acquisition of controlling interest in subsidiaries in 2019

(i) Acquisition of controlling interests in MRA Systems, LLC, subsequently renamed to Middle River Aerostructure Systems, LLC (MRAS)

On 18 April 2019, the Group acquired 100% of MRAS for a net cash consideration of $689 million. MRAS specialises in production of engine nacelle systems and thrust reversers, along with complex aerostructures for applications on commercial and military aircraft.

MRAS contributed revenue of $728,601,000 and net profit of $45,854,000 to the Group for the period from 18 April 2019 to 31 December 2019.

(ii) Acquisition of controlling interests in Glowlink Communications Technology, Inc (Glowlink)

On 17 September 2019, the Group acquired 100% of Glowlink for a net cash consideration of $26 million. Glowlink provides innovative, affordable, and easy to use products aimed at improving the integrity of satellite communications, and mitigating interferences to enhance the quality of satellite signals received.

Glowlink contributed revenue of $3,706,000 and net loss of $825,000, after transaction costs, to the Group for the period from 17 September 2019 to 31 December 2019.

(iii) Acquisition of controlling interests in Newtec Group NV, subsequently renamed to ST Engineering iDirect (Europe) NV (iDirect Europe)

On 1 October 2019, the Group acquired 100% of iDirect Europe for a net cash consideration of $335 million. iDirect Europe specialises in designing, developing and manufacturing equipment and technologies for satellite communications.

iDirect Europe contributed revenue of $35,717,000 and incurred net loss of $5,045,000 to the Group, after transaction costs, for the period from 1 October 2019 to 31 December 2019.

Had the above businesses been consolidated from 1 January 2019, consolidated revenue and net profit for the year ended 31 December 2019 would have been $8,271,702,000 and $614,922,000 respectively.

(Currency - Singapore dollars unless otherwise stated)

Identifiable assets acquired and liabilities assumed

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

	Fair values recognised on acquisition $'000
Property, plant and equipment	148,094
Right-of-use assets	26,221
Intangible assets	565,503
Joint venture	851
Deferred tax assets	1,072
Contract assets	145,550
Inventories	181,022
Trade receivables	128,237
Advances and other receivables	10,045
Bank balances and other liquid funds	33,756
Contract liabilities	(16,393)
Trade payables and accruals	(113,271)
Provisions	(32,827)
Provision for taxation	(3,810)
Borrowings	(54,076)
Employee benefits	(227,030)
Deferred tax liabilities	(20,085)
Total identifiable net assets	772,859
Goodwill arising on consolidation	311,018
Total purchase consideration	1,083,877
Cash outflow on acquisition:	
Cash consideration paid	1,083,877
Less: cash acquired	(33,756)
Net cash outflow on acquisition	1,050,121

The goodwill recognised on the acquisitions of MRAS, Glowlink and iDirect Europe represent the synergies that the acquisition is expected to bring to the Group's businesses and products. Management assessed that the goodwill is allocated to two CGUs within the Group, amounting to $311,018,000, based on the expected future economic benefits to be realised by these entities through the combination of their businesses. $37,998,000 of goodwill recognised is expected to be deductible for tax purposes.

The Group incurred acquisition-related cost of $16,475,000 on legal fees and due diligence cost, of which $5,340,000 have been included in administrative expenses in the Group's income statement. $11,135,000 have been expensed in administrative expenses in the prior year.

(Currency - Singapore dollars unless otherwise stated)

De-consolidation and disposal of controlling interests in subsidiaries in 2019

During the year, the Group dissolved VT Dimensions, Inc., VT Systems International, LLC, VT Systems Participacoes Ltda. and completed the liquidation of Kinetics Link Services Sdn. Bhd. (collectively Dissolved Entities) as part of an effort to streamline its organisation structure.

In July 2019, the Group divested its 51% equity interest in GFM Electronics S.A. de C.V. (GFME) and in November 2019, the Group completed the divestment of Aviation Training Academy Australia Pty Ltd and ST Aerospace Academy (Australia) Pty Ltd (collectively ATAA).

The disposed subsidiaries contributed loss before tax of $417,000 and no revenue for the period from 1 January 2019 to the respective dates of disposal.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	GFME $'000	ATAA $'000	Dissolved Entities $'000	Total $'000
Property, plant and equipment	7	7,033	–	7,040
Right-of-use assets	–	937	–	937
Intangible assets	–	332	–	332
Trade receivables	354	57	–	411
Advances and other receivables	–	1,818	47	1,865
Bank balances and other liquid funds	–	227	–	227
Trade payables and accruals	(979)	(1,010)	(16)	(2,005)
Provision for taxation	–	(373)	–	(373)
Borrowings	–	(946)	–	(946)
Net assets disposed	(618)	8,075	31	7,488
Realisation of reserves	81	1,901	233	2,215
De-consolidation of non-controlling interest	304	–	–	304
Gain/(loss) on disposal	233	(894)	(264)	(925)
Sales consideration	–	9,082	–	9,082
Less: bank balances and other liquid funds in subsidiaries disposed	–	(227)	–	(227)
Net cash inflow on disposal	–	8,855	–	8,855

De-consolidation and disposal of controlling interests in subsidiaries in 2018

In February 2018, the Group dissolved Dalfort Aerospace LP and Dalfort Aerospace GP, Inc (collectively Dalfort) as part of an effort to streamline its organisation structure.

In April 2018, the Group, together with the non-controlling shareholder, filed a bankruptcy petition to the People's Court of Dantu District in Zhenjiang, Jiangsu for its two subsidiaries, Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd (collectively JHK). The Group derecognised the related assets, liabilities and non-controlling interest of JHK after the Court approved the bankruptcy petition in May 2018.

In the prior year, the Group completed its divestment of LeeBoy India Construction Equipment Private Limited (LBI) and Aviation Academy of America, Inc. and VT Aviation Services, Inc. (collectively AAA) in October 2018 and December 2018 respectively.

The disposed subsidiaries contributed revenue of $11,492,000 and loss before tax of $5,937,000 for the period from 1 January 2018 to the respective dates of disposal.

The financial effects arising from the de-consolidation and disposal of subsidiaries are as follows:

	Dalfort $'000	JHK $'000	LBI $'000	AAA $'000	Total $'000
Property, plant and equipment	–	64,187	1,357	3,713	69,257
Intangible assets	–	–	–	996	996
Inventories	–	2,497	6,062	–	8,559
Trade receivables	–	–	2,850	–	2,850
Advances and other receivables	–	727	4,789	669	6,185
Bank balances and other liquid funds	–	2,622	317	3	2,942
Trade payables and accruals	–	(39,850)	(4,964)	(531)	(45,345)
Provisions	–	(186)	(477)	–	(663)
Borrowings	–	(13,326)	–	–	(13,326)
Deferred income	–	(15,148)	–	–	(15,148)
Contract liabilities	–	(1,519)	(20)	–	(1,539)
Deferred tax liabilities	–	(4)	–	–	(4)
Net assets disposed	–	–	9,914	4,850	14,764
Realisation of reserves	4,752	–	3,065	955	8,772
Loss on disposal	(4,752)	–	(11,543)	(3,786)	(20,081)
Sales consideration	–	–	1,436	2,019	3,455
Less: bank balances and other liquid funds in subsidiaries disposed	–	(2,622)	(317)	(3)	(2,942)
Consideration receivable as at 31 December 2018	–	–	(375)	–	(375)
Net cash (outflow)/inflow on disposal	–	(2,622)	744	2,016	138

(Currency - Singapore dollars unless otherwise stated)

F3 Non-controlling interests in subsidiaries

The following table summarises the information relating to each of the Group's subsidiaries with material non-controlling interests (NCI), based on their respective (consolidated) financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences from the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by NCI.

Name of subsidiary	ST Engineering Aerospace Services Company Pte. Ltd.	Eco-Services, LLC	ST Aerospace Technologies (Xiamen) Company Ltd	Elbe Flugzeuwerke GmbH	Other individually immaterial subsidiaries	Intra-group elimination	Total
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
NCI percentage	**20%**	**49.9%**	**20%**	**45%**			
Principal place of business/ Country of incorporation	**Singapore**	**U.S.**	**China**	**Germany**			
Revenue	277,653	23,649	230,232	526,125			
Profit after taxation	30,005	2,404	8,019	16,312			
Other comprehensive income/(loss)	1,275	(2,287)	(1,689)	(36,852)			
Total comprehensive income/(loss)	31,280	117	6,330	(20,540)			
Attributable to NCI:							
- Profit/(loss)	6,001	1,200	1,604	7,340	(940)	(476)	14,729
- Other comprehensive income/(loss)	255	(1,141)	(338)	(16,583)	446	1	(17,360)
- **Total comprehensive income/(loss)**	6,256	59	1,266	(9,243)	(494)	(475)	(2,631)
Non-current assets	91,963	20,674	50,399	659,691			
Current assets	245,333	18,966	132,892	262,879			
Non-current liabilities	(48,041)	(769)	(9,578)	(391,236)			
Current liabilities	(108,778)	(2,669)	(114,940)	(136,842)			
Net assets	180,477	36,202	58,773	394,492			
Net assets attributable to NCI	36,095	18,065	11,755	177,521	24,423	863	268,722
Cash flows from/(used in) operating activities	32,664	29,635	(2,835)	37,981			
Cash flows used in investing activities	(3,061)	(20,457)	(834)	(60,177)			
Cash flows from/(used in) financing activities *	6,893	(3,873)	(4,055)	16,268			
Net increase/(decrease) in cash and cash equivalents	36,496	5,305	(7,724)	(5,928)			
* including dividends to NCI	(10,600)	(1,112)	–	–			

(Currency - Singapore dollars unless otherwise stated)

Name of subsidiary	**ST Engineering Aerospace Services Company Pte. Ltd.**	**Eco-Services, LLC**	**Elbe Flugzeuwerke GmbH**	**STELOP Pte. Ltd.**	**Other individually immaterial subsidiaries**	**Intra-group elimination**	**Total**
2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
NCI percentage	**20%**	**49.9%**	**45%**	**49.95%**			
Principal place of business/ Country of incorporation	**Singapore**	**U.S.**	**Germany**	**Singapore**			
Revenue	261,838	22,448	480,806	46,983			
Profit after taxation	30,660	2,233	26,272	1,721			
Other comprehensive (loss)/income	(226)	1,176	(26,177)	–			
Total comprehensive income	30,434	3,409	95	1,721			
Attributable to NCI:							
- Profit/(loss)	6,132	1,114	11,822	858	2,733	(478)	22,181
- Other comprehensive (loss)/income	(45)	587	(11,780)	–	(270)	(1)	(11,509)
- **Total comprehensive income/(loss)**	6,087	1,701	42	858	2,463	(479)	10,672
Non-current assets	52,018	21,530	571,589	2,394			
Current assets	233,439	36,610	264,608	47,893			
Non-current liabilities	(7,016)	–	(297,484)	(1,258)			
Current liabilities	(99,185)	(2,488)	(123,683)	(35,853)			
Net assets	179,256	55,652	415,030	13,176			
Net assets attributable to NCI	35,851	27,770	186,764	6,581	25,375	5,895	288,236
Cash flows from/(used in) operating activities	15,841	4,060	21,782	(630)			
Cash flows used in investing activities	(3,117)	(1,560)	(62,054)	(240)			
Cash flows (used in)/from financing activities *	(18,843)	(2,862)	34,610	(1,226)			
Net decrease in cash and cash equivalents	(6,119)	(362)	(5,662)	(2,096)			
* including dividends to NCI	(1,342)	(953)	–	–			

(Currency - Singapore dollars unless otherwise stated)

F4 Associates and joint ventures

	Group 2019 $'000	Group 2018 $'000
Unquoted shares, at fair value	23,328	23,610
Unquoted shares, at cost	355,878	336,682
Goodwill on acquisition written off, net	38	38
Share of net assets acquired	355,916	336,720
Impairment in associates	(4,000)	(865)
Share of post-acquisition reserves	78,175	96,238
	430,091	432,093
	453,419	455,703
Represented by:		
Interest in associates	318,415	327,960
Interest in joint ventures	135,004	127,743
	453,419	455,703

During the year,

(i) the Group sold its entire 22.8% interest in WizVision Pte. Ltd. for a cash consideration of $648,000 and a gain on disposal of $648,000 was recognised.

(ii) the Group sold its entire 49% interest in Takata CPI Singapore Pte Ltd for a cash consideration of $5,338,000 and a gain on disposal of $1,035,000 was recognised.

(iii) the Group received cash proceeds of $109,000 on the liquidation of Fortis Marine Solutions Pte. Ltd. and the carrying amount of $69,000 was de-recognised. Consequently, a gain on disposal of $40,000 was recognised.

(iv) impairment loss of $4,000,000 mainly relates to the shortfall between the carrying amount of the costs of investment and the recoverable amount of an investment in associate.

In the prior year,

(i) the Group sold its entire 25% interest in Airbus Helicopters Southeast Asia Private Limited for a cash consideration of $14,246,000 and a gain on disposal of $8,984,000 was recognised.

(ii) the Group partially sold 5% of its interest in ST Aerospace (Guangzhou) Aviation Services Company Limited for a cash consideration of $9,234,000 and a gain on disposal of $3,766,000 was recognised.

(Currency - Singapore dollars unless otherwise stated)

Details of significant associates and joint ventures are as follows:

Name	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group 2019 %	2018 %
Associates				
Shanghai Technologies Aerospace Company Limited #	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	49	49
ST Aerospace (Guangzhou) Aviation Services Company Limited #	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	44	44
Turbine Coating Services Pte Ltd #	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	24.5	24.5
Turbine Overhaul Services Pte Ltd #	Repair and service of gas and steam turbine components	Singapore	49	49
CityCab Pte Ltd #	Rental of taxis and the provision of charge card facilities	Singapore	46.5	46.5
Experia Events Pte. Ltd.	Organising and management of conferences, exhibitions and other related activities, including the biennial Singapore Airshow event	Singapore	33	33
Joint ventures				
Total Engine Asset Management Pte. Ltd. #	Leasing of engines	Singapore	50	50
Keystone Holdings (Global) Pte. Ltd.	Investment holding	Singapore	50	50
SPTel Pte. Ltd. (formerly known as SP Telecommunications Pte Ltd)	Running, operation, management and supply of telecommunications systems	Singapore	51	51

Not audited by KPMG LLP, Singapore and other member firms of KPMG International.

All significant associates and joint ventures that are required to be audited under the law in the country of incorporation are audited by KPMG LLP, Singapore and other member firms of KPMG International, except as indicated above.

(Currency - Singapore dollars unless otherwise stated)

Associates

The following table summarises the information of each of the Group's material associates, which are equity-accounted, based on their respective financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisitions and differences with the Group's accounting policies. The summarised financial information is not adjusted for percentage ownership held by the Group.

Name of associate	**Shanghai Technologies Aerospace Company Limited**	**ST Aerospace (Guangzhou) Aviation Services Company Limited**	**Turbine Coating Services Pte Ltd**	**Turbine Overhaul Services Pte Ltd**	**CityCab Pte Ltd**	**Experia Events Pte. Ltd.**	**Immaterial associates**	**Total**
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Percentage of interest	49%	44%	24.5%	49%	46.5%	33%		
Revenue	90,581	70,700	40,329	339,928	115,748	9,088		
Profit/(loss) after taxation	7,643	7,336	12,527	41,108	14,332	(10,010)		
Other comprehensive loss	(4,746)	(3,043)	(722)	(1,326)	–	–		
Total comprehensive income/(loss)	2,897	4,293	11,805	39,782	14,332	(10,010)		
Attributable to NCI	–	–	–	–	176	–		
Attributable to investee's shareholders	2,897	4,293	11,805	39,782	14,156	(10,010)		
Non-current assets	79,281	110,790	29,096	35,908	148,668	49,522		
Current assets	65,348	32,379	32,207	188,426	69,067	49,150		
Non-current liabilities	–	(15,059)	(1,534)	–	(23,555)	(4,104)		
Current liabilities	(21,410)	(18,958)	(7,584)	(118,517)	(33,300)	(41,718)		
Net assets	123,219	109,152	52,185	105,817	160,880	52,850		
Attributable to NCI	–	–	–	–	1,392	–		
Attributable to investee's shareholders	123,219	109,152	52,185	105,817	159,488	52,850		
Group's interest in net assets of investee at beginning of the year	68,577	46,138	13,910	52,442	74,649	24,044	48,200	327,960
Group's share of:								
- Profit/(loss) for the year	3,745	3,228	3,069	20,143	6,583	(3,303)	(594)	32,871
- Total other comprehensive loss	(2,326)	(1,339)	(177)	(650)	–	–	(1,748)	(6,240)
Total comprehensive income/(loss)	1,419	1,889	2,892	19,493	6,583	(3,303)	(2,342)	26,631
Group's contribution during the year	–	–	–	–	–	–	13,813	13,813
Dividends received during the year	(9,619)	–	(4,017)	(20,085)	(7,068)	(3,300)	(1,900)	(45,989)
Impairment of an associate during the year	–	–	–	–	–	–	(4,000)	(4,000)
Carrying amount of interest in investee at end of the year	60,377	48,027	12,785	51,850	74,164	17,441	53,771	318,415

(Currency - Singapore dollars unless otherwise stated)

Name of associate 2018	Shanghai Technologies Aerospace Company Limited $'000	ST Aerospace (Guangzhou) Aviation Services Company Limited $'000	Turbine Coating Services Pte Ltd $'000	Turbine Overhaul Services Pte Ltd $'000	CityCab Pte Ltd $'000	Experia Events Pte. Ltd. $'000	Immaterial associates $'000	Total $'000
Percentage of interest	49%	44%	24.5%	49%	46.5%	33%		
Revenue	111,681	61,405	47,223	335,111	127,607	54,724		
Profit after taxation	13,317	7,114	16,171	43,259	15,224	15,945		
Other comprehensive (loss)/income	(4,578)	(3,784)	1,101	1,976	–	–		
Total comprehensive income	8,739	3,330	17,272	45,235	15,224	15,945		
Attributable to NCI	–	–	–	–	161	–		
Attributable to investee's shareholders	8,739	3,330	17,272	45,235	15,063	15,945		
Non-current assets	82,953	82,346	30,469	32,455	155,300	52,706		
Current assets	82,437	34,416	37,774	92,449	66,693	37,758		
Non-current liabilities	–	(2,719)	–	–	(25,736)	(3,841)		
Current liabilities	(25,437)	(9,184)	(11,468)	(17,879)	(34,345)	(13,763)		
Net assets	139,953	104,859	56,775	107,025	161,912	72,860		
Attributable to NCI	–	–	–	–	1,377	–		
Attributable to investee's shareholders	139,953	104,859	56,775	107,025	160,535	72,860		
Group's interest in net assets of investee at beginning of the year	64,295	49,589	13,620	53,268	90,895	18,782	25,311	315,760
Group's share of:								
- Profit for the year	6,525	3,345	3,962	21,197	7,004	5,262	43	47,338
- Total other comprehensive (loss)/income	(2,243)	(1,328)	270	968	–	–	982	(1,351)
Total comprehensive income	4,282	2,017	4,232	22,165	7,004	5,262	1,025	45,987
Group's contribution during the year	–	–	–	–	–	–	29,136	29,136
Dividends received during the year	–	–	(3,942)	(22,991)	(23,250)	–	(1,686)	(51,869)
Partial/complete disposal of associates during the year	–	(5,468)	–	–	–	–	(5,586)	(11,054)
Carrying amount of interest in investee at end of the year	68,577	46,138	13,910	52,442	74,649	24,044	48,200	327,960

(Currency - Singapore dollars unless otherwise stated)

Joint ventures

The following table summarises the information of each of the Group's material joint ventures, adjusted for any differences with the Group's accounting policies and reconciles the carrying amount of the Group's interest in joint ventures and the share of profit and other comprehensive income of equity-accounted investment (net of tax). The summarised financial information is not adjusted for the percentage ownership held by the Group.

Name of joint venture **2019**	**Keystone Holdings (Global) Pte. Ltd. $'000**	**Total Engine Asset Management Pte. Ltd. $'000**	**SPTel Pte. Ltd. $'000**	**Immaterial joint ventures $'000**	**Total $'000**
Percentage of interest	50%	50%	51%		
Revenue	22,900	49,563	27,789		
Profit/(loss) after taxation [a]	4,042	9,446	(3,769)		
Other comprehensive loss	(1,852)	(10,662)	–		
Total comprehensive income/(loss)	2,190	(1,216)	(3,769)		
[a] Includes:					
- Depreciation and amortisation of:	11,324	19,059	6,515		
- Interest expense of:	4,358	14,595	722		
- Income tax expense of:	386	2,096	(1,557)		
Non-current assets	222,099	593,133	67,589		
Current assets [b]	19,761	34,562	67,610		
Non-current liabilities [c]	(76,776)	(433,556)	(20,952)		
Current liabilities [d]	(91,442)	(113,905)	(32,235)		
Net assets excluding goodwill	73,642	80,234	82,012		
[b] Includes cash and cash equivalents of:	15,308	16,699	56,387		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	76,776	433,556	20,952		
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	90,867	113,905	7,527		
Group's interest in net assets of investee at beginning of the year	26,000	40,725	46,539	14,479	127,743
Share of total comprehensive income/(loss)	1,095	(608)	(1,922)	962	(473)
Group's contribution during the year	10,476	–	–	2,597	13,073
Acquisition of subsidiary	–	–	–	851	851
Disposal of joint ventures	–	–	–	(4,340)	(4,340)
Dividends received during the year	(750)	–	–	(1,100)	(1,850)
Carrying amount of interest in investee at end of the year	36,821	40,117	44,617	13,449	135,004

(Currency - Singapore dollars unless otherwise stated)

Name of joint venture 2018	**Keystone Holdings (Global) Pte. Ltd. $'000**	**Total Engine Asset Management Pte. Ltd. $'000**	**SPTel Pte. Ltd. $'000**	**Immaterial joint ventures $'000**	**Total $'000**
Percentage of interest	50%	50%	51%		
Revenue	16,825	29,289	20,075		
Profit/(loss) after taxation [a]	5,168	3,830	(10,220)		
Other comprehensive income	1,096	2,806	–		
Total comprehensive income/(loss)	6,264	6,636	(10,220)		
[a] Includes:					
- Depreciation and amortisation of:	10,303	13,249	6,148		
- Interest expense of:	2,586	8,779	–		
- Income tax expense of:	962	2,308	1,345		
Non-current assets	117,583	476,711	29,052		
Current assets [b]	8,508	15,601	79,260		
Non-current liabilities [c]	(56,892)	(360,776)	(2,712)		
Current liabilities [d]	(17,199)	(50,086)	(19,894)		
Net assets excluding goodwill	52,000	81,450	85,706		
[b] Includes cash and cash equivalents of:	6,819	13,287	73,281		
[c] Includes non-current financial liabilities (excluding trade and other payables and provisions) of:	56,892	360,776	2,712		
[d] Includes current financial liabilities (excluding trade and other payables and provisions) of:	13,866	50,086	–		
Group's interest in net assets of investee at beginning of the year	28,656	32,899	51,550	19,522	132,627
Share of total comprehensive income/(loss)	3,132	3,318	(5,011)	1,922	3,361
(Return of capital)/Group's contribution during the year	(3,761)	5,169	–	(441)	967
Dividends received during the year	(2,027)	(661)	–	(6,524)	(9,212)
Carrying amount of interest in investee at end of the year	26,000	40,725	46,539	14,479	127,743

(Currency - Singapore dollars unless otherwise stated)

Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with SFRS(I) 3 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note C3.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, any subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests (NCI) that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustment is made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Consistent accounting policies are applied to like transactions and events in similar circumstances. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses.

(iii) Acquisitions of entities under amalgamation

The Company's interests in ST Engineering Aerospace Ltd., ST Engineering Electronics Ltd., ST Engineering Land Systems Ltd., and ST Engineering Marine Ltd. (collectively referred to as the Scheme Companies) resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 in 1997.

As the amalgamation of the Scheme Companies constitutes a uniting of interests, the pooling of interests method has been adopted in the preparation of the consolidated financial statements in connection with the amalgamation.

Under the pooling of interests method, the combined assets, liabilities and reserves of the pooled enterprises are recorded at their existing carrying amounts at the date of amalgamation. The excess or deficiency of amount recorded as share capital issued (plus any additional consideration in the form of cash or other assets) over the amount recorded for the share capital acquired is recorded as capital reserve.

(iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset at FVOCI, depending on the level of influence retained.

(v) Investments in associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for by the Group using the equity method (except for those acquired by the Group’s Corporate Venture Capital Unit) and are recognised initially at cost, which includes transaction costs.

The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income (OCI) from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interest, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee’s operations or has made payments on behalf of the investee.

For investments in associates acquired by the Group’s Corporate Venture Capital Unit, the Group has elected to measure its investments in associates at FVTPL in accordance with SFRS(I) 9 *Financial Instruments*.

(Currency - Singapore dollars unless otherwise stated)

In the Company's separate financial statements, investments in associates and joint ventures are accounted for at cost, less accumulated impairment losses.

(vi) Transactions eliminated on consolidation

All significant inter-company balances and transactions are eliminated on consolidation.

Recognition and measurement

Goodwill that forms part of the carrying amount of an investment in an associate and/or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and/or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate and/or joint venture may be impaired.

Key estimates and judgements: Critical judgements made in applying accounting policies

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements relates to assessing whether the Group has control over its investee companies.

During the year, the Group assessed the terms and conditions of the shareholders' agreement of subsidiaries that are not wholly-owned by the Group. The Group made critical judgements over:

(a) its ability to exercise power over its investees;
(b) its exposure or rights to variable returns for its investments with those investees; and
(c) its ability to use its power to affect those returns.

The Group's judgement included considerations of its power exercised at the board of the respective investees and rights and obligations arising from matters reserved for the board as agreed with the other shareholders.

F5 Related party information

Key management personnel compensation

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term employee benefits	37,330	37,308
Contributions to defined contribution plans	761	778
Share-based payments	10,620	9,982
	48,711	48,068

In addition to related party information disclosed elsewhere in the financial statements, the Group has significant transactions with the following related parties on terms agreed between the parties.

	Group	
	2019	**2018**
	$'000	**$'000**
Associates of the Group		
Sales and services rendered	4,749	14,442
Purchases and services received	(53,142)	(41,057)
Dividend income	45,989	51,869
Joint ventures of the Group		
Sales and services rendered	25,705	26,161
Purchases and services received	(29,552)	(14,444)
Dividend income	1,850	9,212
Other related parties *		
Sales and services rendered	41,045	38,201
Purchases and services received	(31,672)	(25,581)
Rental expense	(5,641)	(6,481)
Rental income	40	44

* *Other related parties refer to subsidiaries, associates and joint ventures of the immediate holding company.*

F6 Parent entity disclosures

Balance Sheet

	Note	Company	
		2019	**2018**
		$'000	**$'000**
ASSETS			
Non-current assets			
Property, plant and equipment		28,688	18,129
Subsidiaries	(i)	1,327,608	1,328,153
Associates and joint ventures		17,657	17,657
Right-of-use assets		5,511	–
Deferred tax assets		–	365
		1,379,464	1,364,304
Current assets			
Amounts due from related parties	(ii)	58,732	46,382
Advances and other receivables		4,566	9,170
Bank balances and other liquid funds	(iii)	16,271	273,456
		79,569	329,008
Total assets		1,459,033	1,693,312

(Currency - Singapore dollars unless otherwise stated)

Balance Sheet

	Note	Company 2019 $'000	Company 2018 $'000
EQUITY AND LIABILITIES			
Current liabilities			
Trade payables and accruals		18,817	21,337
Amounts due to related parties	(iv)	4,836	210,275
Provision for taxation		876	4,518
Borrowings		118	–
		24,647	236,130
Net current assets		54,922	92,878
Non-current liabilities			
Trade payables and accruals		6,334	8,706
Amounts due to related parties		1,003	964
Deferred tax liabilities		2,268	–
Borrowings		5,434	–
		15,039	9,670
Total liabilities		39,686	245,800
Net assets		1,419,347	1,447,512
Share capital and reserves			
Share capital		895,926	895,926
Treasury shares		(26,731)	(9,030)
Capital reserves	(v)	(3,412)	2,199
Other reserves	(vi)	68,952	65,054
Retained earnings		484,612	493,363
Equity attributable to owners of the Company		1,419,347	1,447,512
Total equity and liabilities		1,459,033	1,693,312

(i) There was capital contribution in the form of performance shares and restricted shares issued to employees of subsidiaries amounting to $109,435,000 in 2019 (2018: $109,980,000).

(ii) Included in the amounts due from related parties are unsecured interest-free loans of $15,000,000 (2018: $17,500,000) which were fully impaired.

Amounts due from related parties denominated in currencies other than the functional currency of the Company as at 31 December 2019 is $2,368,000 (2018: $3,853,000) denominated in USD.

(iii) At the reporting date, bank balances and other liquid funds include $14,171,000 (2018: $271,879,000) placed with a related corporation under a cash pooling arrangement and bears an effective interest of 1.70% per annum (2018: 1.36%). Cash and cash equivalents denominated in currencies other than the functional currency of the Company as at 31 December 2019 is $1,280,000 (2018: $193,826,000) denominated in USD.

(iv) Included in the amounts due to related parties are:

(a) loans of $932,000 (2018: $941,000) bearing interest at 5.03% (2018: 5.03%) per annum. The loans are unsecured and repayable in June 2020; and

(b) an amount of $199,150,000 with a related corporation in the prior year for overdrafts used for cash management purposes and which bore an effective interest of 1.94% to 2.75%.

In the prior year, amounts due to related parties denominated in currencies other than the functional currency of the Company was $857,000 denominated in USD.

(v) It relates to realised gain or loss on re-issuance of treasury shares under share-based payment arrangements.

(vi) It relates to share-based payment reserve as explained in E9.

Financial risk management

- **Interest rate risk**: No interest rate risk exposure was disclosed as the Company had assessed that a reasonable change in the interest rates would not result in any significant impact on the Company's results.

- **Foreign exchange risk**: No foreign exchange sensitivity analysis was disclosed as the Company had assessed that a reasonable change in exchange rates would not result in any significant impact on the Company's results.

- **Liquidity risk**: It is not expected that the cash flows associated with the liabilities of the Company could occur at significantly different amounts.

- **Credit risk**: The Company limits its exposure to credit risk on amounts due from related parties which are mostly short-term in nature and bank balances and other liquid funds placed with reputable financial institutions.

  Management actively monitors the credit ratings of its debtors and does not expect any counterparty to fail to meet its obligations.

  Derivatives are entered into with financial institutions which have long-term rating of at least A3 by Moody's, A- by Standard & Poor's or the equivalent by a reputable credit rating agency.

  Cash and bank deposits are placed with reputable financial institutions.

  As at 31 December 2019, there were no significant concentrations of credit risk.

(Currency - Singapore dollars unless otherwise stated)

G
Others

G1 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 *Insurance Contracts*

G2 Adoption of new standards and interpretations

(a) *Interest Rate Benchmark Reform* (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 1 January 2019 or were designated thereafter and that are directly affected by the interest rate benchmark reform. These amendments also apply to the gain or loss recognised in OCI that existed at 1 January 2019. The details of the accounting policies are disclosed in note C16. See also note C16 for related disclosures about risks and hedge accounting.

(b) SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly the comparative information presented for 2018 is not restated - i.e. it is presented as previously reported, under SFRS(I) 1-17 and related interpretation. The details of the changes in accounting policies are disclosed below. Additionally the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

<u>Definition of a lease</u>

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under SFRS(I) INT 4. Under SFRS(I) 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease as explained in E4.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

(i) Leases classified as operating leases under SFRS(I) 1-17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term or leases of low value assets.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(ii) Leases previously classified as finance leases

For leases that were classified as finance leases under SFRS(I) 1-17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

As a lessor

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with SFRS(I) 16 from the date of initial application.

Under SFRS(I) 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under SFRS(I) 1-17. The Group concluded that the sub-lease is a finance lease under SFRS(I) 16.

The Group applied SFRS(I) 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

(Currency - Singapore dollars unless otherwise stated)

Impacts on financial statements

On transition to SFRS(I) 16, the Group recognised an additional $431,520,000 of right-of-use assets and $389,515,000 of lease liabilities.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019, depending on the country and lease maturity. The rates applied range from 1.6% to 4.8%.

	Group 1 January 2019 $'000
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	390,872
Recognition exemption for:-	
Short-term leases	(12,019)
Leases of low-value assets	(142)
Extension and termination options reasonably certain to be exercised	66,468
	445,179
Discounted using the incremental borrowing rates at 1 January 2019	389,515
Finance lease liabilities recognised as at 31 December 2018	14,719
Lease liabilities recognised at 1 January 2019	404,234