

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

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

## 1. 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 51 Cuppage Road #09-08 Singapore 229469.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited ("Temasek"), a company incorporated in Singapore. Prior to 31 December 2004, the Company's immediate holding company was Singapore Technologies Pte Ltd ("STPL"), a company incorporated in Singapore. Pursuant to a restructuring between Temasek and STPL which was completed on 31 December 2004, substantially all of the assets of STPL (including ordinary shares in the capital of the Company) were transferred by STPL to Temasek. On completion, STPL ceased to be the immediate holding company of the Company with effect from 31 December 2004.

The principal activities of the Company, are those of an investment holding company and the provision of engineering and related services. The principal activities of the subsidiaries are set out in Note 9 to the financial statements.

The financial statements of Singapore Technologies Engineering Ltd and the consolidated financial statements of Singapore Technologies Engineering Ltd and its subsidiaries as at 31 December 2004 and for the year then ended were authorised and approved by the Board of Directors for issuance on 7 January 2005.

The Group and Company employed 11,619 and 57 (2003: 11,748 and 48) employees as at 31 December 2004, respectively.

## 2. Summary of significant accounting policies

### (a) Basis of financial statements preparation

The financial statements, expressed in Singapore dollars, are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Chapter 50.

The financial statements have been prepared on the historical cost convention, modified by the revaluation of certain fixed assets.

The accounting policies have been consistently applied by the Company and the Group and except for changes in accounting policies discussed below, are consistent with those used in the previous year.

### (b) Basis of consolidation

- (i) The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the financial year are included from the effective date of acquisition or up to the effective date of disposal. All significant intercompany balances and transactions are eliminated on consolidation.

In the consolidated financial statements, subsidiaries are accounted for using the purchase method, except for the Company's interests in Singapore Technologies Aerospace Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Kinetics Ltd, and Singapore Technologies Marine Ltd [collectively referred to as the "Scheme Companies"] which resulted from the amalgamation of the Scheme Companies pursuant to a scheme of arrangement under Section 210 of the Companies Act, Chapter 50 ("the Act") 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.

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(Currency – Singapore dollars unless otherwise stated)

## 2. Summary of significant accounting policies (continued)

### (b) Basis of consolidation (continued)

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 merger reserve. The merger reserve had been utilised in prior years to partially write off the goodwill on acquisition of Founders Industries Pte Ltd and its subsidiaries.

- (ii) The Group adopts the equity method to account for its interests in associated companies and joint ventures.

The Group's share of the post-acquisition results of associated companies and joint ventures is included in the consolidated profit and loss account. The Group's share of the post-acquisition accumulated profits and reserves of associated companies and joint ventures is included in the carrying value of the investments in the consolidated balance sheet.

For this purpose, the audited financial statements of the associated companies and joint ventures are used. Where audited financial statements are not available, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period.

- (iii) Goodwill or reserve on consolidation represents the excess or deficiency of the purchase consideration over the fair value (assigned by the directors) of the underlying net assets of the subsidiaries, associated companies and joint ventures at the date of acquisition. Prior to 1 January 2004, goodwill arising on consolidation was capitalised and amortised on a straight-line basis to the consolidated profit and loss account over a period up to a maximum of 20 years. Negative goodwill (i.e. the excess of the fair value of the net identifiable assets acquired over the cost of acquisition) that does not relate to identifiable expected future losses and expenses that can be measured reliably at the date of acquisition and does not exceed the fair values of acquired identifiable non-monetary assets was recognised as income on a systematic basis over the remaining weighted average useful life of the identifiable acquired depreciable/amortisable assets. Negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised immediately in the profit and loss account.

### Change in accounting policy

With effect from 1 January 2004, the Group has changed its accounting policy to early adopt Financial Reporting Standard 103: Business Combinations ("FRS 103"). The early adoption of FRS 103 also requires the early adoption of revised Financial Reporting Standard 36: Impairment of Assets ("FRS 36") and revised Financial Reporting Standard 38: Intangible Assets ("FRS 38"). The early adoption of the above FRSs resulted in a change in the accounting treatment for goodwill during the year. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised, instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The effect of the early adoption of FRS 103, together with the revised FRS 36 and revised FRS 38, resulted in the following adjustments:

- For the year ended 31 December 2004, the early adoption of FRS 103 has eliminated a potential goodwill amortisation to the Statement of Profit and Loss of \$8.8 million. However, an impairment loss of \$0.2 million was charged to the Statement of Profit and Loss during the year; and
- Restatement of the Group's opening retained earnings as at 1 January 2004 of \$0.65 million, arising from the de-recognition of previously recognised negative goodwill.

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(Currency – Singapore dollars unless otherwise stated)

## 2. Summary of significant accounting policies (continued)

### (b) Basis of consolidation (continued)

- (iv) In the preparation of the consolidated financial statements, the balance sheets of foreign subsidiaries, associated companies and joint ventures are translated into Singapore dollars at rates of exchange ruling at the balance sheet date except for share capital and reserves which are translated at historical rates of exchange. Operating results are translated at average rates of exchange for the year. Translation differences are taken to the Foreign Currency Translation Reserve.

Goodwill and fair value adjustments arising from the acquisition of a foreign subsidiary are treated as assets or liabilities and translated at exchange rates ruling at the balance sheet date.

### (c) Long-term investments

#### (i) Subsidiaries

Subsidiaries are those companies controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the financial statements of the Company at cost, less impairment losses.

#### (ii) Associated companies and joint ventures

An associated company is a company not being a subsidiary or joint venture, in which the Group has a substantial interest of not less than 20 percent of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

A joint venture is a company, not being a subsidiary or associated company, in which the Group has a long-term interest of not more than 50 percent of the equity and has joint control over the investee company's financial and operating policies.

Investments in associated companies and joint ventures are stated in the financial statements of the Company at cost, less impairment losses.

#### (iii) Other long-term investments

Other investments held for long-term purposes are stated at cost. Distributions from unquoted equity investments of a venture fund or a limited partnership nature are treated as reductions in investment costs until the costs are fully recovered, after which the distributions are recognised as income.

#### (iv) Quoted investments

Quoted investments excluding quoted bonds, are stated at the lower of cost and market value determined on a portfolio basis.

Quoted bonds held on a long-term basis are stated at the lower of cost, adjusted for amortisation of premiums and accretion of discounts, and market value determined on a portfolio basis.

Provision for impairment in value of long-term investments (other than quoted investments) is made when, in the opinion of the directors, there has been a decline, other than a temporary decline in the value of the investments.

### (d) Short-term investments

- (i) Short-term investments, excluding bonds, are stated at the lower of cost and market value determined on a portfolio basis. Cost is determined on the weighted average method.

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31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 2. Summary of significant accounting policies (continued)

### (d) Short-term investments (continued)

- (ii) Bonds are stated at the lower of cost, adjusted for the amortisation of premium and accretion of discount, and market value determined on a portfolio basis. Cost is determined on the weighted average method.

Premium or discount on purchase of investment is amortised over the period of investment.

### (e) Amounts under fund management

Amounts under fund management are stated at the principal sums net of impairment loss and/or provision for impairment in value on an individual fund basis.

Provision for impairment in value is made up to the non-guaranteed returns of the principal sums by the fund managers when the market value of the fund is below cost.

### (f) Fixed assets and depreciation

Fixed assets are stated at cost or valuation, net of depreciation and any impairment loss. Depreciation is provided on the straight-line basis so as to write off the cost of these assets over their estimated useful lives as follows:

Freehold land and buildings	– 15 to 30 years
Leasehold land and buildings	– Over the period of the lease of between 6.25 to 30 years
Buildings on rented properties	– 30 years
Improvements to premises	– 3 to 30 years
Wharves and slipways	– 10 to 16 years
Syncrolift and floating docks	– 10 years
Boats and barges	– 5 years
Plant and machinery	– 2 to 10 years
Production tools and equipment	– 3 to 10 years
Furniture, fittings, office equipment and computers	– 1 to 5 years
Transportation equipment and vehicles	– 4 to 5 years
Aircraft and aircraft engines	– 5 to 15 years

Low value assets costing less than \$1,000 individually are written off to the profit and loss account.

Construction-in-progress is not depreciated until each stage of development is completed and becomes operational.

Assets purchased specifically for projects are depreciated over the useful life of the class of assets or the duration of the project, whichever is shorter.

### (g) Stocks and work-in-progress

Stocks are stated at the lower of cost (principally on the first-in, first-out basis) and net realisable value. Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

Work-in-progress is valued at cost less progress payments received and receivable. Cost includes all direct material and labour costs, equipment and sub-contracting services, together with appropriate overhead expenses. Provision for foreseeable losses on uncompleted contracts is made in the year in which such losses are determined.

### (h) Trade and other debtors

Trade and other debtors are recognised and carried at original invoiced amount less provision for doubtful debts.

Known bad debts are written off. Specific provisions are made for accounts considered to be doubtful.

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 2. Summary of significant accounting policies (continued)

### (i) *Cash and cash equivalents*

Cash consists of cash on hand and cash with banks or financial institutions, including fixed deposits. Cash equivalents are short-term, highly liquid investments and short-term loans to related corporations that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents are shown net of outstanding bank overdrafts.

### (j) *Loan receivables*

Loan receivables are carried at cost less provision for doubtful loans.

### (k) *Impairment of assets*

Fixed assets, intangible assets, associated companies, joint ventures, subsidiary companies and long-term investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account for items of fixed assets, intangible assets, associated companies, joint ventures, subsidiary companies and long-term investments carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of an impairment loss recognised in prior years is recorded when there is an indication that the impairment loss recognised for an asset no longer exists or has decreased. The reversal is recorded in income.

### (l) *Trade and other creditors*

Trade and other creditors are carried at cost.

### (m) *Borrowings*

Borrowings are carried at cost net of transaction costs.

Borrowing costs are recognised as expenses in the period in which they are incurred.

### (n) *Provisions*

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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### (i) *Warranties*

The warranty provision represents the best estimate of the Group's contractual obligations at the balance sheet date. The provision is based on past experience and industry averages for defective products. The majority of the costs is expected to be incurred over the applicable warranty periods.

#### (ii) *Liquidated Damages*

Provision for liquidated damages is made in respect of anticipated claims from customers on contracts of which deadlines are overdue or not expected to be completed on time in accordance with contractual obligations. The utilisation of provisions is dependent on the timing of claims.



# Notes to the Financial Statements

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## 2. Summary of significant accounting policies (continued)

### (o) *Deferred taxation*

Deferred taxation is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, associated companies and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

### (p) *Employee benefits*

#### (i) *Employee equity compensation benefits*

Pursuant to the ST Engineering Share Option Plan, certain directors and employees are granted non-transferable options to purchase the Company's shares. There are no charges to the profit and loss account upon the grant or exercise of options. When the options are exercised, equity is increased by the amount of the proceeds received.

Pursuant to the ST Engineering Performance Share Plan and ST Engineering Restricted Stock Plan (for executives only), the Company's shares can be awarded to certain employees and directors of the Group. An initial estimate would be made for the cost of compensation under the Performance Share Plan based on the number of shares expected to be awarded at the end of the performance period, valued at market price at the date of grant of the award. The cost is charged to the profit and loss account on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the service period to which the performance criteria relate. At each reporting date, the compensation cost is remeasured based on the latest estimate of the number of shares that will be awarded considering the performance criteria and the market price of the shares at the reporting date. Any increase or decrease in compensation cost over the previous estimate is recorded in that reporting period. The final measure of compensation cost is based on the number of shares ultimately awarded and the market price at the date the performance criteria are met.

#### (ii) *Pensions*

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

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 2. Summary of significant accounting policies (continued)

### (q) *Income recognition*

Income is recognised using the following methods:

- (i) Income from sale of goods and services rendered is recognised upon delivery of goods/services and acceptance by customers.
- (ii) Income from long-term contracts is recognised by reference to stage of completion which is measured by either:
  - (a) the percentage of costs incurred to estimated total costs to complete the contracts; or
  - (b) when goods and services, representing part of a contract, are delivered; or
  - (c) upon completion of designated phases of a contract.

Provision for foreseeable losses on uncompleted contracts is made as soon as such losses are determinable.

- (iii) Dividend income is recognised when the shareholder's rights to receive payment is established.
- (iv) Management fee income is recognised on an accrual basis upon which management services are rendered.
- (v) For certain subsidiaries, the first 25 percent of the total commission receivable for each contract is treated as downpayment and is deferred and taken up in the profit and loss account only upon the discharge of specified contractual obligations. Commission income in respect of each contract in excess of the first 25 percent of the total amount receivable is taken up in the profit and loss account as and when it is billed. For certain back to back contracts, commission income is recognised upon delivery of goods and services.
- (vi) Any surplus arising from amounts under fund management can only be determined at the end of the relevant fund management period. Such surplus, if any, will be recognised as income then.
- (vii) Finance charges from hire purchase financing is recognised based on the sum of digits method over the finance period.
- (viii) Interest income is recognised on an accrual basis.

### (r) *Foreign currency translation*

- (i) The accounting records of the companies in the Group are maintained in their respective measurement currencies. Transactions in foreign currencies during the financial year are recorded in the respective measurement currencies using exchange rates approximating those ruling at transaction dates, except for hedged transactions, which are recorded at the contracted forward exchange rates.
- (ii) Monetary assets and liabilities in foreign currencies, except for foreign currency assets and liabilities hedged by forward exchange contracts, are translated into the respective measurement currencies at rates of exchange approximating those ruling at the balance sheet date. Foreign currency assets and liabilities hedged by forward exchange contracts are translated into the respective measurement currencies at the contracted forward exchange rates. All resultant exchange differences are dealt with through the profit and loss account.

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## 2. Summary of significant accounting policies (continued)

### (s) *Intangible assets*

#### (i) *Research and development expenditure*

Research and development expenditure is charged to the profit and loss account as and when incurred.

#### (ii) *Intellectual property rights*

Costs relating to intellectual property rights, which are acquired are capitalised and amortised on a straight-line basis over its estimated economic useful life of not more than 20 years.

### (t) *Hire purchase and finance leases*

(i) Assets acquired on hire purchase arrangements are capitalised in the financial statements and the corresponding obligations treated as a liability. The total interest, being the difference between the total instalments payable and the capitalised amount, is charged to the profit and loss account over the period of such hire purchase arrangements in equal monthly instalments to produce a constant rate of charge on the balance of capital repayments outstanding.

(ii) Finance leases are those leasing agreements which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease items. Assets financed under such leases are treated as if they had been purchased outright at the present value of the minimum lease payments and the corresponding leasing commitments are shown as obligations to the lessors. Lease payments are treated as consisting of capital and interest elements and interest is charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

(iii) Assets acquired on hire purchase and finance lease arrangements are depreciated in accordance with the policy set out in (f) above.

### (u) *Operating leases*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

### (v) *Government grants*

Grants in recognition of specific expenses are taken to income in the same year as the relevant expenses. Grants related to depreciable assets are deferred and allocated to income over the period in which such assets are depreciated and used in the projects subsidised by the grants.

### (w) *Financial instruments*

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, loans, borrowings and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

### (x) *Segments*

For management purposes, the Group is organised on a worldwide basis into four major operating businesses which is the basis on which the Group reports its primary segment information.

Segment revenue, expenses and results include transfers between business segments and between geographical segments. Such transfers are accounted for on an arm's length basis.

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## 3. Share capital

	<b>Group and Company</b>	
	2004	2003
	\$'000	\$'000
<b>Authorised:</b>		
4,999,999,999 ordinary shares of \$0.10 each and 1 special share of \$0.10 each	500,000	500,000
<b>Issued and fully paid:</b>		
At beginning of the year		
2,886,028,628 (2003: 2,883,952,262) ordinary shares of \$0.10 each and 1 special share of \$0.10 each	288,603	288,395
Issued during the year		
6,136,280 (2003: 2,076,366) ordinary shares of \$0.10 each	614	208
At end of the year		
2,892,164,908 (2003: 2,886,028,628) ordinary shares of \$0.10 each and 1 special share of \$0.10 each	289,217	288,603

Included in share capital is a special share of \$0.10 issued to the Minister for Finance (Incorporated). 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 Articles of Association. The special share may be converted at any time into an ordinary share.

During the financial year, the Company issued 6,136,280 (2003: 2,029,386) ordinary shares of \$0.10 each for cash at the respective price per share upon the exercise of options granted by the Company under ESOS and ESOP:

Grant No.	No. of ordinary shares issued	Price per ordinary share \$
94R1	45,056	0.566
94R5	67,585	0.522
96R1	30,175	0.905
97R1	15,000	0.422
97R2	100,219	0.629
97R5	77,059	0.720
98R1	978,750	1.390
98R3	105,000	1.290
99R1	1,738,350	1.418
9902	5,000	2.000
9902	176,208	2.000
2001	10,216	2.260
2002	1,517,135	1.808
0202N	219	2.290
0208N	512,801	1.920
0302N	532,423	1.790
0308N	223,084	1.860
0308P	2,000	1.860

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### 3. Share capital (continued)

At the end of the financial year, unissued ordinary shares of \$0.10 each of the Company under options granted to eligible employees and directors of the Company are as follows:

#### (i) Options outstanding under the ESOS/ESOP

	Numbers of shares	
	2004	2003
<b>ESOS</b>		
At beginning of the year	60,623,965	64,030,212
Exercised	(4,865,753)	(2,010,334)
Lapsed	(2,332,495)	(1,395,913)
At end of the year	53,425,717	60,623,965
<b>ESOP</b>		
At beginning of the year	76,219,734	50,594,995
Granted and accepted	28,182,289	27,435,971
Exercised	(1,270,527)	(19,052)
Lapsed	(3,332,441)	(1,792,180)
At end of the year	99,799,055	76,219,734

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## 3. Share capital (continued)

### (ii) Details of share options

2004

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOS are as follows:

Date of grant	Balance as at 1.1.2004 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2004	No. of holders at 31.12.2004	Exercise price \$	Exercisable period
9.2.1999	24,480	24,480	–	–	–	1.418	10.2.2001 to 9.2.2004
6.12.1997	45,056	–	45,056	–	–	0.566	18.5.1999 to 28.6.2004
6.12.1997	23,269	23,269	–	–	–	0.873	18.5.1999 to 7.11.2004
6.12.1997	67,585	–	67,585	–	–	0.522	18.5.1999 to 24.12.2004
6.12.1997	34,723	–	–	34,723	3	0.905	18.5.1999 to 2.6.2005
6.12.1997	90,113	–	–	90,113	1	0.422	18.5.1999 to 17.6.2005
6.12.1997	72,056	–	–	72,056	2	0.357	18.5.1999 to 6.12.2005
6.12.1997	84,264	–	30,175	54,089	5	0.905	18.5.1999 to 3.4.2006
6.12.1997	315,396	–	–	315,396	2	0.373	18.5.1999 to 30.8.2006
6.12.1997	174,668	–	–	174,668	3	0.465	18.5.1999 to 16.10.2006
6.12.1997	422,981	–	15,000	407,981	3	0.422	18.5.1999 to 2.4.2007
6.12.1997	100,235	–	100,219	16	3	0.629	18.5.1999 to 7.4.2007
6.12.1997	262,002	–	–	262,002	2	0.492	18.5.1999 to 24.4.2007
6.12.1997	246,589	–	77,059	169,530	3	0.720	11.9.1999 to 9.9.2007
29.4.1998	3,909,750	31,250	978,750	2,899,750	64	1.390	30.4.2000 to 29.4.2008
7.8.1998	470,000	10,000	105,000	355,000	104**	1.290	8.8.2000 to 7.8.2008
9.2.1999	10,478,930	87,420	1,738,350	8,653,160	194**	1.418	10.2.2001 to 9.2.2009
10.8.1999	2,910,380	81,936	176,208	2,652,236	433*	2.000	11.8.2001 to 10.8.2009
10.8.1999	5,000	–	5,000	–	–	2.000	11.8.2001 to 10.8.2004
9.2.2000	31,358,488	1,681,140	10,216	29,667,132	591**	2.260	10.2.2002 to 9.2.2010
9.2.2000	1,250,000	–	–	1,250,000	2***	2.260	10.2.2002 to 9.2.2005
9.2.2000	5,941,000	280,000	1,517,135	4,143,865	88	1.808	10.2.2002 to 9.2.2010
6.9.2000	2,337,000	113,000	–	2,224,000	75	2.390	7.9.2002 to 6.9.2010
<b>Total</b>	<b>60,623,965</b>	<b>2,332,495</b>	<b>4,865,753</b>	<b>53,425,717</b>			

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## 3. Share capital (continued)

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOP are as follows:

Date of grant	Balance as at 1.1.2004 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2004	No. of holders at 31.12.2004	Exercise price \$	Exercisable period
19.2.2001	745,000	–	–	745,000	14 <sup>#</sup>	2.720	20.2.2002 to 19.2.2006
19.2.2001	10,056,703	412,000	–	9,644,703	904 <sup>**</sup>	2.720	20.2.2002 to 19.2.2011
19.2.2001	225,000	–	–	225,000	1 <sup>***</sup>	2.720	20.2.2002 to 19.2.2006
10.8.2001	13,679,141	614,907	–	13,064,234	975 <sup>**</sup>	2.680	11.8.2002 to 10.8.2011
10.8.2001	452,500	–	–	452,500	1 <sup>***</sup>	2.680	11.8.2002 to 10.8.2006
7.2.2002	611,000	–	–	611,000	15 <sup>#</sup>	2.290	8.2.2003 to 7.2.2007
7.2.2002	11,492,190	496,397	219	10,995,574	1,036 <sup>**</sup>	2.290	8.2.2003 to 7.2.2012
12.8.2002	132,000	–	–	132,000	2 <sup>#</sup>	1.920	13.8.2003 to 12.8.2007
12.8.2002	11,685,859	415,939	512,801	10,757,119	1,060 <sup>**</sup>	1.920	13.8.2003 to 12.8.2012
6.2.2003	354,500	–	–	354,500	16 <sup>#</sup>	1.790	7.2.2004 to 6.2.2008
6.2.2003	12,930,018	484,475	532,423	11,913,120	1,090 <sup>**</sup>	1.790	7.2.2004 to 6.2.2013
11.8.2003	336,250	–	–	336,250	17 <sup>#</sup>	1.860	12.8.2004 to 11.8.2008
11.8.2003	13,519,573	488,765	225,084	12,805,724	1,142 <sup>**</sup>	1.860	12.8.2004 to 11.8.2013
9.2.2004	328,200 <sup>##</sup>	–	–	328,200	16 <sup>#</sup>	2.090	10.2.2004 to 9.2.2009
9.2.2004	13,266,653 <sup>##</sup>	355,294	–	12,911,359	1,138 <sup>**</sup>	2.090	10.2.2004 to 9.2.2014
21.6.2004	100,000 <sup>##</sup>	–	–	100,000	1	2.000	22.6.2004 to 21.6.2014
10.8.2004	289,200 <sup>##</sup>	–	–	289,200	16 <sup>#</sup>	2.120	11.8.2004 to 10.8.2009
10.8.2004	14,198,236 <sup>##</sup>	64,664	–	14,133,572	1,292 <sup>**</sup>	2.120	11.8.2004 to 10.8.2014
Total	104,402,023	3,332,441	1,270,527	99,799,055			

\* Includes 1 executive Director and 1 past Director of the Company

\*\* Includes 1 executive Director of the Company

\*\*\* Includes 1 past Director of the Company

# Includes Directors of the Company and its subsidiaries

## These numbers relate to options granted and accepted in 2004

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 3. Share capital (continued)

2003

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOS are as follows:

Date of grant	Balance as at 1.1.2003 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2003	No. of holders at 31.12.2003	Exercise price \$	Exercisable period
29.4.1998	36,000	36,000	–	–	–	1.390	30.4.2000 to 29.4.2003
7.8.1998	5,000	5,000	–	–	–	1.290	8.8.2000 to 7.8.2003
9.2.1999	24,480	–	–	24,480	1	1.418	10.2.2001 to 9.2.2004
6.12.1997	45,056	–	–	45,056	1	0.566	18.5.1999 to 28.6.2004
6.12.1997	23,269	–	–	23,269	3	0.873	18.5.1999 to 7.11.2004
6.12.1997	67,585	–	–	67,585	2	0.522	18.5.1999 to 24.12.2004
6.12.1997	34,723	–	–	34,723	3	0.905	18.5.1999 to 2.6.2005
6.12.1997	90,113	–	–	90,113	1	0.422	18.5.1999 to 17.6.2005
6.12.1997	92,641	–	20,585	72,056	2	0.357	18.5.1999 to 6.12.2005
6.12.1997	155,164	–	70,900	84,264	6	0.905	18.5.1999 to 3.4.2006
6.12.1997	315,396	–	–	315,396	2	0.373	18.5.1999 to 30.8.2006
6.12.1997	251,727	–	77,059	174,668	3	0.465	18.5.1999 to 16.10.2006
6.12.1997	478,566	–	55,585	422,981	3	0.422	18.5.1999 to 2.4.2007
6.12.1997	101,185	–	950	100,235	5	0.629	18.5.1999 to 7.4.2007
6.12.1997	380,160	–	118,158	262,002	2	0.492	18.5.1999 to 24.4.2007
6.12.1997	246,589	–	–	246,589	4	0.720	11.9.1999 to 9.9.2007
29.4.1998	4,157,750	–	248,000	3,909,750	89	1.390	30.4.2000 to 29.4.2008
7.8.1998	530,000	–	60,000	470,000	127**	1.290	8.8.2000 to 7.8.2008
9.2.1999	11,553,120	400	1,073,790	10,478,930	257**	1.418	10.2.2001 to 9.2.2009
10.8.1999	2,968,380	48,693	9,307	2,910,380	480*	2.000	11.8.2001 to 10.8.2009
10.8.1999	5,000	–	–	5,000	1	2.000	11.8.2001 to 10.8.2004
9.2.2000	32,139,308	780,820	–	31,358,488	622**	2.260	10.2.2002 to 9.2.2010
9.2.2000	1,250,000	–	–	1,250,000	2***	2.260	10.2.2002 to 9.2.2005
9.2.2000	6,566,000	349,000	276,000	5,941,000	149	1.808	10.2.2002 to 9.2.2010
6.9.2000	2,513,000	176,000	–	2,337,000	79	2.390	7.9.2002 to 6.9.2010
<b>Total</b>	<b>64,030,212</b>	<b>1,395,913</b>	<b>2,010,334</b>	<b>60,623,965</b>			

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 3. Share capital (continued)

Details of share options to subscribe for ordinary shares of \$0.10 each pursuant to ESOP are as follows:

Date of grant	Balance as at 1.1.2003 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2003	No. of holders at 31.12.2003	Exercise price \$	Exercisable period
19.2.2001	745,000	–	–	745,000	14 <sup>#</sup>	2.720	20.2.2002 to 19.2.2006
19.2.2001	10,343,485	286,782	–	10,056,703	953 <sup>**</sup>	2.720	20.2.2002 to 19.2.2011
19.2.2001	225,000	–	–	225,000	1 <sup>***</sup>	2.720	20.2.2002 to 19.2.2006
10.8.2001	14,128,533	449,392	–	13,679,141	1,032 <sup>**</sup>	2.680	11.8.2002 to 10.8.2011
10.8.2001	452,500	–	–	452,500	1 <sup>***</sup>	2.680	11.8.2002 to 10.8.2006
7.2.2002	611,000	–	–	611,000	15 <sup>#</sup>	2.290	8.2.2003 to 7.2.2007
7.2.2002	11,879,224	387,034	–	11,492,190	1,096 <sup>**</sup>	2.290	8.2.2003 to 7.2.2012
12.8.2002	132,000	–	–	132,000	2 <sup>#</sup>	1.920	13.8.2003 to 12.8.2007
12.8.2002	12,078,253	373,342	19,052	11,685,859	1,120 <sup>**</sup>	1.920	13.8.2003 to 12.8.2012
6.2.2003	354,500 <sup>##</sup>	–	–	354,500	16 <sup>#</sup>	1.790	7.2.2004 to 6.2.2008
6.2.2003	13,176,142 <sup>##</sup>	246,124	–	12,930,018	1,149 <sup>**</sup>	1.790	7.2.2004 to 6.2.2013
11.8.2003	336,250 <sup>##</sup>	–	–	336,250	17 <sup>#</sup>	1.860	12.8.2004 to 11.8.2008
11.8.2003	13,569,079 <sup>##</sup>	49,506	–	13,519,573	1,203 <sup>**</sup>	1.860	12.8.2004 to 11.8.2013
Total	78,030,966	1,792,180	19,052	76,219,734			

\* Includes 1 executive Director and 1 past Director of the Company

\*\* Includes 1 executive Director of the Company

\*\*\* Includes 1 past Director of the Company

# Includes Directors of the Company and its subsidiaries

## These numbers relate to options granted and accepted in 2003

### (iii) Details of share options exercised

	No. of shares	Exercise price \$	Proceeds from share issue \$'000	Share price \$
<b>2004</b>				
January to March	3,274,394	0.629 – 2.260	5,200	2.04 – 2.16
April to June	363,004	0.422 – 2.000	543	1.91 – 2.11
July to September	1,221,967	1.290 – 2.290	1,953	2.02 – 2.17
October to December	1,276,915	0.422 – 2.260	1,963	2.02 – 2.33
	<b>6,136,280</b>			
<b>2003</b>				
January to March	518,309	0.357 – 1.418	579	1.68 – 1.81
April to June	305,138	0.492 – 1.808	307	1.60 – 1.79
July to September	587,518	0.629 – 2.000	855	1.79 – 1.99
October to December	618,421	1.290 – 2.000	948	1.93 – 2.06
	<b>2,029,386</b>			

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 4. Share premium

The share premium account may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

During the financial year, the movement in the share premium account arises from the issuance of 6,136,280 (2003: 2,029,386) ordinary shares of \$0.10 each at between \$0.422 and \$2.290 (2003: \$0.357 and \$2.000) per share for cash upon the exercise of options under the ESOS/ESOP.

## 5. Capital reserve

This amount relates to share premium of the respective pooled enterprises, namely Singapore Technologies Aerospace Ltd, Singapore Technologies Electronics Limited, Singapore Technologies Kinetics Ltd and Singapore Technologies Marine Ltd classified as capital reserve upon the pooling of interests during the financial year ended 31 December 1997.

## 6. Statutory reserve

Two subsidiaries follow the accounting principles and relevant financial regulations of the People's Republic of China ("PRC GAAP") applicable to wholly foreign-owned enterprises and Sino-foreign equity joint venture enterprises in the preparation of the accounting records and statutory financial statements. The subsidiaries are required to appropriate 10% of the profit arrived at under PRC GAAP for each year to a statutory reserve. The appropriation to statutory reserve must be made before distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the subsidiary. The statutory reserve can only be used, upon approval by the relevant authority, to offset accumulated losses or increase capital.

## 7. Unappropriated profit

	Group	
	2004 \$'000	2003 \$'000
Retained by:		
The Company	359,426	327,921
Subsidiaries	435,036	454,671
Associated companies and joint ventures	89,441	68,896
	<u>883,903</u>	<u>851,488</u>

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 8. Fixed assets

### The Group

	Valuation/Cost						As at 31.12.2004 \$'000
	As at 1.1.2004 \$'000	Additions \$'000	Disposals \$'000	Arising from dilution of interest in subsidiaries \$'000	Reclassifications \$'000	Translation difference \$'000	
<b>At 1972 Valuation</b>							
Leasehold land and buildings	1,919	–	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	–	–	–	1,490
Syncrolift and floating docks	4,603	–	–	–	–	–	4,603
Plant and machinery	1,694	–	–	–	–	–	1,694
Furniture, fittings, office equipment and computers	279	–	–	–	–	–	279
<b>At Cost</b>							
Freehold land and buildings	53,720	138	(7)	–	(1,572)	(1,913)	50,366
Leasehold land and buildings	400,623	11,449	(2,876)	–	8,860	(1,712)	416,344
Buildings on rented properties	37,347	10,075	–	–	2,826	–	50,248
Improvements to premises	28,906	1,556	(146)	(121)	(229)	(606)	29,360
Wharves and slipways	19,631	123	–	–	71	–	19,825
Syncrolift and floating docks	68,781	–	–	–	–	–	68,781
Boats and barges	5,620	–	(76)	–	–	(86)	5,458
Plant and machinery	333,885	25,899	(10,389)	–	(1,116)	(3,426)	344,853
Production tools and equipment	126,037	12,388	(1,406)	–	(823)	(526)	135,670
Furniture, fittings, office equipment and computers	130,778	9,742	(12,095)	(229)	3,528	(280)	131,444
Transportation equipment and vehicles	10,904	1,422	(1,399)	(20)	13	(34)	10,886
Aircraft and aircraft engines	40,339	–	–	–	–	–	40,339
Construction-in- progress	6,150	11,115	–	–	(12,507)	(113)	4,645
	1,272,706	83,907	(28,394)	(370)	(949)	(8,696)	1,318,204

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 8. Fixed assets (continued)

### The Group

	Accumulated depreciation							As at 31.12.2004 \$'000
	As at 1.1.2004 \$'000	Depreciation charge for the year \$'000	Impairment loss \$'000	Arising from dilution of interest in subsidiaries \$'000	Disposals \$'000	Reclassifications \$'000	Translation difference \$'000	
<b>At 1972 Valuation</b>								
Leasehold land and buildings	1,919	–	–	–	–	–	–	1,919
Wharves and slipways	1,490	–	–	–	–	–	–	1,490
Syncrolift and floating docks	4,603	–	–	–	–	–	–	4,603
Plant and machinery	1,694	–	–	–	–	–	–	1,694
Furniture, fittings, office equipment and computers	279	–	–	–	–	–	–	279
<b>At Cost</b>								
Freehold land and buildings	5,818	1,587	–	–	(2)	(104)	(229)	7,070
Leasehold land and buildings	204,051	17,819	–	–	(68)	–	(603)	221,199
Buildings on rented properties	18,043	1,373	–	–	–	–	–	19,416
Improvements to premises	8,864	4,121	–	(64)	(134)	(197)	(116)	12,474
Wharves and slipways	13,455	1,058	–	–	–	–	(1)	14,512
Syncrolift and floating docks	51,490	5,992	–	–	–	–	–	57,482
Boats and barges	3,942	742	–	–	(20)	–	(45)	4,619
Plant and machinery	288,268	18,193	796	–	(9,658)	(2,281)	(2,706)	292,612
Production tools and equipment	107,037	10,074	–	–	(1,387)	(447)	(339)	114,938
Furniture, fittings, office equipment and computers	114,991	10,836	–	(108)	(12,030)	2,865	(208)	116,346
Transportation equipment and vehicles	8,867	868	–	(15)	(1,296)	(14)	(25)	8,385
Aircraft and aircraft engines	18,648	5,028	–	–	–	–	–	23,676
	853,459	77,691	796	(187)	(24,595)	(178)	(4,272)	902,714

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 8. Fixed assets (continued)

The Group	Depreciation charge	Net book value	
	2003 \$'000	2004 \$'000	2003 \$'000
<b>At 1972 Valuation</b>			
Leasehold land and buildings	–	–	–
Wharves and slipways	–	–	–
Syncrolift and floating docks	–	–	–
Plant and machinery	–	–	–
Furniture, fittings, office equipment and computers	–	–	–
<b>At Cost</b>			
Freehold land and buildings	1,266	43,296	47,902
Leasehold land and buildings	20,550	195,145	196,572
Buildings on rented properties	1,160	30,832	19,304
Improvements to premises	3,480	16,886	20,042
Wharves and slipways	1,025	5,313	6,176
Syncrolift and floating docks	7,631	11,299	17,291
Boats and barges	576	839	1,678
Plant and machinery *	21,364	52,241	45,617
Production tools and equipment	12,295	20,732	19,000
Furniture, fittings, office equipment and computers	12,233	15,098	15,787
Transportation equipment and vehicles	954	2,501	2,037
Aircraft and aircraft engines	3,911	16,663	21,691
Construction-in-progress	–	4,645	6,150
	86,445	415,490	419,247

\* The net book value of fixed assets amounting to \$771,000 (2003: \$423,000) were reclassified to other assets due to changes in the use of these assets (Note 17).

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 8. Fixed assets (continued)

### The Company

	At Cost		
	As at 1.1.2004 \$'000	Additions \$'000	As at 31.12.2004 \$'000
Furniture, fittings, office equipment and computers	728	143	871
Transportation equipment and vehicles	–	298	298
	728	441	1,169
	Accumulated depreciation		
	As at 1.1.2004 \$'000	Depreciation charge for the year \$'000	As at 31.12.2004 \$'000
Furniture, fittings, office equipment and computers	592	120	712
Transportation equipment and vehicles	–	5	5
	592	125	717
	Depreciation charge 2003 \$'000	Net book value 2004 \$'000	2003 \$'000
Furniture, fittings, office equipment and computers	155	159	136
Transportation equipment and vehicles	–	293	–
	155	452	136

Included in the above are fixed assets acquired under finance leases with a net book value of:

	Group	
	2004 \$'000	2003 \$'000
Leasehold land and buildings	4,166	4,841
Furniture, fittings, office equipment and computers	69	189
	4,235	5,030

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 8. Fixed assets (continued)

### The Group

(a) Assets which are shown at valuation are stated at values arrived at by an independent firm of professional valuers on 30 November 1972, on the basis of open market value for existing use. There is no fixed frequency of revaluation. Revaluation will be performed as and when deemed appropriate by the Directors.

(b) The major properties of the Group comprise:

#### (i) Freehold land and buildings

Location	Description	Land area (sq. m.)	Net book value	
			2004 \$'000	2003 \$'000
<b>Malaysia</b>				
Awana Chalet 8th mile, Genting Highlands, 69000 Genting Highlands, Pahang	Staff recreation and apartment unit	117	130	162
<b>USA</b>				
7801 Trinity Drive, Escatawpa, Mississippi	Shipyards and buildings	839,564	6,654	7,035
5801 Elder Ferry Road, Moss Point, Mississippi	Shipyards and buildings	227,151	6,007	6,354
900 Bayou Casotte Parkway, Pascagoula, Mississippi	Shipyards and buildings	331,803	24,042	25,712
3800 Richardson Road, South, Hope Hull, AL 36043	Production facility	8,361	5,105	5,365

#### (ii) Leasehold land and buildings

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2004 \$'000	2003 \$'000
<b>Singapore</b>					
501 Airport Road	Factory and office building	20 years from 1.6.1993	23,899	4,098	4,401
503 Airport Road	Factory and office building	20 years from 1.6.1993	7,175	1,188	1,388
540 Airport Road	Warehouse and office building	30 years from 15.8.1985	5,850	1,662	1,817
	Hangar and office building	30 years from 1.1.1984	18,918	4,950	5,457
8 Changi North Way	Hangar and office building	30 years from 1.1.1992	75,713	42,267	44,751
	Hangar and office building	22.5 years from 16.6.1999	14,860	4,085	4,325
24 Ang Mo Kio Street 65	Industrial and commercial buildings	30 years from 1.12.1982, renewable to 2042	23,970	13,239	14,663
100 Jurong East Street 21	Industrial and commercial buildings	30 years from 1.11.1988, renewable to 2048	11,232	9,338	–

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 8. Fixed assets (continued)

### (ii) Leasehold land and buildings (continued)

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2004 \$'000	2003 \$'000
<b>Singapore</b>					
5 Portsdown Road	Industrial and commercial buildings	3 years from 1.12.2002, renewable to 2010	88,400	1,240	1,661
5 Ubi Close	Car showroom cum workshop	30 years from 1.8.1994	6,274	18,037	19,310
33 Tuas Avenue 2	Factory and office building	30 years from 1.4.1996	6,669	3,114	3,261
16 Benoi Crescent	Industrial and commercial buildings	30 years from 16.7.1989	6,981	3,926	4,200
249 Jalan Boon Lay	Industrial and commercial buildings	27 years from 1.10.2001 to 31.12.2028 (renewable to 10.10.2065)	120,000	8,505	9,316
2D Ayer Rajah Crescent	Industrial and commercial buildings	3 years from 1.4.2004 to 31.3.2007	29,404	–	688
16 Tuas Avenue 7	Industrial buildings	30 years from 16.8.1983	12,029	1,663	1,815
601 Rifle Range Road	Industrial buildings	Renewable every year *	1,380,983	3,451	4,782
15 Chin Bee Drive	Industrial building	60 years from 1.8.1973	39,640	4,967	5,784
7 Benoi Road	Buildings, foreshore and workshops	56 years from 1.6.1969	103,802	21,194	22,831
60 Tuas Road	Buildings, foreshore and workshops	30 years from 1.12.1992	125,262	7,590	11,073
<b>USA</b>					
2100 9th Street Brookley Complex, Mobile, Alabama	Hangar and office building	22 years from 1.1.1991	103,825	25,592	18,303
9800 John Saunders Road, San Antonio, Texas	Hangars and office building	16 <sup>7</sup> / <sub>12</sub> years from 1.6.2002	195,663	11,668	13,421
<b>People's Republic of China</b>					
555 Kanghua Road, Kangqiao Industrial Area, Pudong Shanghai	Industrial building	50 years from 12.6.2003 to 27.7.2052	15,890	4,122	4,504

\* This relates to buildings constructed by a subsidiary on properties rented from the Ministry of Defence on leases which are renewable every year. In view of the relationship between the landlord and the subsidiary, the cost of the buildings is depreciated over 30 years.

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 8. Fixed assets (continued)

### (iii) Buildings on rented properties

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2004 \$'000	2003 \$'000
<b>Singapore</b>					
540 Airport Road	Hangars and office building	3 years lease from 1.7.2003 <sup>#</sup>	51,599	30,832	19,304

<sup>#</sup> The buildings on rented properties relate to buildings constructed by one of the subsidiaries on properties rented from the Ministry of Defence on leases which are renewable every three years. In view of the relationship between the landlord and the subsidiary, the cost of the buildings on rented properties is depreciated over 30 years.

## 9. Subsidiaries

	Company	
	2004 \$'000	2003 \$'000
Unquoted shares, at cost:		
Singapore Technologies Aerospace Ltd	90,114	90,114
Singapore Technologies Electronics Limited	26,982	26,982
Singapore Technologies Kinetics Ltd	61,938	61,938
Singapore Technologies Marine Ltd	56,000	56,000
Vision Technologies Systems, Inc.	87,901	87,901
Singapore Technologies Dynamics Pte Ltd	6,000	6,000
ST Synthesis Pte Ltd	2,156	2,156
FusionTech Pte. Ltd.	1,000	1,000
	<b>332,091</b>	<b>332,091</b>
Provision for impairment	<b>(6,000)</b>	<b>(6,000)</b>
Carrying amount after provision for impairment	<b>326,091</b>	<b>326,091</b>

Details of the subsidiaries are as follows:

	Effective equity interest held by the Group	
	2004 %	2003 %
(a) <i>Singapore Technologies Aerospace Ltd and its subsidiaries</i>	100	100
ST Aerospace Engineering Pte Ltd and its subsidiaries:	100	100
ST PAE Holdings Pty Ltd	100	100
Pacific Flight Services Pte Ltd	100	100
ST Aerospace Engines Pte Ltd	100	100
ST Aerospace Systems Pte Ltd	100	100
ST Aerospace Supplies Pte Ltd and its subsidiary:	100	100
iShopAero Pte Ltd	100	100
ST Aerospace International Structures Pte Ltd	100	100
ST Aviation Resources Pte Ltd and its subsidiary:	100	50
ST Aviation Resources 1 Limited	100	50
ST Aviation Services Co Pte Ltd	80	80
Visiontech Investment Pte Ltd	100	100

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

	Effective equity interest held by the Group	
	2004	2003
	%	%
Singapore Aerospace (UK) Investments Pte Ltd and its subsidiaries:	100	100
Singapore Technologies Engineering (Europe) Ltd	100	100
Airline Rotables Limited	100	100
Singapore Aerospace Kabushiki Kaisha	100	100
Visiontech Engineering Pte Ltd	51	51
ST Airport Ground Services Pte Ltd	100	100
Bournemouth Aviation Services Company Limited	81	60
Singapore British Engineering Pte Ltd	51	51
<b>(b) Singapore Technologies Electronics Limited and its subsidiaries</b>	<b>100</b>	<b>100</b>
SEEL Electronic & Engineering Sdn Bhd	100	100
SES Systems Pte. Ltd. and its subsidiaries:	100	100
INFA Systems Limited	70	70
Xinke Information Systems Ltd	100	–
ST Training & Simulation Pte Ltd and its subsidiaries:	100	100
Interactive Visual Laboratory Pte Ltd	100	100
ST Education & Training Private Limited	70	70
CET Technologies Pte Ltd and its subsidiaries:	100	100
DigiSAFE Pte Ltd and its subsidiaries:	100	100
DataMark Technologies Pte Ltd	61.12	61.12
DigiSAFE, Inc. <sup>+</sup>	–	100
Agilis Communication Technologies Pte Ltd and its subsidiary:	100	100
ST Electronics (Sichuan) Co., Ltd	100	100
ST Electronics (Shanghai) Co., Ltd and its subsidiary:	100	100
ST Electronics-PCI Co. Ltd	51	–
iTS Technologies Pte Ltd and its subsidiary:	100	100
Prescient Systems & Technologies Pte. Ltd.	51	–
ST Electronics (Taiwan) Limited	100	100
Intellect Technologies, Incorporated	78.57	78.57
Ripple Systems Pty Ltd	70	70
<b>(c) Singapore Technologies Kinetics Ltd and its subsidiaries</b>	<b>100</b>	<b>100</b>
Singapore Ordnance Engineering Pte. Ltd.	100	100
Mobility Systems Pte Ltd and its subsidiaries:	100	100
Silvatech Global Systems Limited	50**	50**
Silvatech Systems Corporation Pte Ltd and its subsidiaries:	50**	50**
Int. Silvatech Industries Inc.	50**	50**
Silvatech Systems Marketing Inc.	50**	50**
STA Inspection Pte Ltd and its subsidiary:	100	100
JuzclickCar.com Pte Ltd	90	90
Singapore Commuter Private Limited	100	100
ST Automotive Industrial Pte Ltd	100	100
STA Investment Pte Ltd	100	100
ST Automotive (Vietnam) Pte Ltd	100	100
STA Detroit Diesel-Allison (Singapore) Pte Ltd	100	100
Shanghai Elite Electric Vehicles Co., Ltd	100	100
Expert Systems Pte Ltd	100	100



# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

Further details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Singapore Technologies Aerospace Ltd	Investment holding and provision of engineering, marketing and engineering support services	Singapore
ST Aerospace Engineering Pte Ltd	Repair, maintenance and servicing of aircraft	Singapore
ST PAE Holdings Pty Ltd	Investment holding	Australia
Pacific Flight Services Pte Ltd	Providing air transport services	Singapore
ST Aerospace Engines Pte Ltd	Repair and overhaul of aircraft engines	Singapore
ST Aerospace Systems Pte Ltd	Service, repair and overhaul of aircraft components	Singapore
ST Aerospace Supplies Pte Ltd	Trading, Maintenance-By-The-Hour services for component and repair management and warehousing services for aircraft equipment, parts and components	Singapore
iShopAero Pte Ltd	Trading, e-commerce and information technology related services for the aerospace industry	Singapore
ST Aerospace International Structures Pte Ltd	Designing, developing and manufacturing aircraft, engines, equipment, accessories, components and such other parts	Singapore
ST Aviation Resources Pte Ltd	Investment holding	Singapore
ST Aviation Resources 1 Limited #	Investment holding and aircraft leasing business	British Virgin Islands
ST Aviation Services Co Pte Ltd	Repair, maintenance, modification and servicing of commercial aircraft	Singapore
Visiontech Investment Pte Ltd	Investment holding and dealing	Singapore
Singapore Aerospace (UK) Investments Pte Ltd	Investment holding	UK
Singapore Technologies Engineering (Europe) Ltd	Providing marketing and investment services to the Group	UK
Airline Rotables Limited	Providing component management and support services for aircraft	UK
Singapore Aerospace Kabushiki Kaisha #	Providing marketing services to the Group	Japan

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Visiontech Engineering Pte Ltd	Provision of engineering services for the repair, maintenance and modification of aircraft, aircraft equipment and components	Singapore
ST Airport Ground Services Pte Ltd	Investment holding and provision of airport ground cargo and passenger handling services	Singapore
Bournemouth Aviation Services Company Limited	Repair and maintenance of aircraft	UK
Singapore British Engineering Pte Ltd	Marketing and sale of a range of defence products and associated equipment and participating in the development of new products and systems	Singapore
Singapore Technologies Electronics Limited	Design, development, supply, installation, integration and maintenance of transportation, intelligent building, defence electronic and communication systems	Singapore
SEEL Electronic & Engineering Sdn Bhd	Sales of electronic instruments and equipment, electronic engineering and systems integration services for infrastructure projects as well as maintenance and calibration of electronic equipment	Malaysia
SES Systems Pte. Ltd.	Design, development and supply of real-time/mission critical systems and provision of related maintenance services	Singapore
INFA Systems Limited	Provision for services in consulting, designing and developing systems integration, the maintenance and support of operational and computer systems and sales and distribution of system equipment	Hong Kong
Xinke Information Systems Ltd	Providing IT outsourcing services, software applications development and turnkey solutions	People's Republic of China
ST Training & Simulation Pte Ltd	Design, development, supply, integration and maintenance of training and simulation systems	Singapore
Interactive Visual Laboratory Pte Ltd	Design, development and manufacture of computers and data processing systems, as well as provision of services for the processing and maintenance of data and information	Singapore
ST Education & Training Private Limited	Provision of education and training, management and consultancy services for operational and technical domains of maritime, aerospace and land services and industries	Singapore

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
CET Technologies Pte Ltd	Design, development, systems integration, manufacturing and sale of communication equipment, GPS-based fleet management system, traffic management system, info appliances and defence electronics	Singapore
DigiSAFE Pte Ltd	Design, development, sale and provision of technical support for information security products, solutions and services	Singapore
DataMark Technologies Pte Ltd	Develop and provide digital water marking and related solutions	Singapore
Agilis Communication Technologies Pte Ltd	Manufacture of microwave components and sub-system, system integration and provision of related repairs and maintenance for the telecommunications and defence electronics industries	Singapore
ST Electronics (Sichuan) Co., Ltd	Maintenance of communication and other related apparatus and consultant service of telecommunication technology	People's Republic of China
ST Electronics (Shanghai) Co., Ltd	Development and manufacturing of computer control and management systems, microwave control systems, simulation and training systems, security systems, MRT passenger information systems, MRT autofare collection system, MRT platform screen door system and related software. Provision of related technical consultation and aftersales services and sale of in-house products.	People's Republic of China
ST Electronics-PCI Co. Ltd	Computer software and hardware R&D and manufacture, computer supervise and control management system, microwave system, simulation and training system, security management system and peripheral devices, selling in-house products, and offering relevant system integration and skill consultation and after-sales service. Electronic technologies, industry automatic equipment R&D, electronic consulting service, system integration and network engineering installation.	People's Republic of China
iTS Technologies Pte Ltd	Development, marketing and maintenance of advance simulation and training systems for the aircraft and other industries	Singapore

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Prescient Systems & Technologies Pte. Ltd.	Business of developing, producing and marketing non-real time and real time instrumentation systems for defence and commercial applications	Singapore
ST Electronics (Taiwan) Limited #	Provide integration for large-scale system projects in rail, expressway and intelligent building management solutions	Taiwan
Intellect Technologies, Incorporated #	Development and supply of a family of multi-access optical networking equipment	USA
Ripple Systems Pty Ltd	Design, develop and implement innovative software systems for technically challenging integration applications. Key markets for these applications are rail command and control, intelligent transport systems for road infrastructure, and identification and transaction processing for SmartCard and Micropayment applications.	Australia
Singapore Technologies Kinetics Ltd	Provision of design and engineering services, manufacture, sales and knowhow transfer of military and commercial vehicles, automotive subsystems, armament, weapons, weapon systems, ammunition and explosives and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of vehicles and weapon systems, and trading in motor vehicles, equipment, vehicle spares and related accessories	Singapore
Singapore Ordnance Engineering Pte. Ltd.	Workshop and provision of engineering services	Singapore
Mobility Systems Pte Ltd	Investment holding	Singapore
Silvatech Global Systems Limited #	Owns the intellectual property rights to electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions technologies, and equipment powered by such drives	British Virgin Islands
Silvatech Systems Corporation Pte Ltd	Designing, manufacturing, marketing and managing licencees of technologies and products using electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions, and equipment powered by such drives, globally	Singapore

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Int. Silvatech Industries Inc. #	Research and development, manufacturing and sales of electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions technologies, and equipment powered by such drives	Canada
Silvatech Systems Marketing Inc. #	Marketing of products to the North American market using electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions technologies, and equipment powered by such drives	Canada
STA Inspection Pte Ltd	Inspection of heavy goods vehicles, light vehicles, motor cars, buses and motorcycles, provision of vehicle inspection project management, provision of independent damage assessment services as well as to act as the commission agent for the sale and purchase of motor vehicle spare parts mainly conducted online via the internet	Singapore
JuzclickCar.com Pte Ltd	Dormant	Singapore
Singapore Commuter Private Limited	Dormant	Singapore
ST Automotive Industrial Pte Ltd	Dormant	Singapore
STA Investment Pte Ltd	Investment dealing	Singapore
ST Automotive (Vietnam) Pte Ltd	Dormant	Singapore
STA Detroit Diesel-Allison (Singapore) Pte Ltd	Assembling and marketing of diesel engines and related products and the provision of technical services, field services, repair and maintenance services	Singapore
Shanghai Elite Electric Vehicles Co., Ltd	Manufacture and sale of electric bicycles and provision of vehicle repairs and consultancy services	People's Republic of China
Expert Systems Pte Ltd	Dormant	Singapore
Singapore Test Services Private Limited	Provision of professional engineering consultancy, tests, inspection, certification and related services	Singapore
SAO Industrial Services Pte Ltd	Dormant	Singapore

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Chartered Ammunition Industries Pte Ltd	Provision of design and engineering services, manufacture, sales, disposal and knowhow transfer of precision munitions, ammunition, armament, weapon systems, military equipment, explosives, hand-grenades, thunder-flashes, pyrotechnic products and gunpowder and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of ammunition and weapon systems, and related services	Singapore
Chartered Pyrotechnic Industries Private Limited	Manufacture and sale of pyrotechnic products	Singapore
Unicorn International Pte Limited	Trading and marketing of military products	Singapore
Allied Ordnance of Singapore (Pte) Limited	Provision of design and engineering services, manufacture, sales and knowhow transfer of armament, weapons, weapon systems, ammunition, explosives, weapon magazines, military equipment, machines, tools, spares and components and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of guns and weapons systems, and related services	Singapore
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	Provision of design and engineering services, manufacture, sales and knowhow transfer of armament, weapons, weapon systems, ammunition, explosives, weapon magazines, military equipment, machines, tools, spares and components and the provision of engineering services for assembly, upgrading/modifications, maintenance, repair and overhaul of guns and weapons systems, and related services	Singapore
Autonomous Technology Pte Ltd ###	Dormant	Singapore
Kinetics Systems (Shanghai) Co. Ltd.	Manufacture of vehicle drive systems, industrial drive motors, small external combustion engines, and sale of self manufactured products	People's Republic of China
Founders Industries Pte Ltd *	Dormant	Singapore
Ordnance Development and Engineering Company of Singapore (Private) Limited *	Dormant	Singapore

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Singapore Technologies Marine Ltd	Construction and repair of naval and commercial vessels, design, integration, fabrication, installation of military and commercial engineering equipment and the provision of engineering consultancy and technical management services	Singapore
STSE Engineering Services Pte Ltd	Contractor, developer and sub-contractor of engineering and engineering related works and provider of turnkey engineering solutions	Singapore
Vision Technologies Systems, Inc. #	Investment holding	USA
Singapore Technologies Engineering (USA) Inc. #	Dormant	USA
Vision Technologies Aerospace Incorporated #	Investment holding and providing investment services to the Aerospace sector	USA
ST Mobile Aerospace Engineering, Inc. #	Repair and maintenance of aircraft	USA
DalFort Aerospace GP, Inc. #	Investment holding	USA
DalFort Aerospace, L.P. # +	Repair and maintenance of aircraft	USA
San Antonio Aerospace GP, LLC #	Investment holding	USA
San Antonio Aerospace LP #	Repair and maintenance of aircraft	USA
SA Supplies (USA) Inc. #	Dormant	USA
Vision Technologies Marine, Inc. #	Investment holding and providing investment services to the Marine sector	USA
VT Halter Marine, Inc. #	Construction and repair of naval and commercial vessels, design, integration, fabrication, installation of engineering equipment and provision of engineering services	USA
VT Systems, Inc. #	Investment holding and providing investment services to the Group	USA
Vision Technologies Kinetics, Inc. #	Investment holding, marketing and provision of services to the Land Systems sector	USA

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Miltope Corporation #	Manufacturer of militarised and rugged computer equipment for military applications and commercial computer related products for the commercial aerospace market including in-flight entertainment systems and wireless local area network equipment	USA
Vision Technologies Land Systems, Inc. #	Investment holding	USA
VT Dimensions, Inc. #	Investment holding and licensing of intellectual properties	USA
Singapore Technologies Dynamics Pte Ltd	Technology development, advanced concept design and development and technology acquisition	Singapore
ST Synthesis Pte Ltd	Providing one-stop total integrated logistic support services	Singapore
FusionTech Pte. Ltd.	Investment holding	Singapore

# Not required to be audited under the law in the country of incorporation.

## Shares of this subsidiary are held in trust by directors of the subsidiary.

\* These entities are under members' voluntary liquidation.

+ This entity ceased operations in October 2003.

All subsidiaries that are required to be audited under the law in the country of incorporation are audited by Ernst & Young, Singapore except for the following :

Name of subsidiary	Name of accounting firm
ST PAE Holdings Pty Ltd	Ernst & Young, Perth
Singapore Aerospace (UK) Investments Pte Ltd	Ernst & Young, Cambridge
Singapore Technologies Engineering (Europe) Ltd	Ernst & Young, Cambridge
Airline Rotables Limited	Ernst & Young, Cambridge
Bournemouth Aviation Services Company Limited	Ernst & Young, Cambridge
SEEL Electronic & Engineering Sdn Bhd	Ernst & Young, Kuala Lumpur
INFA Systems Limited	Ernst & Young, Hong Kong
ST Electronics (Sichuan) Co., Ltd	Ernst & Young, Shanghai
ST Electronics (Shanghai) Co., Ltd	Ernst & Young, Shanghai
ST Electronics-PCI Co. Ltd	Ernst & Young, Guangzhou
Ripple Systems Pty Ltd	Ernst & Young, Perth
Shanghai Elite Electric Vehicles Co., Ltd	Ernst & Young, Shanghai
Kinetics Systems (Shanghai) Co. Ltd.	Ernst & Young, Shanghai

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 9. Subsidiaries (continued)

(a) During the financial year, the Group incorporated the following subsidiaries:

Name of company	Country of incorporation and place of business	Equity interest held %	Date of incorporation
ST Electronics-PCI Co. Ltd	People's Republic Of China	51	7 January 2004
Xinke Information Systems Ltd	People's Republic Of China	100	22 October 2004

(b) During the financial year, the Group acquired additional equity interests in the following companies:

Name of company	Interest acquired %	Interest after acquisition %	Consideration \$	Net tangible assets acquired \$
ST Aviation Resources Pte Ltd	50	100	6,972,000	6,357,000
Bournemouth Aviation Services Company Limited	21	81	1,389,000	–

Subsequent to the above acquisition of additional equity interest, the Group acquired additional shares in Bournemouth Aviation Services Company Limited for a consideration of \$2,002,000. The effective equity interest in the company remains the same at 81%.

During the year, the Group acquired a 51% equity interest in Prescient Systems & Technologies Pte. Ltd. by transferring receivables of \$2,625,000. There was no goodwill on acquisition.

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 10. Associated companies and joint ventures

	Group	
	2004 \$'000	2003 \$'000
Quoted shares, at cost	24,800	–
Unquoted shares, at cost	167,484	144,593
Preference shares, at cost	9,928	9,928
Goodwill on acquisition written off	(1,737)	(1,737)
Goodwill on acquisition of associated companies and joint ventures	(23,606)	(23,606)
Share of net assets acquired	176,869	123,980
Provision for impairment in value of investments	(5,271)	(5,198)
Reclassification of goodwill (net of amortisation) from intangible assets (Note 12)	7,528	–
Share of post-acquisition:		
Profits	89,441	68,896
Reserves	(7,239)	(3,143)
	261,328	189,733
Investment in a joint venture	9,663	9,663
Provision for impairment in value of a joint venture	(2,999)	(2,676)
	267,992	196,720

The investment in a joint venture is effectively a quasi-equity loan to the joint venture.

The investment in the Company of \$50,000 represents the cost of investment in Asian Aerospace 2006 Pte. Ltd.

### *Provision for impairment in value of investments*

Movements in provision for impairment in value of investments during the year are as follows:

At beginning of the year	5,198	4,845
Charge to profit and loss account	2,002	353
Impairment written off against provision	(1,929)	–
At end of the year	5,271	5,198

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 10. Associated companies and joint ventures (continued)

### *Provision for impairment in value of a joint venture*

Movements in provision for impairment in value of a joint venture during the year are as follows:

	Group	
	2004 \$'000	2003 \$'000
At beginning of the year	2,676	2,355
Charge to profit and loss account	323	321
At end of the year	<u>2,999</u>	<u>2,676</u>

The Group's share of the joint ventures' results and assets and liabilities are as follows:

### *Results*

Turnover	<u>20,443</u>	<u>27,068</u>
Net profit for the year	<u>(461)</u>	<u>419</u>

### *Assets and liabilities*

Non-current assets	9,511	7,518
Current assets	32,659	13,360
Current liabilities	(17,677)	(8,683)
Non-current liabilities	(9,844)	(9,698)
	<u>14,649</u>	<u>2,497</u>

(a) Details of the associated companies are as follows:

Name of associated company	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2004 %	2003 %
Aerospace Engineering Services Pty Ltd	Maintenance and servicing of aircraft	Australia	50	50
Aerospace Engineering Services Pty Ltd Unit Trust	Trustee of unit trust fund	Australia	50	50
1988 JV Pte. Ltd. (formerly known as Asian Aerospace Pte Ltd)	Promoting and organising trade exhibitions in Singapore for systems, equipment, products and services in aerospace and defence-related applications on a biennial basis	Singapore	50	50

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 10. Associated companies and joint ventures (continued)

Name of associated company	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2004 %	2003 %
Composite Technology International Pte Ltd	Repairing and rebuilding helicopter rotor blades	Singapore	33.33	33.33
Eurocopter South East Asia Private Limited	Selling, maintaining and overhauling of helicopters	Singapore	25	25
Shanghai Technologies Aerospace Company Limited	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	49	–
Singapore Precision Repair and Overhaul Pte Ltd	Repair and overhaul of aircraft and helicopter landing gears and its related components	Singapore	50	50
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
Asia-Pacific Training and Simulation Pte Limited *	Provision of simulator training services	Singapore	–	37.24
CHUN Holdings Ltd <sup>¶</sup>	Investment, consultancy and management services in the electronics industry	Israel	33.33	33.33
CHUN Holdings Limited Partnership <sup>¶</sup>	Investment, consultancy and management services in the electronics industry	Israel	33	–
COMAT Training Services Pte Ltd **	Operating of a computer training school, providing training in computer software and applications	Singapore	49.59	54.47
ECS Holdings Limited	Relating to investment holding and the distribution of information technology products	Singapore	21.35	–
Green Dot Internet Services Pte Ltd	Web hosting services and development of e-commerce applications	Singapore	23.8	23.8

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 10. Associated companies and joint ventures (continued)

Name of associated company	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2004 %	2003 %
Infowave Pte Ltd	Design, development and supply of mobile computing and wireless communications products and solutions	Singapore	43	43
iWOW Technology Pte Ltd	To carry out research and development, consultancy services in telecommunication, electrical and related fields	Singapore	26.6	26.6
Knowledge Alive Pte. Ltd. **	Offer technologically-driven learning and knowledge solutions, products and services to corporate, tertiary and workforce markets	Singapore	49.59	54.47
Mobile Solutions and Payment Services Pte Ltd	Mobile-commerce and mobile-commerce related activities	Singapore	21.57	21.57
mPayment Pte Ltd	To provide internet and telecommunication related services and consultancy services in information technologies	Singapore	31.78	31.78
PolarSat Inc <sup>¶</sup>	Development, manufacturing and marketing of multimedia VSAT (Very Small Aperture Terminals) and Satcom satellite networks	Canada	40.86	42.46
RF Korea Inc. <sup>¶</sup>	Manufacture and sell wireless communication devices and related equipment	Korea	22	22
Sandz Solutions (Singapore) Pte Ltd	Providing enterprise computing solutions and trading in computer and peripherals	Singapore	25	–
Sentry Technologies Pte Ltd	Design, development and sale of computer security products	Singapore	35	35
ST LogiTrack Pte Ltd	Development and sales of radio frequency identification applications in the logistics and related industries	Singapore	50	50
Stegami Pte Ltd	Develop and provide internet-marketing solutions and services	Singapore	37.6	37.6

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 10. Associated companies and joint ventures (continued)

Name of associated company	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2004 %	2003 %
Trusted Hub Ltd	Provision of an integrated trusted environment for secured transactions and e-commerce	Singapore	21.8	15.75
WizVision Pte. Ltd. (Formerly known as WizVision.com Pte Ltd)	Providing information technology services and trading of computer accessories	Singapore	22.8	22
CIS - Oerlikon Pte Ltd	Dormant	Singapore	50	50
CityCab Pte Ltd	Rental of taxis and provision of premier bus service, charge card facilities and travel related services	Singapore	46.5	46.5
Defence Electronics of Singapore Pte Ltd	Manufacture of fuses	Singapore	49	49
Nusantara Technologies Sdn. Bhd.	Provision of non-destructive testing services, ultrasonic flaw detection and gauging survey and pressure gauge calibration	Malaysia	49	49
Solectria Corporation #φ	Designing, engineering and manufacturing of advanced electric, hybrid electric and fuel cell vehicle drives systems and related components	USA	43.5	43.5
Timoney Holdings Limited	Design and prototyping services and component supply for the automotive and aerospace engineering sectors	Republic of Ireland	25	25
Anchorville Pte Ltd ##	Dormant	Singapore	30	30
AquaGen International Pte Ltd ##	Dormant	Singapore	25	25
PT SSE-Van der Horst Indonesia	Provision of precision engineering services	Indonesia	37	37
Asian Aerospace 2006 Pte. Ltd.	Promoting and organising trade exhibitions in Singapore for systems, equipment, products and services in aerospace and defence-related applications on a biennial basis	Singapore	50	–

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 10. Associated companies and joint ventures (continued)

Name of associated company	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2004 %	2003 %
NanoScience Innovation Pte Ltd	Research and development, manufacturing, distributing and trading of ultra fine structure, especially nano-scale, materials, devices, equipment and intellectual properties	Singapore	38.33	38.33

\* During the year, this associated company was voluntarily dissolved.

\*\* These subsidiaries became associated companies during the year following a capital reduction in Knowledge Alive Pte. Ltd.

# The Group, through Singapore Technologies Kinetics Ltd ("ST Kinetics"), invested in Solectria Corporation ("Solectria") in the form of both common and preference shares. ST Kinetics holds more than half of the voting rights (50.8% comprising of 43.5% in common shares and 7.3% in preference shares) which make Solectria a subsidiary of ST Kinetics under the Companies Act. However, ST Kinetics does not control the financial and operating policy decisions of Solectria as it does not control the composition of the Board of Directors. Hence, in accordance with Financial Reporting Standards 27 and 28, the results of Solectria will not be combined in the Group accounts. Instead, the results of Solectria are equity accounted for based on ST Kinetics' interest in common stock shareholdings, in line with the Group's accounting policy on investments in associated companies as disclosed in Note 2(b)(ii).

On 17 December 2004, ST Kinetics signed an agreement to divest its 50.8% stake in Solectria in a share exchange for approximately 10% of the common shares of Azure Dynamics Corporation ("Azure"), a company listed on the Toronto Stock Exchange in Canada as well as on the Alternative Investment Market ("AIM") of the London Stock Exchange in London, United Kingdom. Based on Azure's closing share price as at 17 December 2004, ST Kinetics' stake in Azure is worth US\$10.3 million (S\$17 million). The final consideration value of ST Kinetics' stake in Azure will be dependent on the closing price of Azure's shares on completion date. The transaction is expected to close before end January 2005, subject to regulatory approvals.

## These associated companies are under compulsory winding up by the Court.

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 10. Associated companies and joint ventures (continued)

(b) Details of joint ventures are as follows:

Name of joint venture	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2004 %	2003 %
GFM Electronics S.A. de C.V.	Distribution and sales of high technology systems, services and products in the communications area, as well as electronics systems, principally closed circuits and alarms for airports, malls, stadiums and highways	Mexico	50	50
TranSys Pte Ltd	Design, development, distribution, maintenance and marketing of railway related products	Singapore	50	50
Beijing Zhonghuan Kinetics Heavy Vehicles Co., Ltd.	Develop, manufacture and sale of specialised heavy-duty vehicles and sale of related spare parts and provision of relevant technical consultancy and after sale technical support services	People's Republic of China	50	–
SMART Systems Pte Ltd	Life systems integration of weapon system	Singapore	50	50
Takata CPI Singapore Pte Ltd	Manufacture of pyrotechnic components for seatbelts and air bags used in motor vehicles	Singapore	49	49
Halter-Bollinger Joint Venture LLC <sup>φ</sup>	To bid and secure US boat fabrication contracts for its shareholders	USA	50	50
Joint Shipyard Management Services Pte Ltd	Construction of and managing workers' dormitories	Singapore	30	30

<sup>φ</sup> Not required to be audited under the law in the country of incorporation.

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 10. Associated companies and joint ventures (continued)

All associated companies and joint ventures that are required to be audited under the law in the country of incorporation, are audited by Ernst & Young, Singapore, except for the following:

Name of associated company/joint venture	Name of accounting firm
1988 JV Pte. Ltd.	KPMG, Singapore
Composite Technology International Pte Ltd	Deloitte and Touche, Singapore
Eurocopter South East Asia Private Limited	KPMG, Singapore
Shanghai Technologies Aerospace Company Limited	Ernst & Young, Hua Ming
Turbine Coating Services Pte Ltd	PricewaterhouseCoopers, Singapore
Turbine Overhaul Services Pte Ltd	PricewaterhouseCoopers, Singapore
ECS Holdings Limited	KPMG, Singapore
GFM Electronics S.A. de C.V.	PricewaterhouseCoopers, Mexico
Green Dot Internet Services Pte Ltd	KPMG, Singapore
Infowave Pte Ltd	Lee Seng Chan & Co
iWOW Technology Pte Ltd	LW Ong & Co
Mobile Solutions and Payment Services Pte Ltd	KPMG, Singapore
mPayment Pte Ltd	Thong & Lim
Sandz Solutions (Singapore) Pte Ltd	Jee Ah Chian & Co
Sentry Technologies Pte Ltd	Lee Seng Chan & Co
ST LogiTrack Pte Ltd	KPMG, Singapore
Stegami Pte Ltd	Thong & Lim
TranSys Pte Ltd	KPMG, Singapore
Trusted Hub Ltd	KPMG, Singapore
WizVision Pte. Ltd.	B H Gan & Co
Beijing Zhonghuan Kinetics Heavy Vehicles Co., Ltd.	Ernst & Young, Beijing
CityCab Pte Ltd	Deloitte and Touche, Singapore
Nusantara Technologies Sdn. Bhd.	Deloitte Kassimchan, Malaysia
Timoney Holdings Limited	KPMG, Ireland
Anchorville Pte Ltd	KPMG, Singapore
AquaGen International Pte Ltd	KPMG, Singapore
PT SSE-Van der Horst Indonesia	Ernst & Young, Indonesia
Asian Aerospace 2006 Pte. Ltd.	KPMG, Singapore
NanoScience Innovation Pte Ltd	Wong Mun Piaw & Co

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 11. Long-term investments

	Group	
	2004 \$'000	2003 \$'000
<b>Quoted investments</b>		
Equity shares, at cost:		
Related corporation	1,003	1,080
Non-related corporations	21,367	15,085
	<u>22,370</u>	<u>16,165</u>
Provision for impairment in value of quoted investments	(487)	(671)
Total quoted investments	<u>21,883</u>	<u>15,494</u>
<b>Unquoted investments</b>		
Equity shares, at cost:		
Related corporation	835	1,230
Non-related corporations	40,344	32,013
Venture capital funds and limited partnership	1,019	7,316
	<u>42,198</u>	<u>40,559</u>
Membership rights	820	860
Convertible loans <sup>α</sup>	5,131	4,445
Loan to related corporation	3,339	1,442
	<u>51,488</u>	<u>47,306</u>
Provision for impairment in value of unquoted investments	(24,938)	(26,719)
Total unquoted investments	<u>26,550</u>	<u>20,587</u>
Total long-term investments	<u>48,433</u>	<u>36,081</u>
<b>Quoted investments – market value</b>		
Equity shares:		
Related corporation	669	570
Non-related corporations	50,707	35,179
	<u>51,376</u>	<u>35,749</u>

<sup>α</sup> Included in the convertible loans is an amount of \$4,449,000 (US\$2,700,000) (2003: \$3,763,000 (US\$2,199,000)) extended by a subsidiary to an investee company at an interest rate of 1% (2003: 1%) above LIBOR rate per annum. This loan is convertible to shares in the investee company.

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 11. Long-term investments (continued)

### *Provision for impairment in value of quoted investments*

Movements in provision for impairment in value of quoted investments during the year are as follows:

	Group	
	2004 \$'000	2003 \$'000
At beginning of the year	671	861
Write-back to profit and loss account	(184)	(190)
At end of the year	487	671

### *Provision for impairment in value of unquoted investments*

Movements in provision for impairment in value of unquoted investments during the year are as follows:

At beginning of the year	26,719	24,391
(Write-back)/charge to profit and loss account	(1,781)	8,259
Provision utilised	–	(5,931)
At end of the year	24,938	26,719

## 12. Intangible assets

	Goodwill \$'000	Negative goodwill \$'000	Commercial and intellectual property rights \$'000	Total \$'000
<b>Group</b>				
<b>Cost</b>				
At beginning of the year	64,968	(1,340)	4,837	68,465
Additions	–	–	8	8
Acquisition of additional interest in subsidiaries	2,004	–	–	2,004
Dilution of interest in subsidiaries	(2,468)	–	–	(2,468)
Adjustment of goodwill	6,178	–	–	6,178
Change in accounting policy (Note 2b):				
– Reclassified from accumulated amortisation	(9,289)	690	365	(8,234)
– Reclassified to associated companies and joint ventures (Note 10)	(7,528)	–	–	(7,528)
– Adjustment to opening retained earnings	–	650	–	650
Impairment of goodwill	(158)	–	–	(158)
Translation difference	(15)	–	(109)	(124)
At end of the year	53,692	–	5,101	58,793

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 12. Intangible assets (continued)

	Goodwill \$'000	Negative goodwill \$'000	Commercial and intellectual property rights \$'000	Total \$'000
<b>Accumulated amortisation</b>				
At beginning of the year	9,515	(690)	1,475	10,300
Amortisation for the year	–	–	802	802
Dilution of interest in subsidiaries	(226)	–	–	(226)
Change in accounting policy (Note 2b):				
– Reclassified to cost	(9,289)	690	365	(8,234)
Translation difference	–	–	(53)	(53)
At end of the year	–	–	2,589	2,589
<b>Net book value</b>				
At 31 December 2004	53,692	–	2,512	56,204
At 31 December 2003	55,453	(650)	3,362	58,165
			<b>Group</b>	
			2004 \$'000	2003 \$'000
Related to:				
Subsidiaries			56,204	50,898
Associated companies and joint ventures			–	7,267
			<b>56,204</b>	<b>58,165</b>

During the year, the Group completed its valuation of the net assets of Miltope Corporation, a subsidiary acquired in 2003, after the 2003 audited financial statements were issued. As a result of changes in the valuation, the fair value attributed to the net assets has decreased by \$6.2m. Goodwill on consolidation is adjusted by a corresponding amount.

# Notes to the Financial Statements

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## 13. Long-term receivables

(a) Long-term receivables comprise:

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Housing and car loans and advances to staff	1,413	1,675	183	3
Trade debtors *	7,309	–	–	–
Due from a joint venture (trade)	5,981	–	–	–
Loans to:				
Third parties	19,281	13,903	–	–
Provision for doubtful loans:				
Third parties	(13,855)	(13,903)	–	–
	5,426	–	–	–
Hire purchase receivables	–	29	–	–
	20,129	1,704	183	3
Receivable:				
Within 1 year	735	889	183	3
After 1 year	19,394	815	–	–
	20,129	1,704	183	3

\* Long-term trade debts of US\$4,267,000 (S\$7,309,000) are charged with half-yearly interest rate at LIBOR plus 0.5% per annum.

Movements in provision for doubtful loans to third parties are as follows:

	Group	
	2004 \$'000	2003 \$'000
At beginning of the year	13,903	17,285
Write-back to profit and loss account	(48)	(183)
Provision utilised	–	(3,199)
At end of the year	13,855	13,903

(b) Included in the loans to third parties are:

- (i) an amount of \$3,835,000 (2003: \$4,705,000) which is secured by the third party's investment in a unit trust and the loan is repayable over a period of 12 years commencing from 1996. Interest is chargeable at 15% per annum calculated on the reducing balance basis.
- (ii) an interest-free loan of US\$1.5 million and subsequent loans of US\$1.79 million charged at an interest rate of LIBOR plus 2% to a third party. These loans are not expected to be repaid in the next 12 months.
- (iii) another third party was issued a loan amounting to approximately \$8,312,000 (2003: \$8,312,000). The loan is secured by intellectual property rights of that entity and is not expected to be repaid within the next 12 months. Interest is repriced every month and chargeable at the US Dollar prime rate plus 2% (2003: 2%) per annum, which is also the effective interest rate. The loan is convertible to shares of the entity, subject to certain terms and conditions. During the year, a notice was given to that entity to convert the loan to shares of that entity but the conversion has not been effected as at the end of the year.

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 13. Long-term receivables (continued)

(iv) a loan amount of \$886,000 (2003: \$886,000) owed by another third party is repayable within the next 12 months. A fixed interest is charged at 7% per annum. The loan is convertible to shares of the entity, subject to certain terms and conditions.

No interest income has been accrued for this financial year for the loans stated in paragraphs (iii) and (iv) due to the uncertainty over the collectibility of the interest income.

(v) an interest-free bridging loan of \$822,000 (US\$500,000) (2003: Nil) was extended to a third party during the year. The bridging loan is secured by way of a Deed of Debenture which creates a floating charge over the assets of the third party. This loan is not expected to be repaid in the next 12 months.

(c) Hire purchase receivables comprise:

	Gross investment receivable \$'000	Unearned interest income \$'000	Net investment receivable \$'000
<b>Group</b>			
<b>2004</b>			
Within 1 year	–	–	–
<b>2003</b>			
Within 1 year	30	1	29

The hire purchase receivables are fully repaid during the financial year. During the financial year, the effective interest rate on these hire purchase receivables is between 1% and 3% (2003: 4% and 7%) per annum.

## 14. Deferred tax assets

	Group	
	2004 \$'000	2003 \$'000
At beginning of the year	85,069	76,846
Provision/(write-down) during the financial year	994	(350)
Acquisition of additional interests in subsidiary	1,535	9,406
Translation differences	(546)	(72)
Transfer to provision for taxation	(2,280)	(761)
At end of the year	84,772	85,069

The deferred tax assets arise as a result of:

Unabsorbed capital allowances and tax losses	4,894	4,747
Exchange differences, net	3	263
Provision for debts and stocks	23,818	25,688
Provision for warranties	27,902	31,688
Provision for liquidated damages	1,197	1,584
Provision for foreseeable losses	4,567	4,829
Other temporary differences	22,391	16,270
	84,772	85,069

# Notes to the Financial Statements

31 December 2004

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## 15. Stocks and work-in-progress

	Group	
	2004 \$'000	2003 \$'000
<b>Stocks of equipment and spares</b>		
At cost	133,932	120,524
At net realisable value	109,115	121,522
	<b>243,047</b>	<b>242,046</b>
<b>Work-in-progress in excess of progress billings</b>		
Work-in-progress		
At cost, including profits recognised	1,024,424	768,200
At net realisable value	63,762	55,443
	<b>1,088,186</b>	<b>823,643</b>
Progress billings	<b>(652,225)</b>	<b>(425,206)</b>
	<b>435,961</b>	<b>398,437</b>
	<b>679,008</b>	<b>640,483</b>
<b>Progress billings in excess of work-in-progress</b>		
Work-in-progress, including profits recognised	167,203	109,466
Progress billings	<b>(319,067)</b>	<b>(228,907)</b>
	<b>(151,864)</b>	<b>(119,441)</b>

Stocks are stated after provision for stock obsolescence of \$102,042,000 (2003: \$100,647,000) and work-in-progress in excess of progress billings are stated after provision for foreseeable losses of \$28,022,000 (2003: \$28,903,000).

## 16. Debtors, deposits and prepayments

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade debtors	20	491,704	430,080	–	–
Advance payments to suppliers		134,238	142,122	–	–
Other debtors, deposits and prepayments	21	36,640	36,269	772	482
Due from:					
Immediate holding company (non-trade)		6	134	–	–
Subsidiaries (non-trade)		–	–	16,642	29,894
Related corporations	22	967,834	972,547	238,126	125,099
Associated companies	23	7,883	5,490	–	–
Joint ventures (trade)		21,773	16,060	–	–
Joint ventures (non-trade)		287	914	–	–
– provision for doubtful debts in joint ventures		(301)	(152)	–	–
		<b>1,660,064</b>	<b>1,603,464</b>	<b>255,540</b>	<b>155,475</b>

# Notes to the Financial Statements

31 December 2004

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## 17. Other assets

	Group	
	2004 \$'000	2003 \$'000
Assets held for disposal	17,202	20,325

### *Assets held for disposal*

- (a) Included in the above assets are yard facilities acquired in 2002. These assets are in excess of anticipated requirements in the short-term and are stated at net realisable value.
- (b) During the year, net book value of fixed assets amounting to \$771,000 (2003: \$423,000) were reclassified from fixed assets due to changes in the use of these assets (Note 8).

## 18. Amounts under fund management

Principal sum of amounts under fund management, at cost	250,000	215,231
Provision for impairment in value	–	(570)
Principal sum of amounts under fund management at guaranteed value	250,000	214,661

The terms of the management agreements, which are for periods ranging from 2 to 3 years (2003: 1 to 4 years), provide for the following:

- (a) the guarantee of the return of the principal sums from 95% to 100% (2003: 95% to 100%) by the fund managers at the end of the relevant fund management period;
- (b) the fees payable to the fund manager include a share, in specified proportions, of any surplus (determined at the end of the relevant fund management period) arising from the management of the fund; and
- (c) the Group can, pursuant to the terms, terminate the agreement by giving one month prior notice in writing to the fund managers. In the event of early termination, the guarantee of the return of the principal sum will not be applicable.

As the surplus, arising from the management of these funds can only be determined at the end of the relevant fund management period, such surplus, if any, will be recognised as income then.

Movement in provision for impairment in value of amounts under fund management during the year is as follows:

At beginning of the year	570	10,606
Write-back to profit and loss account	(570)	(10,036)
At end of the year	–	570

Value of assets under fund management can be analysed as follows:

Quoted equity investments at market value	47,629	24,804
Quoted bond investments at market value	192,689	181,096
Unquoted bonds at estimated net realisable value	–	9,218
Cash	18,887	13,612
	259,205	228,730

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 19. Bank balances and other liquid funds

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Fixed deposits with financial institutions	434,973	667,580	176,877	230,868
Cash and bank balances	111,276	178,781	5,840	10,071
Short-term notes	12,000	–	–	–
	<b>558,249</b>	<b>846,361</b>	<b>182,717</b>	<b>240,939</b>

Fixed deposits with financial institutions mature on varying periods within 9 months (2003: 7 months) from the financial year end. Interest rates range from 0.03 % to 6.31 % (2003: 0.03 % to 6.31%) per annum, which are also the effective interest rates.

## 20. Trade debtors

	Group	
	2004 \$'000	2003 \$'000
Trade debtors	515,499	461,887
Provision for doubtful debts	(87,128)	(89,156)
	<b>428,371</b>	<b>372,731</b>
Unbilled receivables	63,333	57,349
	<b>491,704</b>	<b>430,080</b>

Movements in provision for doubtful debts during the year are as follows:

At beginning of the year	89,156	67,167
(Write-back)/charge to profit and loss account	(1,111)	25,472
Bad debts written off against provision	(727)	(3,484)
Arising from (dilution of interest in)/acquisition of subsidiaries	(130)	196
Translation difference	(60)	(195)
At end of the year	<b>87,128</b>	<b>89,156</b>

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 21. Other debtors, deposits and prepayments

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deposits	5,377	4,679	68	44
Prepayments	2,163	3,478	15	2
Interest receivable	3,062	2,257	392	363
Other recoverables	9,459	6,121	112	46
Non-trade debtors	16,579	19,734	185	27
	<b>36,640</b>	<b>36,269</b>	<b>772</b>	<b>482</b>

## 22. Due from related corporations

Trade balances	9,736	5,335	–	–
Non-trade balances	382,512	705,760	10,077	68,000
Loans	575,768	261,452	228,049	57,099
Provision for doubtful debts	(182)	–	–	–
	<b>967,834</b>	<b>972,547</b>	<b>238,126</b>	<b>125,099</b>

Included in non-trade balances are Floating Rate Notes ("FRN"), amounting to \$382,000,000 (2003: \$694,500,000) and \$10,000,000 (2003: \$68,000,000) for the Group and the Company respectively. The FRNs of the Group and the Company are issued by a related corporation, ST Treasury Services Limited, and guaranteed by the immediate holding company, Singapore Technologies Pte Ltd ("STPL"). As mentioned in Note 1, arising from the restructuring of STPL, the guarantee given by STPL had ceased on 31 December 2004. With effect from 31 December 2004, Fullerton Management Pte Ltd, a wholly owned subsidiary of Temasek Holdings (Private) Limited, would provide the guarantee for the FRNs.

As at 31 December 2004, the FRNs have remaining maturity periods of up to 1 year (2003: 2 years) with interest rates being fixed on a 3 to 6 month basis at the respective repricing dates. Interest rates range from 0.77% to 1.68% (2003: 0.70% to 1.5725%) per annum, which are also the effective interest rates.

The holder of these FRNs has the option to redeem the FRNs at each repricing date and therefore the Group has the ability to redeem these FRNs in the short-term.

Loans to a related corporation are guaranteed by the immediate holding company, STPL. As mentioned above, the guarantee given by STPL had ceased on 31 December 2004 and Fullerton Management Pte Ltd would provide the guarantee for the loans to ST Treasury Services Limited with effect from 31 December 2004.

These loans mature on varying periods within 3 months (2003: 3 months) from the financial year end. Interest rates range from 0.78% to 2.52% (2003: 0.645% to 1.97%) per annum, which are also the effective interest rates.

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 23. Due from associated companies

	Group	
	2004 \$'000	2003 \$'000
Trade balances	8,837	4,878
Non-trade balances	306	1,277
Provision for doubtful debts – trade	(1,260)	(665)
	<b>7,883</b>	<b>5,490</b>

## 24. Creditors and accruals

	Note	Group		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Trade creditors		569,234	537,771	–	–
Other creditors and accruals	28	578,564	631,614	32,304	21,454
Due to:					
Immediate holding company (trade)		–	1,578	–	–
Immediate holding company (non-trade)		5	3,840	3	2,722
Subsidiaries (non-trade)*		–	–	249	17,520
Related corporations (trade)		4,782	2,695	–	–
Related corporations (non-trade)		75	89	66	–
Associated companies (trade)		5,233	3,324	–	–
Joint ventures (trade)		458	375	–	–
Loans from minority shareholders of a subsidiary**		1,252	915	–	–
		<b>1,159,603</b>	<b>1,182,201</b>	<b>32,622</b>	<b>41,696</b>

\* Included in this balance in the Company is an amount of \$Nil (2003: \$17.1 million (US\$10 million)) relating to loans from a subsidiary.

\*\* The loans are unsecured and repayable within the next 12 months. Interest is charged at 7% (2003: 7% to 10%) per annum.

# Notes to the Financial Statements

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## 25. Provisions

	Group	
	2004 \$'000	2003 \$'000
Provision for:		
Warranties	139,512	144,038
Liquidated damages	5,984	7,198
Foreseeable losses	22,833	21,950
	<u>168,329</u>	<u>173,186</u>
 (a) Movements in provision for warranties during the year are as follows:		
At beginning of the year	144,038	136,567
Arising from (dilution of interest)/acquisition of subsidiaries	(372)	2,176
Charge to profit and loss account	5,512	11,296
Provision utilised	(9,248)	(5,931)
Translation difference	(418)	(70)
At end of the year	<u>139,512</u>	<u>144,038</u>
 (b) Movements in provision for liquidated damages during the year are as follows:		
At beginning of the year	7,198	35,742
Charge/(write-back) to profit and loss account	742	(17,161)
Provision utilised	(1,958)	(11,383)
Translation difference	2	–
At end of the year	<u>5,984</u>	<u>7,198</u>
 (c) Movements in provision for foreseeable losses during the year are as follows:		
At beginning of the year	21,950	18,390
Charge to profit and loss account	3,300	3,609
Provision utilised	(2,330)	–
Translation difference	(87)	(49)
At end of the year	<u>22,833</u>	<u>21,950</u>

## 26. Short-term bank loans (unsecured)

Included in short-term bank loans is an amount of \$125.7 million (US\$76.4 million) (2003: \$130.8 million (US\$76.6 million)) relating to bank loans taken up by US subsidiaries. These loans are denominated in US Dollars, unsecured and interests are charged at a range from 1.48% to 2.95% (2003: 1.53% to 1.57%) per annum, which are also the effective interest rates.

# Notes to the Financial Statements

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## 27. Lease obligations

A subsidiary leases certain land, buildings, and equipment from a foreign Airport Authority (the “Authority”) under a capital lease related to industrial revenue bonds issued by the Authority. Assets being leased are pledged as collateral against the bonds. The bonds have staggered maturity dates and the lease payments have been structured to coincide with the staggered maturities of the bonds with the final payment due on 1 November 2012, the expiration date of the lease.

In connection with the bond issue, the subsidiary entered into a letter of credit agreement for approximately US\$10,610,000, which is used to guarantee payments on the bonds in the event that the subsidiary is unable to make required lease payments. The letter of credit expires on 3 April 2007.

The subsidiary also leases certain land, buildings, and equipment from the Authority under an operating lease. The lease term coincides with the term of the capital lease.

The obligations under the finance lease to be paid by the subsidiary are as follows:

	Minimum lease payment \$'000	Interest \$'000	Present value of payments \$'000
<b>2004</b>			
1 year to 5 years	11,398	(2,732)	8,666
After 5 years	6,791	(601)	6,190
Total	18,189	(3,333)	14,856
Discount	(96)	–	(96)
	18,093	(3,333)	14,760
Repayable:			
Within 1 year			1,760
After 1 year			13,000
			14,760
<b>2003</b>			
1 year to 5 years	11,817	(3,198)	8,619
After 5 years	9,237	(1,032)	8,205
Total	21,054	(4,230)	16,824
Discount	(143)	–	(143)
	20,911	(4,230)	16,681
Repayable:			
Within 1 year			1,653
After 1 year			15,028
			16,681

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

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## 28. Other creditors and accruals

	Group		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-trade creditors	13,303	27,470	2,654	4,628
Purchase of fixed assets	357	466	–	–
Accrued operating expenses	564,164	603,445	29,650	16,826
Accrued interest payable	740	233	–	–
	<b>578,564</b>	<b>631,614</b>	<b>32,304</b>	<b>21,454</b>

## 29. Deferred income

	Group	
	2004 \$'000	2003 \$'000
At beginning of the year	5,680	5,453
Additions during the year	31	227
	<b>5,711</b>	<b>5,680</b>
Less : deferred income recognised to-date	<b>(3,656)</b>	<b>(3,334)</b>
At end of the year	<b>2,055</b>	<b>2,346</b>

Movements in deferred income recognised to-date during the year are as follows:

At beginning of the year	3,334	2,944
Recognise in profit and loss account	294	371
Translation difference	28	19
At end of the year	<b>3,656</b>	<b>3,334</b>

## 30. Deferred tax liabilities

At beginning of the year	4,566	3,141
Provision during the financial year	22	1,432
Translation difference	66	(7)
At end of the year	<b>4,654</b>	<b>4,566</b>

The deferred tax liabilities arise as a result of:

Excess of net book value over tax written down value of fixed assets	1,471	2,920
Exchange differences, net	(53)	8
Provision for debts and stocks	(80)	(229)
Unremitted offshore interest income	3	1,557
Other temporary differences	3,313	310
	<b>4,654</b>	<b>4,566</b>

The deferred tax liability of the Company arises as a result of timing differences.

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## 31. Long-term bank loans

Included in long-term bank loans is an amount of \$14.1 million (US\$9 million) (2003: \$13.7 million (US\$8 million)) relating to bank loans taken up by a US subsidiary. These loans are denominated in US Dollars, secured by assets of a subsidiary and interests are charged at a range from 4.5% to 5.0% (2003: 1.02% to 5.00%) per annum, which are also the effective interest rates.

## 32. Turnover

Turnover represents invoiced value of sales/services less returns and discounts given and billings recognised on contracts as follows:

	Note	Group 2004 \$'000	2003 \$'000
Sale of goods		1,051,106	1,016,984
Service income		1,897,021	1,802,005
		<u>2,948,127</u>	<u>2,818,989</u>

## 33. Other operating income

Commission income		478	795
Dividend income			
– quoted equity investments		1,608	1,533
– unquoted equity investments		764	1,038
Interest income			
– Singapore Government Securities		–	131
– related corporations		10,860	9,764
– bank deposits		6,633	7,295
– staff loans		39	58
– others		1,794	1,230
Provision for impairment in value of investments			
– unquoted long-term investments	11	–	(8,259)
– associated companies	10	(2,002)	(353)
Write-back of provision for impairment in value of investments			
– quoted long-term investments	11	184	190
– unquoted long-term investments	11	1,781	–
– amounts under fund management	18	570	10,036
Profit on sale of investments			
– long-term investments		1,151	2,385
– joint ventures		–	30
Surplus arising from amounts under fund management		13,094	7,080
Loss on dilution of interest in subsidiaries		(285)	–
Others		9,778	4,987
		<u>46,447</u>	<u>37,940</u>

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 34. Profit from operations

	Note	Group 2004 \$'000	2003 \$'000
Profit from operations is arrived at:			
<i>After charging</i>			
Auditors' remuneration:			
Auditors of the Company			
– current year		1,291	1,252
– over provision in respect of prior year		(6)	(27)
Other auditors			
– current year		970	731
– (over)/under provision in respect of prior year		(12)	31
Non-audit fees:			
Current year			
– auditors of the Company		300	377
– other auditors		372	258
Fees and remuneration of directors			
– current year		2,687	2,430
Fees paid to a firm of which a director is a member		105	109
Personnel expenses	35	825,822	799,894
Depreciation of fixed assets	8	77,691	86,445
Provision/(write-back of provision) for:			
Stock obsolescence		9,927	9,630
Foreseeable losses	25	3,300	3,609
Doubtful debts – trade	20	(1,111)	25,472
Liquidated damages	25	742	(17,161)
Loan receivables	13	(48)	(183)
Warranties	25	5,512	11,296
Provision for impairment in value of investment in a joint venture	10	323	321
Fixed assets written off		441	2,451
Research, design and development expenses incurred		49,983	62,092
Operating lease expenses		34,285	34,352
Amortisation of goodwill, net		–	2,533
Amortisation of commercial and intellectual property rights	12	802	614
Impairment of goodwill	12	158	–
Impairment loss – fixed assets	8	796	1,112
<i>And crediting</i>			
Grants and subsidies received		679	2,400
Deferred income recognised	29	294	371

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 35. Personnel expenses

	Group	
	2004 \$'000	2003 \$'000
Wages and salaries *	688,820	657,383
Pension contributions	50,943	59,467
Other personnel expenses	86,059	83,044
	<b>825,822</b>	<b>799,894</b>

\* Includes directors' remuneration of \$1,974,603 (2003: \$1,753,358).

## 36. Other income, net

Profit on disposal of fixed assets	265	3,711
Exchange loss, net	(2,131)	(1,201)
Rental income	3,979	4,651
Others	6,652	6,121
	<b>8,765</b>	<b>13,282</b>

## 37. Financial expenses

Interest expense:		
Bank loans and overdrafts	3,337	1,359
Finance lease	760	829
Loans from minority shareholders of a subsidiary	85	28
	<b>4,182</b>	<b>2,216</b>

## 38. Taxation

Income tax on the profit for the year:		
Current tax	86,090	81,549
Deferred tax	(1,618)	2,718
Associated companies	9,012	7,700
	<b>93,484</b>	<b>91,967</b>
(Over)/under provision in respect of prior years:		
Current tax	(7,074)	(4,272)
Deferred tax	646	(936)
	<b>87,056</b>	<b>86,759</b>

### Group

As at 31 December 2004, subsidiaries of the Group have potential tax benefits of approximately \$20,629,000 (2003: \$21,623,000) arising from unutilised tax losses, unabsorbed wear and tear allowances and other temporary differences, which are available for set-off against future taxable profits. These tax benefits have not been recognised in the financial statements due to the uncertainty of its recoverability. The use of these potential tax benefits is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 38. Taxation (continued)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to pre-tax profits was as follows:

	Group	
	2004	2003
	\$'000	\$'000
Profit before taxation	450,433	412,697
Taxation at statutory tax rate of 20% (2003: 22%)	90,087	90,793
Adjustments :		
Income not subject to tax	(4,059)	(7,148)
Write-back of provision not subject to tax	(277)	(2,258)
Expenses not deductible for tax purposes	7,612	6,664
Depreciation not qualified for capital allowance	139	–
Higher effective tax rates of other countries	2,199	3,332
Overprovision in prior years	(6,428)	(5,208)
Effect of change in statutory tax rates	4,196	–
Income subject to concessionary tax rates	(3,809)	(3,971)
Deferred tax assets not recognised	5,153	3,283
Deferred tax assets previously not recognised now recognised	(2,814)	–
Utilisation of deferred tax assets previously not recognised	(947)	(1,326)
Others	(3,996)	2,598
Current financial year's taxation charge	87,056	86,759

## 39. Dividends

	Group and Company	
	2004	2003
	\$'000	\$'000
Final tax exempt dividend paid in respect of the previous financial year of 3.5 cents (2003: 3.0 cents per share less tax at 22%)	101,011	67,485
Special dividend paid in respect of the previous financial year of nil cents (2003: 10.2 cents per share less tax at 22%)	–	229,447
Special normal exempt dividend paid in respect of the previous financial year of nil cents (2003: 1.8 cents) per share	–	51,911
Special tax exempt (one-tier) dividend paid in respect of the previous financial year of 7.8 cents (2003: 3.5 cents) per share	225,110	100,000
	326,121	448,843
Additional final dividend paid in respect of the previous year due to issue of shares under ESOS/ESOP before books closure date	371	1,063
	326,492	449,906

The directors propose a final tax exempt (one-tier) dividend of 4.0 cents per share (2003: 3.5 cents) amounting to \$115,686,000 (2003: \$101,011,000) and a special tax exempt (one-tier) dividend of 8.39 cents per share (2003: 7.8 cents) amounting to \$242,653,000 (2003: \$225,110,000), in respect of the year ended 31 December 2004. The dividends have not been recognised as a liability as at year end as it is subject to approval at the Annual General Meeting of the Company.

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 40. Earnings per share

### *Basic earnings per share*

The calculation for basic earnings per share is based on:

	Group	
	2004	2003
	\$'000	\$'000
Consolidated profit after taxation and minority interests	358,385	325,583

	Group	
	2004	2003
<b>Number of shares ('000)</b>		
The weighted average number of ordinary shares is arrived at as follows:		
Issued ordinary shares at beginning of the year	2,886,029	2,883,952
Weighted average number of ordinary shares issued during the year	3,584	988
Weighted average number of ordinary shares	2,889,613	2,884,940

### *Diluted earnings per share*

When calculating diluted earnings per share, the weighted average number of shares is adjusted for the effect of all dilutive potential ordinary shares. The number of unissued shares under option granted under the ESOS/ESOP and their exercise prices are set out in Note 3. The average fair value of one ordinary share during the financial year ended 31 December 2004 was \$2.08 (2003: \$1.82) per share. The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

### **Number of shares ('000)**

Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	2,889,613	2,884,940
Weighted average number of unissued shares under option	60,357	42,683
Number of shares that would have been issued at fair value	(49,911)	(37,386)
Weighted average number of ordinary shares (diluted)	2,900,059	2,890,237

## 41. Related party information

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

	Group	
	2004	2003
	\$'000	\$'000
Sales and services rendered	74,433	78,464
Purchases and services received	62,192	76,571
Management and administrative fees paid	10,430	6,541
Fixed assets purchases	23,300	3,855
Acquisition of additional interest in a subsidiary	6,972	–
Investment	–	1,019
Interest income	5,855	9,764
Dividend income	714	–
Loan	1,898	–

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 42. Cash and cash equivalents

	Group	
	2004	2003
	\$'000	\$'000
Cash and cash equivalents comprise the following:		
Fixed deposits with financial institutions	446,973	667,580
Cash and bank balances	111,276	178,781
Floating rate notes	382,000	694,500
Short-term loans to a related corporation	575,768	261,452
Bank overdrafts	(356)	(421)
	1,515,661	1,801,892

## 43. Commitments

### (a) Capital Commitments

Capital expenditure contracted but not provided for in the financial statements	6,355	19,298
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### (b) Leases

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

Within 1 year	25,368	27,817
Within 2 to 5 years	49,109	55,742
After 5 years	130,223	128,987
	204,700	212,546

The Group has several operating lease agreements for leasehold land and building, office premises and computers. The lease for the leasehold land and building and office premises contain renewal options but not purchase options. Certain leases contain escalation clauses but do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debt or further leasing.

The total amount of future minimum sub-lease payments expected to be received under non-cancellable sub-lease as at 31 December 2004 is approximately \$12,000 (2003: \$18,000).

### (c) Investments

(i) As at 31 December 2004, the Group has outstanding commitments in respect of uncalled capital to the extent of \$244,800 (2003: \$244,800) in a subsidiary.

(ii) As at 31 December 2004, the Group has outstanding commitments in respect of uncalled capital and loan to the extent of \$Nil (2003: \$8.1 million (£2.7 million)) in a subsidiary.

(iii) As at 31 December 2004, the Group has outstanding commitments in respect of uncalled capital to the extent of \$50.1 million (US\$30.4 million) (2003: Nil) in an associated company.

(iv) As at 31 December 2004, in respect of investments in unquoted equity shares of venture capital fund companies, there is uncalled capital contribution amounting to \$0.8 million (2003: \$0.8 million) for the Group.

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 43. Commitments (continued)

### (c) Investments (continued)

- (v) On 27 November 2004, an agreement was signed between ST Kinetics, Pacific City International Holdings Ltd and First Canton Trading Ltd to form an Equity Joint Venture Company, STAR Automotive Center (Guangzhou) Co., Ltd ("SACG") in Guangzhou, China. The joint venture company will have a registered capital of RMB20 million to be contributed by each party in the proportion of 50%, 20% and 30% respectively, which is to be contributed over two instalments. At the date of this report, the shareholders are in the process of applying for a business license for SACG in its country of domicile. The first instalment towards the capital of SACG is payable only upon the granting of the business licence.
- (vi) On 15 December 2004, an agreement was signed between ST Kinetics, Sinostride Technology Co. Ltd and Zhejiang University Logistics and Investment Holdings Company to form an Equity Joint Venture Company, STAR Automotive Center (Zhejiang) Co., Ltd ("SACZ") in Hangzhou, China. The joint venture company will have a registered capital of RMB15 million to be contributed by each party in the proportion of 70%, 25% and 5% respectively, which is to be contributed over two instalments. At the date of this report, the shareholders are in the process of applying for a business licence for SACZ in its country of domicile. The first instalment towards the capital of SACZ is payable only upon the granting of the business licence.
- (vii) On 15 November 2004, a participants' agreement was signed between ST Engineering and Kazakhstan Engineering to set up a joint venture company, Kaz-ST Engineering Bastau Limited Liability Partnership in Kazakhstan. The 51% joint venture company will have a registered capital of \$0.66 million (US\$0.4 million).

### (d) Foreign Exchange Forward Contracts

As at 31 December 2004, the Group has outstanding foreign exchange forward contracts amounting to approximately \$112 million (2003: \$83 million) for hedging against accounts receivable and payable and from purchase and sales commitments denominated mainly in Australian Dollars, British Sterling Pounds, Euros and US Dollars.

## 44. Contingent liabilities (unsecured)

- (a) Corporate guarantees given by the Company to third parties in respect of the provision of goods and services to a subsidiary amounted to \$6.9 million (2003: \$6.6 million).
- (b) Corporate guarantees given by the Company to banks in respect of loan facilities extended to certain US subsidiaries amounted to \$156 million (US\$95 million) (2003: \$162 million (US\$95 million)).
- (c) Corporate guarantee given by the Company to a third party in respect of the performance of a contract amounted to \$88.8 million (2003: \$92.2 million).
- (d) Corporate guarantees given by subsidiaries in respect of banking facilities amounted to \$31.6 million (2003: \$32.8 million).
- (e) Corporate guarantees given by subsidiaries to third parties in respect of the provision of goods and services amounted to \$4.3 million (2003: \$5.2 million).
- (f) Corporate guarantees given by a subsidiary to a third party in respect of the performance of contracts amounted to \$105.8 million (2003: \$109.7 million).
- (g) Corporate guarantees given by a subsidiary in respect of banking facilities to a 50% joint venture company amounted to \$15 million (2003: \$15 million).
- (h) Corporate guarantees given by a subsidiary to a third party in respect of the performance of a contract by a 50% joint venture company amounted to \$37.2 million (2003: \$36.6 million).

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 45. Segment information

### (a) *Analysis by Business Segments*

The Group is organised on a worldwide basis into four main operating segments, namely:

#### (i) *Aerospace*

Provides engineering and maintenance services for a wide range of military and commercial aircraft through its three business segments, Aircraft Maintenance & Modification; Component/Engine Repair & Overhaul; and Engineering & Materials Services.

#### (ii) *Electronics*

One of the largest system houses in the region specialising in design, development and integration of systems and solutions. It is engaged in continuing research in the areas of information communication, infrastructure development, information security, mobile real-time systems and mobile commerce.

#### (iii) *Land Systems*

Provides design and engineering services for military vehicles, weapon systems and munitions ranging from manufacturing, upgrading, repair to maintenance and life cycle management. It also provides components and sub-systems design and development, and laboratory and industrial test services.

#### (iv) *Marine*

Provides turnkey shipbuilding, shipconversion and shiprepair services. The shipyard's ship design capabilities provide it the edge in providing sophisticated, highly customised solutions for a wide spectrum of naval and commercial vessels.

Other operations include research and development, treasury, investment holding and provision of management, consultancy, warehousing and other support services.

Inter-segment pricing is on an arm's length basis.

# Notes to the Financial Statements

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(Currency – Singapore dollars unless otherwise stated)

## 46. Segment information (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Other \$'000	Elimination \$'000	Group \$'000
<b>2004</b>							
Turnover							
External sales	1,118,016	625,908	591,164	484,138	128,901	–	2,948,127
Inter-segment sales	293	10,773	3,136	226	410,082	(424,510)	–
<b>Total</b>	<b>1,118,309</b>	<b>636,681</b>	<b>594,300</b>	<b>484,364</b>	<b>538,983</b>	<b>(424,510)</b>	<b>2,948,127</b>
Segment results	176,671	63,817	50,080	63,369	390,697	(384,596)	360,038
Investment income, net	15,365	(250)	(2,326)	4,994	(918)	–	16,865
Interest income	8,005	1,918	4,380	2,950	5,460	(3,387)	19,326
Operating profit	200,041	65,485	52,134	71,313	395,239	(387,983)	396,229
Financial expenses	(965)	(113)	(85)	(1,253)	(1,938)	172	(4,182)
Share of results of associated companies and joint ventures	37,475	345	20,576	–	(10)	–	58,386
Profit before taxation	236,551	65,717	72,625	70,060	393,291	(387,811)	450,433
Taxation	(40,042)	(14,215)	(15,275)	(16,045)	(33,526)	32,047	(87,056)
Minority interests	(8,083)	1,301	1,790	–	–	–	(4,992)
<b>Net profit</b>	<b>188,426</b>	<b>52,803</b>	<b>59,140</b>	<b>54,015</b>	<b>359,765</b>	<b>(355,764)</b>	<b>358,385</b>
Assets	556,242	380,490	498,243	375,760	74,430	57,421	1,942,586
Associated companies and joint ventures	98,643	40,301	120,202	6,664	2,363	(181)	267,992
Other investments and financial assets	690,730	147,504	248,019	268,395	988,001	(581,544)	1,761,105
Unallocated assets							85,860
<b>Total assets</b>							<b>4,057,543</b>
Liabilities	724,716	436,711	675,028	414,120	61,758	(19,428)	2,292,905
Loans and other financial liabilities	70,241	356	6,581	108,664	141,713	(166,825)	160,730
Unallocated liabilities							207,563
<b>Total liabilities</b>							<b>2,661,198</b>
Capital expenditure	56,944	16,012	5,638	2,952	2,361	–	83,907
Depreciation and amortisation	34,117	8,750	11,322	22,240	2,064	–	78,493
Impairment (gain)/loss	(5,441)	2,604	2,743	(1,060)	1,898	–	744
Other non-cash expenses	28	38	375	–	–	–	441

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 46. Segment information (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Other \$'000	Elimination \$'000	Group \$'000
<b>2003</b>							
Turnover							
External sales	1,091,867	614,259	717,006	387,272	8,585	–	2,818,989
Inter-segment sales	306	6,841	705	51	374,660	(382,563)	–
<b>Total</b>	<b>1,092,173</b>	<b>621,100</b>	<b>717,711</b>	<b>387,323</b>	<b>383,245</b>	<b>(382,563)</b>	<b>2,818,989</b>
Segment results	184,514	61,881	74,606	21,837	360,792	(366,161)	337,469
Investment income, net	544	(2,530)	4,872	12,831	(2,070)	–	13,647
Interest income	7,056	2,614	5,039	1,688	2,302	(221)	18,478
Operating profit	192,114	61,965	84,517	36,356	361,024	(366,382)	369,594
Financial expenses	(972)	(48)	(29)	(1,184)	(204)	221	(2,216)
Share of results of associated companies and joint ventures	34,047	(269)	13,547	–	(1)	–	47,324
Amortisation of goodwill on acquisition of associated companies	–	(258)	(1,577)	–	–	(170)	(2,005)
Profit before taxation	225,189	61,390	96,458	35,172	360,819	(366,331)	412,697
Taxation	(44,379)	(15,137)	(22,102)	(4,364)	(38,092)	37,315	(86,759)
Minority interests	(4,513)	1,765	2,182	–	211	–	(355)
<b>Net profit</b>	<b>176,297</b>	<b>48,018</b>	<b>76,538</b>	<b>30,808</b>	<b>322,938</b>	<b>(329,016)</b>	<b>325,583</b>
Assets	471,466	321,728	573,626	322,390	97,338	78,679	1,865,227
Associated companies and joint ventures	84,719	10,213	92,829	6,987	2,313	(341)	196,720
Other investments and financial assets	837,315	248,469	332,033	241,720	840,212	(539,340)	1,960,409
Unallocated assets							99,924
<b>Total assets</b>							<b>4,122,280</b>
Liabilities	765,203	448,979	786,895	344,550	58,045	32,482	2,436,154
Loans and other financial liabilities	70,233	421	4,615	116,956	61,492	(136,807)	116,910
Unallocated liabilities							205,059
<b>Total liabilities</b>							<b>2,758,123</b>
Capital expenditure	35,519	7,426	9,120	9,301	584	–	61,950
Depreciation and amortisation	39,640	8,669	19,721	22,810	587	170	91,597
Impairment (gain)/loss	1,114	4,046	2,950	(10,072)	2,070	–	108
Other non-cash expenses	2,181	9	261	–	–	–	2,451

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 46. Segment information (continued)

### (b) Analysis by country of incorporation

Turnover is based on the country of incorporation regardless of where the goods are produced or services rendered. Assets and additions to property, plant and equipment are based on the location of those assets.

	Turnover		Assets		Capital expenditure	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Asia	2,350,040	2,313,353	1,595,210	1,555,142	66,190	49,357
USA	540,935	451,299	299,311	270,523	14,279	7,840
Europe	50,893	40,524	25,176	15,564	2,146	3,918
Others	6,259	13,813	22,889	23,998	1,292	835
	<b>2,948,127</b>	<b>2,818,989</b>	<b>1,942,586</b>	<b>1,865,227</b>	<b>83,907</b>	<b>61,950</b>

### (c) Analysis by geographical areas

Turnover is based on the location of customers regardless of where the goods are produced or services rendered.

	Turnover	
	2004 \$'000	2003 \$'000
Asia	1,977,564	2,008,438
USA	703,820	593,983
Europe	126,571	115,139
Others	140,172	101,429
	<b>2,948,127</b>	<b>2,818,989</b>

## 47. Financial instruments

### Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are interest rate, foreign exchange, market, liquidity and credit risks. The policies for managing each of these risks are summarised below.

Derivative financial instruments are used to reduce the Group's exposure to fluctuations in foreign exchange rates and interest rates. It is the Group's policy not to trade in derivative contracts for profit.

### Interest rate risk

The Group has cash balances placed with reputable banks, financial institutions and a related corporation. The Group manages its interest rate risks on its interest income by placing the cash balances in varying maturities and interest rate terms.

The Group's debt includes bank borrowings and lease commitments. The Group seeks to minimise its interest exposure through options to refinance the debt instruments and/or enter into interest rate swaps, where appropriate over the duration of its borrowings.

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

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 47. Financial instruments (continued)

### *Foreign exchange risk*

The Group's foreign exchange risk arises both from its subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies and from those operations of its local subsidiaries which are in foreign currencies.

The Group enters into forward foreign exchange contracts to hedge against its foreign exchange risk resulting from anticipated sale and purchase transactions denominated in foreign currencies, primarily in US dollars and Euro.

### *Derivative Financial Instrument Risk*

The Group uses forward foreign exchange and options to hedge its net foreign currency exposures in the management of foreign exchange risk. These derivative instruments are used for hedging and not for speculative transactions in foreign exchange.

### *Market risk*

The Group has investments in quoted equity shares and bonds, government-related securities and has placed funds with fund management companies. The market value of these investments will fluctuate with market conditions. To mitigate market risk, the Group's funds with fund managers are guaranteed 95% to 100% of their principal values at the end of the fund management period. Also, before a fund manager is given funds for management, its financial strength is carefully considered.

### *Liquidity risk*

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

### *Credit risk*

Credit risk, or the risk of counterparties defaulting, 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.

Counterparties to financial instruments consist of prime financial institutions and a related corporation, namely ST Treasury Services Limited, as disclosed in Notes 11 and 22.

As at 31 December 2004, there were no significant concentrations of credit risk, except for 45% (2003: 59%) of trade debts relating to three major customers of the respective subsidiaries.

### *Fair value of financial instruments*

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

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

#### *Bank balances and other liquid funds and short-term receivables*

The carrying amount approximates fair value due to the relatively short-term maturity of these instruments.

#### *Quoted and unquoted investments*

The fair values of quoted investments are estimated based on quoted market prices for these investments. For unquoted investments, it is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined.

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 47. Financial instruments (continued)

### *Short-term borrowings and other current liabilities*

The carrying amount approximates the fair value because of the short period to maturity of these instruments.

### *Long-term bank loans*

The carrying amount approximates the fair value as these instruments bear interest at variable rates.

### *Lease obligations*

The fair value of lease obligations is determined by discounting the relevant cash flows using current interest rates for similar instruments at balance sheet date.

### *Derivatives*

The fair value of foreign exchange forward contracts is estimated based on the difference between the applicable forward rates prevailing at the balance sheet date and the contracted forward rates, multiplied by the notional amount and discounted to present value.

As at 31 December 2004, the fair values of financial assets and financial liabilities which do not approximate the carrying amounts in the balance sheet are presented in the following table:

	Note	2004		2003	
		Carrying amount \$'000	Estimated fair value \$'000	Carrying amount \$'000	Estimated fair value \$'000
<b>(a) Assets</b>					
Investment in a joint venture	10	6,664	(i)	6,987	(i)
Long-term investments					
– Equity shares (quoted)	11	21,883	51,376	15,494	35,749
– Equity shares (unquoted)	11	20,599	(ii)	15,282	(ii)
Short-term investments					
– Amounts under fund management	18	250,000	259,205	214,661	228,730
<p>(i) It is not practicable to determine, with sufficient reliability, the fair value of loan to a joint venture as the timing of the expected cash flows of the loan cannot be reasonably determined.</p> <p>(ii) It is not practicable to determine with sufficient reliability, the fair value of the unquoted equity investments held as long-term investments as they do not have quoted market prices in an active market nor are other methods of reasonably estimating the fair values readily available.</p>					
<b>(b) Liabilities</b>					
Lease obligations	27	14,760	14,760	16,681	16,681

# Notes to the Financial Statements

31 December 2004

(Currency – Singapore dollars unless otherwise stated)

## 47. Financial instruments (continued)

	Note	2004		2003	
		Contractual/ notional amount \$'000	Estimated fair value \$'000	Contractual/ notional amount \$'000	Estimated fair value \$'000
<b>(c) Off-balance sheet financial instruments</b>					
Foreign exchange forward contracts:					
– to hedge accounts receivable	(iii)	19,144	183	4,919	2
– to hedge confirmed sales in foreign currencies	(iii)	70,836	829	50,064	1,042
– to hedge firm purchase commitments in foreign currencies	(iii)	21,658	370	27,615	1,151

(iii) The maturity dates of the foreign exchange forward contracts approximate the timing of the expected cash flow of their respective hedged items, which are on varying periods up to 2 years from the financial year end.

Disclosure of the nature of financial instruments and their significant terms and conditions that could affect the amount, timing and certainty of future cash flows is presented in the respective Notes to the financial statements, when applicable.