

# Notes to the Financial Statements

31 December 2008

(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, StarHub Centre, Singapore 229469.

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

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 13 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 2008 and for the year then ended were authorised and approved by the Board of Directors for issuance on 17 February 2009.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of financial statements preparation

The financial statements 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, except for derivative financial instruments, held for trading and available-for-sale financial assets that have been measured at their fair values, and held-to-maturity financial assets that have been measured at amortised cost.

The carrying values of recognised assets and liabilities that are designated as hedged items in a fair value hedge are adjusted to record the gain or loss on the hedged items attributable to the hedged risks.

The financial statements are presented in Singapore dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

The accounting policies have been consistently applied by the Company and the Group and except for changes in accounting policies discussed in Note 2(y), are consistent with those used in the previous year.

### (b) Basis of consolidation

#### (i) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of the directors.

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

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- (ii) The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. The financial statements of the subsidiaries used in the presentation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. 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 inter-company 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 in 1997.

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

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated income statement. Transactions with minority interests are accounted for using the parent entity extension method, whereby, on acquisition of minority interests, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal to minority interests is recognised in the income statement.

- (iii) 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 income statement. 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.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- (iv) 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. The accounting policy for goodwill is set out in Note 2(q).

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

- (v) 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) Investments in associated companies and joint ventures

The Group's investment in its associated companies and joint ventures is accounted for under the equity method of accounting.

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% 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% of the equity and has joint control over the investee company's financial and operating policies.

Under the equity method, the investment in the associated company/joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company/joint venture. Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company/joint venture. The income statement reflects the share of the results of operations of the associated company/joint venture. Where there has been a change recognised directly in the equity of the associated company/joint venture, the Group recognises its share of any changes and discloses this, where applicable, in the statement of changes in equity.

The reporting dates of the associated company/joint venture and the Group are identical and the accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charged is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period any impairment loss recognised for goodwill.

### (e) Financial assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

#### (i) *Financial assets at fair value through profit or loss*

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial assets (continued)

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Trade and other debtors are classified as loans and receivables under FRS 39. An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Known bad debts are written off. Further details on the accounting policy for impairment of financial assets are stated in Note 2(j).

#### (iii) *Held-to-maturity investments*

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

#### (iv) *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost.

### (f) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Property, plant and equipment and depreciation (continued)

Subsequent to recognition, property, plant and equipment 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 5 to 60 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	- 5 to 10 years
Boats and barges	- 5 years
Plant and machinery	- 2 to 20 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

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.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

### (g) Investment properties

Investment properties are stated at cost, net of depreciation and any impairment loss. Depreciation is provided on the straight-line basis so as to write-off the cost of the investment properties over their estimated useful lives of 3 to 50 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) 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. Allowance 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.

### (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. These also include bank overdrafts that form an integral part of the Group's cash management.

### (j) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### (i) *Assets carried at amortised costs*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an amortisation account. The amount of the loss shall be recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Impairment of financial assets (continued)

#### (ii) *Assets carried at costs*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The loss recognised is not reversed in future periods.

#### (iii) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

### (k) Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

Trade and other creditors are financial liabilities initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings are financial liabilities initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs are recognised as expenses in the period in which they are incurred.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) 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.

### (m) Income taxes

#### (i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

#### (ii) Deferred tax

Deferred income tax 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.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Income taxes (continued)

#### (ii) *Deferred tax (continued)*

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

### (n) Employee benefits

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

- *Share Option Plan*

Pursuant to the ST Engineering Share Option Plan, certain directors and employees are granted non-transferable options to purchase the Company's shares. The fair value of options granted is determined using a binomial model and is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. In valuing the share option, no account is taken of any performance condition, other than market conditions, if any. The cumulative expense recognised for share options at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of share options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The proceeds received are credited to share capital when the options are exercised.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

- *Performance Share Plan*

Pursuant to the ST Engineering Performance Share Plan, the Company's shares can be awarded to certain employees and directors of the Group. The details of the Performance Share Plan are described in Note 40.

The performance shares cost is amortised and recognised in the income statement on a straight-line basis over the three-year performance period. The fair value of the performance shares is determined at conditional grant date using the Monte Carlo simulation model, which takes into account the market conditions and non-market conditions.

- *Restricted Stock Plan*

Pursuant to the ST Engineering Restricted Stock Plan, the Company's shares can be awarded to certain employees and directors of the Group. The details of the Restricted Stock Plan are described in Note 40.

The restricted shares cost is amortised and recognised in the income statement over the vesting period. The fair value of the restricted shares is determined on conditional grant date using the Monte Carlo simulation model.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Employee benefits (continued)

#### (ii) Defined contribution plans

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.

### (o) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the income can be reliably measured. Income is measured at the fair value of consideration received or receivable.

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 15% of the total commission receivable for each contract is treated as downpayment and is deferred and taken up in the income statement only upon the discharge of specified contractual obligations. Commission income in respect of each contract in excess of the first 15% of the total amount receivable is taken up in the income statement as and when it is billed. For certain back to back contracts, commission income is recognised upon delivery of goods and services.
- (vi) Finance charges from hire purchase financing is recognised based on the sum of digits method over the finance period.
- (vii) Interest income, including income arising from finance leases and other financial instruments, is recognised on an accrual basis using the effective interest method.
- (viii) Rental income arising from investment properties is accounted for on a straight-line basis over the lease terms.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the income statement.

Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are also taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the foreign currency translation reserve.

#### (ii) Foreign currency translation

The results and financial position of foreign subsidiary companies are translated into Singapore dollars using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries on or after 1 January 2005 are treated as assets and liabilities of the foreign subsidiaries and are recorded in the functional currency of the foreign subsidiaries and translated at the closing rate at the balance sheet date.

On disposal of a foreign subsidiary, the cumulative amount of exchange differences deferred in equity relating to that foreign subsidiary is recognised in the income statement as a component of the gain or loss on disposal.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Intangible assets

#### (i) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's reporting format determined in accordance with FRS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised in respect of cash-generating unit (group of cash-generating units) are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating unit (group of cash-generating units) and then, to reduce the carrying amount of the other assets in the cash-generating unit (group of cash-generating units) on a pro-rata basis.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

#### (ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at costs. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and the expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible asset with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Intangible assets (continued)

#### (ii) Other intangible assets (continued)

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

- **Research and development expenditure**

Research and development expenditure is charged to the income statement as and when incurred.

- **Film cost inventory**

Film production costs are capitalised as film cost inventory. The film cost inventory is amortised using the individual-film-forecast computation method which amortises the film costs in the same ratio that current gross revenue bear to anticipated total gross income for the film. However, should this result in a book value for a film which exceed the estimated net realisable value, then a corresponding reduction to its estimated net realisable value is to be made on a film-by-film basis.

- **Commercial and 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 lives.

- **Brands**

Costs relating to brands, which are acquired are capitalised and amortised on a straight-line basis over their estimated economic useful lives of 20 - 70 years.

- **Dealer network**

Costs relating to dealer network, which are acquired are capitalised and amortised on a straight-line basis over their estimated economic useful life of 7 years.

### (r) Hire purchase

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 income statement 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. Assets acquired on hire purchase arrangements are depreciated in accordance with the policy set out in Note 2(f) above.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Finance leases

#### (i) As lessee

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 capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Assets acquired on finance lease arrangements are depreciated in accordance with the policy set out in Note 2(f) above.

#### (ii) As lessor

Leases where the Group transferred substantially all the risks and rewards incidental to legal ownership of the leased assets, are classified as finance lease.

The leased asset is derecognised and the present value of the lease receivables (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet. The difference between the gross receivables and the present value of the lease receivables is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivables to reduce both the principal and the unearned finance income. The finance income is recognised in the income statement on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in the income statement over the lease term on the same basis as the leased income.

### (t) 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 income statement 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.

### (u) 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.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

The Group uses cash from time to time as a hedging instrument to hedge its risk associated with foreign currency fluctuations.

For the purpose of hedge accounting, hedges are classified either as fair value hedge or cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

#### (i) Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the hedging instrument is remeasured at fair value and gains and losses from both are taken to the income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedging instrument for which the effective interest method is used is amortised in the income statement.

Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement. The changes in the fair value of the hedging instrument are also recognised in the income statement.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (v) Derivative financial instruments and hedging (continued)

#### (i) Fair value hedges (continued)

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedging instrument for which the effective interest method is used is amortised in the income statement. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

#### (ii) Cash flow hedges

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

### (w) 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.

### (x) Derecognition of financial assets and liabilities

#### (i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (x) Derecognition of financial assets and liabilities (continued)

#### (i) Financial assets (continued)

- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

#### (ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### (y) Changes in accounting policies

#### (i) Adoption of new and revised FRS

With effect from 1 January 2008, the Group has adopted all the new and revised FRS and INT FRS that are mandatory for financial years beginning on or after 1 January 2008. The adoption of these FRS and INT FRS has no significant impact to the Group.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (y) Changes in accounting policies (continued)

#### (ii) Future changes in accounting policies

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective for annual periods beginning on or after
FRS 1	: Presentation of Financial Statements - Revised presentation - Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	: Borrowing Costs	1 January 2009
FRS 27	: Consolidation and Separate Financial Statements – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly – controlled Entity or Associate	1 January 2009
FRS 32	: Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 101	: First-time Adoption of Financial Reporting Standards – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate	1 January 2009
FRS 102	: Share-based payment – Vesting conditions and cancellations	1 January 2009
FRS 108	: Operating Segments	1 January 2009
INT FRS 113	: Customer Loyalty Programmes	1 July 2008
INT FRS 116	: Hedges of a Net Investment in a Foreign Operation	1 October 2008

The Group expects that the adoption of the above pronouncements will not have a significant impact on the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

#### FRS 1 *Presentation of Financial Statements – Revised presentation*

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

#### FRS 108 *Operating Segments*

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position and results of the Group when implemented in 2009.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (z) Significant accounting estimates and judgements

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (i) Key sources of estimation uncertainty

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

- **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, Management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and other intangible assets, are given in Note 16 to the financial statements.

- **Impairment of loans and receivables**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivable at the balance sheet date is disclosed in Note 51 to the financial statements.

- **Depreciation charge**

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment and investment properties to be within 1 to 60 years. The carrying amount of the Group's property, plant and equipment and investment properties at 31 December 2008 was \$1,036,455,000 (2007: \$1,033,002,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these property, plant and equipment and investment properties, therefore future depreciation charges could be revised.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (z) Significant accounting estimates and judgements (continued)

#### (ii) Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

- Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's deferred tax assets was \$138,128,000 (2007: \$112,718,000), tax payables was \$177,647,000 (2007: \$201,324,000) and deferred tax liabilities was \$62,602,000 (2007: \$45,818,000) at 31 December 2008.

## 3. TURNOVER

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

	Group	
	2008 \$'000	2007 \$'000
Sale of goods	2,907,967	2,751,918
Service income	2,436,548	2,299,064
	<b>5,344,515</b>	5,050,982

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 4. OTHER OPERATING INCOME

	Note	2008 \$'000	Group 2007 \$'000
Commission income		746	358
Dividend income			
- quoted equity investments		99	13
- unquoted equity investments		123	99
Interest income			
- related corporations		10,731	19,864
- bank deposits		9,097	21,077
- staff loans		12	15
- finance lease		456	173
- bonds		160	-
- others		695	1,333
(Impairment)/write-back of impairment in value of investments			
- quoted investments	15	(25,580)	(3,007)
- unquoted investments	15	(363)	-
- associated companies	14	-	4,400
Gain/(loss) on disposal of			
- a subsidiary company		-	(3,506)
- associated companies		803	20,702
- investments		650	(4,037)
Profit on maturity of amounts under fund management		19,586	24,490
Loss on fair value changes of held for trading investments		(9)	-
Fair value changes of financial instruments			
- gain/(loss) on forward currency contract designated as hedging instrument in fair value hedges		(3,308)	3,837
- ineffective portion of forward currency contract designated as hedging instrument in cash flow hedges		(69)	(820)
Fair value of hedged items		1,971	(3,675)
Gain on dilution of interest in a subsidiary company		-	84
Others		11,173	6,992
		<b>26,973</b>	<b>88,392</b>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 5. PROFIT FROM OPERATIONS

Profit from operations is arrived at:

	Note	2008 \$'000	Group 2007 \$'000
<b><i>After charging</i></b>			
Auditors' remuneration			
- auditors of the Company		1,891	1,656
- other auditors		3,479	3,478
Non-audit fees			
- auditors of the Company		537	419
- other auditors		1,528	1,180
Fees and remuneration of directors		5,042	4,087
Fees paid to a firm of which a director is a member		109	74
Personnel expenses	6	1,430,643	1,368,839
Depreciation charge	12, 17	148,590	126,518
Allowance/(write-back of allowance) for			
- Stock obsolescence		22,515	12,941
- Doubtful debts (trade)	22	28,775	3,047
- Loan receivables	18	(1,121)	(889)
- Doubtful lease receivables	19	877	811
Provision/(write-back of provision) for			
- Foreseeable losses	31	9,009	(3,257)
- Liquidated damages	31	(5,257)	2,324
- Warranties	31	5,164	33,893
Property, plant and equipment written off		12,117	8,721
Research, design and development expenses incurred		75,204	65,956
Operating lease expenses		28,491	28,976
Amortisation of other intangible assets	16	10,203	7,556
Write-back of impairment of property, plant and equipment	12	(102)	(105)
Impairment/(write-back of impairment) in value of other intangible assets	16	2	(27)
<b><i>And crediting</i></b>			
Grants and subsidies received		2,153	192
Deferred income recognised	35	3,784	2,324

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 6. PERSONNEL EXPENSES

	Group	
	2008 \$'000	2007 \$'000
Wages and salaries *	1,187,800	1,137,016
Pension contributions	79,075	70,938
Share-based payments	19,357	16,085
Other personnel expenses	144,411	144,800
	<b>1,430,643</b>	<b>1,368,839</b>

\* Includes directors' remuneration of \$3,841,576 (2007: \$2,879,359).

## 7. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group	
	2008 \$'000	2007 \$'000
Short-term employee benefits	41,650	34,583
Pension contributions	464	461
Other long-term benefits	7	1
Share-based payments	7,007	5,935
	<b>49,128</b>	<b>40,980</b>

## 8. OTHER INCOME, NET

	Group	
	2008 \$'000	2007 \$'000
Gain on disposal of property, plant and equipment	4,364	909
Losses arising from the impact of Hurricane Katrina	-	(277)
Proceeds received/receivable from insurers (Hurricane Katrina)	144	323
Exchange loss, net	(10,841)	(5,402)
Rental income	5,269	3,690
Long-term loan from a minority shareholder forgiven	194	-
Others	9,329	3,866
	<b>8,459</b>	<b>3,109</b>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 9. FINANCIAL EXPENSES

	Group	
	2008 \$'000	2007 \$'000
Bank loans and overdrafts	41,606	49,363
Finance lease	506	540
Others	575	453
	<b>42,687</b>	<b>50,356</b>

## 10. TAXATION

	Group	
	2008 \$'000	2007 \$'000
Current income tax		
Current year	119,773	123,208
Overprovision in respect of prior years	(37,396)	(13,394)
Associated companies and joint ventures	4,441	5,641
	<b>86,818</b>	<b>115,455</b>
Deferred income tax		
Current year	(17,395)	(1,532)
Overprovision in respect of prior years	(17,484)	(8,867)
Effect of reduction in tax rate	-	9,550
	<b>51,939</b>	<b>114,606</b>

Deferred income tax related to items charged or credited directly to equity:

Net change in fair value of available-for-sale financial assets	(1,096)	(4,675)
Net change in fair value of derivative financial instruments designated in cash flow hedges	(3,947)	500
Effect of reduction in tax rate	-	109
	<b>(5,043)</b>	<b>(4,066)</b>

### The Group

#### *Unrecognised tax losses*

As at 31 December 2008, subsidiaries of the Group have potential tax benefits of approximately \$15,117,000 (2007: \$27,149,000) 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 2008

(Currency - Singapore dollars unless otherwise stated)

## 10. TAXATION (continued)

### *Unrecognised temporary differences relating to investments in subsidiaries*

At the balance sheet date, no deferred tax liability (2007: \$nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that the undistributed profits of some of its overseas subsidiaries will not be remitted to Singapore in the foreseeable future, but be retained for organic growth and acquisitions.

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

	Group	
	2008 \$'000	2007 \$'000
Profit from operations before taxation	540,702	638,115
Taxation at statutory tax rate of 18%	97,326	114,861
Adjustments:		
Income not subject to tax	(1,344)	(13,932)
Expenses not deductible for tax purposes	12,540	11,817
Higher effective tax rates of other countries	1,368	18,908
Overprovision in prior years, net	(54,880)	(22,261)
Effect of change in tax rates	-	9,550
Lower effective tax rates of associated companies	(1,316)	-
Income subject to concessionary tax rates	-	(2,807)
Deferred tax assets not recognised	1,746	6,574
Deferred tax assets previously not recognised now recognised	(814)	(5)
Others	(2,687)	(8,099)
Current financial year's taxation charge	51,939	114,606

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 11. EARNINGS PER SHARE

### Basic earnings per share

The calculation for basic earnings per share is based on:

	Group	
	2008 \$'000	2007 \$'000
Consolidated profit after taxation and minority interests	<b>473,636</b>	503,503

### Number of shares ('000)

The weighted average number of ordinary shares is arrived at as follows:

Issued ordinary shares at beginning of the year	<b>2,983,550</b>	2,946,254
Weighted average number of ordinary shares issued during the year	<b>11,049</b>	24,486
Weighted average number of ordinary shares	<b>2,994,599</b>	2,970,740

### 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 40. The average fair value of one ordinary share during the financial year ended 31 December 2008 was \$2.89 (2007: \$3.60) per share. The weighted average number of ordinary shares adjusted for the unissued shares under option is as follows:

	Group	
	2008	2007
Weighted average number of ordinary shares (used in the calculation of basic earnings per share)	<b>2,994,599</b>	2,970,740
Weighted average number of unissued shares under option	<b>73,190</b>	34,854
Number of shares that would have been issued at fair value	<b>(59,130)</b>	(28,039)
Weighted average number of ordinary shares (diluted)	<b>3,008,659</b>	2,977,555

55,495,102 (2007: 31,217,005) of share options granted to employees under the existing employee share option plans have not been included in the calculation of diluted earnings per share because they are anti-dilutive for the current and previous financial years presented.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT

	Valuation/Cost							
	As at 1.1.2007 \$'000	Additions * \$'000	Disposals \$'000	Arising from acquisition of interest in subsidiaries \$'000	Due to disposal of a subsidiary \$'000	Reclassi- fications \$'000	Translation difference \$'000	As at 31.12.2007 \$'000
<b>The Group</b>								
<b>At 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	61,364	1,444	(152)	-	-	707	(3,520)	59,843
Leasehold land and buildings	419,655	24,698	(698)	1,446	-	(3,815)	(3,181)	438,105
Buildings on rented properties	71,043	33	-	-	-	-	-	71,076
Improvements to premises	43,211	3,962	(397)	114	(682)	152	(878)	45,482
Wharves and slipways	28,713	-	(491)	-	-	(672)	(182)	27,368
Syncrolift and floating docks	68,782	-	-	-	-	-	-	68,782
Boats and barges	5,288	-	-	-	-	-	(121)	5,167
Plant and machinery	868,217	92,180	(33,731)	2,087	(321)	2,575	21,154	952,161
Production tools and equipment	175,738	22,792	(3,236)	-	-	(26)	(515)	194,753
Furniture, fittings, office equipment and computers	153,202	15,859	(10,797)	435	(202)	235	(1,509)	157,223
Transportation equipment and vehicles	14,036	1,972	(1,769)	62	(266)	685	(138)	14,582
Aircraft and aircraft engines	62,766	344	(2,860)	-	-	17,801	-	78,051
Construction-in-progress	21,774	25,124	(38)	-	-	(21,308)	(140)	25,412
	<u>2,003,774</u>	<u>188,408</u>	<u>(54,169)</u>	<u>4,144</u>	<u>(1,471)</u>	<u>(3,666)</u>	<u>10,970</u>	<u>2,147,990</u>

\* Included property, plant and equipment of \$16,364,000 contributed by minority shareholders as part of capital injection.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Valuation/Cost						As at 31.12.2008 \$'000
	As at 1.1.2008 \$'000	Additions \$'000	Disposals \$'000	Arising from acquisition of interest in subsidiaries \$'000	Reclassi- fications \$'000	Translation difference \$'000	
<b>The Group</b>							
<b>At 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	59,843	394	(615)	-	35	(322)	59,335
Leasehold land and buildings	438,105	9,112	(111)	-	20,326	1,285	468,717
Buildings on rented properties	71,076	1,026	-	-	11,216	3	83,321
Improvements to premises	45,482	9,168	(1,048)	-	(252)	(545)	52,805
Wharves and slipways	27,368	919	-	-	4,222	(13)	32,496
Syncrolift and floating docks	68,782	394	(240)	-	-	-	68,936
Boats and barges	5,167	-	-	-	-	(10)	5,157
Plant and machinery	952,161	95,065	(51,134)	-	2,206	(24,305)	973,993
Production tools and equipment	194,753	20,954	(1,810)	-	81	(976)	213,002
Furniture, fittings, office equipment and computers	157,223	21,808	(10,661)	31	119	(586)	167,934
Transportation equipment and vehicles	14,582	1,390	(1,120)	-	-	45	14,897
Aircraft and aircraft engines	78,051	2,013	(8,111)	-	-	-	71,953
Construction-in-progress	25,412	29,048	(148)	-	(37,953)	(34)	16,325
	<b>2,147,990</b>	<b>191,291</b>	<b>(74,998)</b>	<b>31</b>	<b>-</b>	<b>(25,458)</b>	<b>2,238,856</b>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Accumulated depreciation							As at 31.12.2007 \$'000
	As at 1.1.2007 \$'000	Depreciation charge for the year \$'000	Impairment/ (write- back of impairment) \$'000	Disposals \$'000	Due to disposal of a subsidiary \$'000	Reclassi- fications \$'000	Translation difference \$'000	
<b>The Group</b>								
<b>At 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	20,091	1,218	-	(152)	-	(1,417)	(1,185)	18,555
Leasehold land and buildings	242,007	18,105	-	(181)	-	(1,153)	(1,514)	257,264
Buildings on rented properties	23,584	2,192	-	-	-	-	-	25,776
Improvements to premises	18,369	4,563	-	(372)	(444)	1,369	(441)	23,044
Wharves and slipways	17,062	1,834	-	(491)	-	(46)	(19)	18,340
Syncrolift and floating docks	64,699	3,543	-	-	-	-	-	68,242
Boats and barges	5,129	83	-	-	-	(306)	(116)	4,790
Plant and machinery	344,268	55,542	(118)	(22,161)	(277)	376	(674)	376,956
Production tools and equipment	138,517	15,861	-	(1,236)	-	(91)	(630)	152,421
Furniture, fittings, office equipment and computers	126,629	16,008	13	(10,642)	(152)	(33)	(1,250)	130,573
Transportation equipment and vehicles	9,660	1,428	-	(1,341)	(206)	56	(80)	9,517
Aircraft and aircraft engines	35,624	5,140	-	(2,860)	-	-	-	37,904
	<u>1,055,624</u>	<u>125,517</u>	<u>(105)</u>	<u>(39,436)</u>	<u>(1,079)</u>	<u>(1,245)</u>	<u>(5,909)</u>	<u>1,133,367</u>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Accumulated depreciation						As at 31.12.2008 \$'000
	As at 1.1.2008 \$'000	Depreciation charge for the year \$'000	Write- back of impairment \$'000	Disposals \$'000	Reclassi- fications \$'000	Translation difference \$'000	
<b>The Group</b>							
<b>At 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	18,555	1,129	-	(545)	-	(77)	19,062
Leasehold land and buildings	257,264	17,431	-	(12)	16	30	274,729
Buildings on rented properties	25,776	2,533	-	-	-	-	28,309
Improvements to premises	23,044	6,192	-	(1,036)	(16)	(197)	27,987
Wharves and slipways	18,340	2,020	-	-	-	6	20,366
Syncrolift and floating docks	68,242	512	-	(240)	-	-	68,514
Boats and barges	4,790	37	-	-	-	(8)	4,819
Plant and machinery	376,956	74,880	(102)	(35,009)	-	(3,821)	412,904
Production tools and equipment	152,421	19,703	-	(1,545)	-	(547)	170,032
Furniture, fittings, office equipment and computers	130,573	17,395	-	(10,545)	-	(364)	137,059
Transportation equipment and vehicles	9,517	1,662	-	(943)	-	21	10,257
Aircraft and aircraft engines	37,904	3,943	-	(6,098)	-	-	35,749
	<u>1,133,367</u>	<u>147,437</u>	<u>(102)</u>	<u>(55,973)</u>	<u>-</u>	<u>(4,957)</u>	<u>1,219,772</u>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Net book value	
	2008 \$'000	2007 \$'000
<b>The Group</b>		
<b>At 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	40,273	41,288
Leasehold land and buildings	193,988	180,841
Buildings on rented properties	55,012	45,300
Improvements to premises	24,818	22,438
Wharves and slipways	12,130	9,028
Syncrolift and floating docks	422	540
Boats and barges	338	377
Plant and machinery	561,089	575,205
Production tools and equipment	42,970	42,332
Furniture, fittings, office equipment and computers	30,875	26,650
Transportation equipment and vehicles	4,640	5,065
Aircraft and aircraft engines	36,204	40,147
Construction-in-progress	16,325	25,412
	<b>1,019,084</b>	<b>1,014,623</b>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

### The Company

	At Cost			
	As at 1.1.2007 \$'000	Additions \$'000	Disposals \$'000	As at 31.12.2007 \$'000
Furniture, fittings, office equipment and computers	1,621	360	(180)	1,801
Transportation equipment and vehicles	298	331	(298)	331
	1,919	691	(478)	2,132

	Accumulated depreciation			
	As at 1.1.2007 \$'000	Depreciation charge for the year	Disposals \$'000	As at 31.12.2007 \$'000
Furniture, fittings, office equipment and computers	1,138	314	(180)	1,272
Transportation equipment and vehicles	124	62	(169)	17
	1,262	376	(349)	1,289

	At Cost			
	As at 1.1.2008 \$'000	Additions \$'000	Disposals \$'000	As at 31.12.2008 \$'000
Furniture, fittings, office equipment and computers	1,801	696	(115)	2,382
Transportation equipment and vehicles	331	-	-	331
	2,132	696	(115)	2,713

	Accumulated depreciation			
	As at 1.1.2008 \$'000	Depreciation charge for the year \$'000	Disposals \$'000	As at 31.12.2008 \$'000
Furniture, fittings, office equipment and computers	1,272	456	(114)	1,614
Transportation equipment and vehicles	17	66	-	83
	1,289	522	(114)	1,697

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

### The Company

	Net book value	
	2008 \$'000	2007 \$'000
Furniture, fittings, office equipment and computers	768	529
Transportation equipment and vehicles	248	314
	<u>1,016</u>	<u>843</u>

### The Group

#### (a) Property, plant and equipment at valuation

As at 1 January 2007, property, plant and equipment, 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. These property, plant and equipment are fully depreciated as at 31 December 2008 and 2007.

#### (b) Property, plant and equipment pledged as security

- (i) Freehold land and buildings and land of a subsidiary with a carrying value of \$3,952,000 (2007: \$4,046,000) are pledged as security for long-term loans.
- (ii) Plant and machinery of a subsidiary with a carrying value of \$426,914,000 (2007: \$450,610,000) are subject to a floating charge of Euro 210 million (2007: Euro 210 million) to secure two of the subsidiary's bank loans.

#### (c) Property, plant and equipment under lease obligations

Included in the above are property, plant and equipment acquired under lease obligations with a net book value of:

	Group	
	2008 \$'000	2007 \$'000
Leasehold land and buildings	1,813	2,271
Transportation equipment and vehicles	191	231
	<u>2,004</u>	<u>2,502</u>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

### (d) The major properties of the Group comprise:

#### (i) Freehold land and buildings

Location	Description	Land area (sq. m.)	Net book value	
			2008 \$'000	2007 \$'000
<b>USA</b>				
47889 South K Street Tulare, California	Industrial buildings	88,949	<b>2,544</b>	2,581
13442 Emerson Road Kidron, Ohio	Industrial buildings	68,351	<b>1,403</b>	1,320
300 Hackney Ave, Independence, Kansas	Industrial buildings	117,358	<b>1,898</b>	1,928
400 Hackney Ave, Washington, North Carolina	Industrial buildings	39,942	<b>2,050</b>	2,141
914 Saegers Station Drive, Montgomery, Pennsylvania	Industrial buildings	122,659	<b>3,949</b>	4,059
7801 Trinity Drive, Escatawpa, Mississippi	Shipyard and buildings	839,564	<b>4,552</b>	4,592
5801 Elder Ferry Road, Moss Point, Mississippi	Shipyard and buildings	227,151	<b>4,266</b>	4,316
900 Bayou Casotte Parkway, Pascagoula, Mississippi	Shipyard and buildings	331,803	<b>14,858</b>	15,279
3800 Richardson Road South, Hope Hull, Alabama	Production facility	8,361	<b>3,661</b>	3,762

#### (ii) Leasehold land, buildings and improvements

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2008 \$'000	2007 \$'000
<b>Singapore</b>					
501 Airport Road	Factory and office building	20 years from 1.6.1993	23,899	<b>2,315</b>	2,674
503 Airport Road	Factory and office building	20 years from 1.6.1993	7,175	<b>626</b>	758
505 Airport Road Lots 087066, 087M, 0870C and 99703 MK22	Jet engine test cell workshop	3 years from 17.4.2007	5,317	<b>20,237</b>	-
540 Airport Road	Warehouse and office building	30 years from 15.8.1985	5,850	<b>1,045</b>	1,200
	Hangar and office building	30 years from 1.1.1984	18,918	<b>2,918</b>	3,429

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

### (d) The major properties of the Group comprise (continued)

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

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2008 \$'000	2007 \$'000
<b>Singapore</b>					
8 Changi North Way	Hangar and office building	30 years from 1.1.1992	75,713	<b>32,320</b>	34,806
	Hangar and office building	22.5 years from 16.6.1999	14,860	<b>3,124</b>	3,365
	Hangar and office building	16.3 years from 20.8.2005	9,764	<b>13,012</b>	14,012
24 Ang Mo Kio Street 65	Industrial and commercial buildings	30 years from 1.12.1982, renewable to 2042	23,970	<b>9,262</b>	10,174
100 Jurong East Street 21	Industrial and commercial buildings	30 years from 1.11.1988, renewable to 2048	11,232	<b>8,121</b>	8,590
70 Ubi Crescent Ubi Techpark #01-12	Office Building	60 years from 5.7.1997	730	<b>1,255</b>	1,282
5 Portsdown Road	Industrial and commercial buildings	3.5 years from 1.4.2007 to 30.9.2010	88,400	<b>1,194</b>	1,875
33 Tuas Avenue 2	Factory and office building	30 years from 1.4.1996	6,669	<b>2,527</b>	2,673
16 Benoi Crescent	Industrial and commercial buildings	30 years from 16.7.1989	6,981	<b>2,845</b>	3,117
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	<b>5,230</b>	6,059
2D Ayer Rajah Crescent	Industrial and commercial buildings	3 years from 1.4.2007 to 31.3.2010	29,904	<b>721</b>	1,133
16 Tuas Avenue 7	Industrial buildings	30 years from 16.8.1983	12,029	<b>926</b>	1,110
601 Rifle Range Road	Industrial buildings	Renewable every year *	1,380,983	<b>1,117</b>	1,478
15 Chin Bee Drive	Industrial buildings	60 years from 1.8.1973	39,640	<b>3,234</b>	3,668
16 Benoi Road	Administrative offices	56 years from 1.6.1969	20,224	-	-
7 Benoi Road	Buildings, foreshore and workshops	56 years from 1.6.1969	103,802	<b>15,369</b>	16,488
60 Tuas Road	Buildings, foreshore and workshops	30 years from 1.12.1992	125,262	<b>4,939</b>	5,602
30/36 Kian Teck Avenue	Workers' dormitory	30 years from 1.9.1995	3,908	<b>4,870</b>	5,162

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

### (d) The major properties of the Group comprise (continued)

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

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2008 \$'000	2007 \$'000
<b>USA</b>					
2100 9 <sup>th</sup> Street Brookley Complex, Mobile, Alabama	Hangar and office building	22 years from 1.1.1991	103,825	<b>16,699</b>	19,465
9800 John Saunders Road, San Antonio, Texas	Hangar and office building	16 <sup>7</sup> / <sub>12</sub> years from 1.6.2002	195,663	<b>6,331</b>	7,325
<b>People's Republic of China</b>					
2008Y03, North of Zhong Fang Road and East of Wu Shi Road, Xiamen, Fujian	Leasehold land for factory building	50 years from 11.8.2008	38,618	<b>5,669</b>	-
97 Zhong Cao Road Guiyang, Guizhou	Leasehold land, industrial and commercial buildings	50 years from 26.2.2008 to 21.2.2058	242,662	<b>23,252</b>	21,973
613 Xin Jiao Dong Road, Hai Zhu District, Guangzhou, Guangdong	Industrial and commercial buildings	15 years from 22.4.2005 to 21.4.2020	9,751	<b>1,358</b>	1,385
No. 555 Kanghua Road, Kangqiao Industrial Zone, Shanghai	Leasehold land	50 years from 12.6.2003 to 27.7.2052	15,898	<b>911</b>	892
<b>Panama</b>					
Bryant Ave Howard Balboa	Hangar and office building	20 years from 18.8.2006	36,278	<b>3,085</b>	1,905

\* 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 2008

(Currency - Singapore dollars unless otherwise stated)

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

### (d) The major properties of the Group comprise (continued)

#### (iii) Buildings on rented properties

Location	Description	Tenure	Land area (sq. m.)	Net book value	
				2008 \$'000	2007 \$'000
<b>Singapore **</b>					
540 Airport Road	Hangars and office building	3 years lease from 1.7.2006	48,882	<b>25,598</b>	27,145
Seletar West Camp	Hangars and office building	Yearly	15,670	<b>17,476</b>	18,122
	Hangars and office building	3 years lease from 1.8.2007	5,760	<b>11,904</b>	-
<b>People's Republic of China</b>					
Guangzhou Airport Logistics Centre, Guangzhou Baiyun Airport Logistics, Guangzhou 510890	Warehouse	2 years lease from 1.11.2007	100	<b>34</b>	33

\*\* The buildings on rented properties relate to buildings constructed by a subsidiary 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.

## 13. SUBSIDIARIES

	Company	
	2008 \$'000	2007 \$'000
Unquoted shares, at cost:		
Singapore Technologies Aerospace Ltd	<b>90,114</b>	90,114
Singapore Technologies Electronics Limited	<b>26,982</b>	26,982
Singapore Technologies Kinetics Ltd	<b>61,938</b>	61,938
Singapore Technologies Marine Ltd	<b>56,000</b>	56,000
Vision Technologies Systems, Inc.	<b>297,494</b>	297,494
Singapore Technologies Dynamics Pte Ltd	<b>6,000</b>	6,000
ST Synthesis Pte Ltd	<b>2,156</b>	2,156
FusionTech Pte. Ltd.	<b>1,000</b>	1,000
Kaz-ST Engineering Bastau Limited Liability Partnership	<b>578</b>	578
	<b>542,262</b>	542,262
Impairment in subsidiaries	<b>(7,000)</b>	(7,000)
Carrying amount after impairment in subsidiaries	<b>535,262</b>	535,262
Capital contribution in the form of share options, performance shares and restricted shares issued to employees of subsidiaries	<b>39,191</b>	22,697
	<b>574,453</b>	557,959

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

		Effective equity interest held by the Group	
		2008	2007
		%	%
<b>(a)</b>	<b>Singapore Technologies Aerospace Ltd and its subsidiaries</b>	<b>100</b>	<b>100</b>
	ST Aerospace Engineering Pte Ltd and its subsidiaries:	<b>100</b>	100
	ST PAE Holdings Pty Ltd	<b>100</b>	100
	Pacific Flight Services Pte Ltd	<b>100</b>	100
	Pacific Flight Services Pty Ltd	<b>100</b>	100
	ST Aviation Training Academy Pte. Ltd. and its subsidiary:	<b>66</b>	66
	Aviation Training Academy Australia Pty Ltd and its subsidiary:	<b>66</b>	66
	ST Aviation Training Academy (Australia) Pty Ltd	<b>66</b>	-
	ST Aerospace Engines Pte Ltd and its subsidiary:	<b>100</b>	100
	ST Aerospace Technologies (Xiamen) Company Limited	<b>80</b>	-
	ST Aerospace Systems Pte Ltd	<b>100</b>	100
	ST Aerospace Supplies Pte Ltd and its subsidiaries:	<b>100</b>	100
	iShopAero Pte Ltd	<b>100</b>	100
	Guangzhou Aerospace Technologies and Engineering Company Limited	<b>100</b>	100
	ST Aerospace International Structures Pte Ltd	<b>100</b>	100
	ST Aviation Resources Pte Ltd and its subsidiary:	<b>100</b>	100
	ST Aviation Resources 1 Limited	<b>100</b>	100
	ST Aviation Services Co Pte Ltd	<b>80</b>	80
	Visiontech Investment Pte Ltd	<b>100</b>	100
	Singapore Technologies Engineering (Europe) Ltd	<b>100</b>	100
	Singapore Aerospace Kabushiki Kaisha	<b>100</b>	100
	Visiontech Engineering Pte Ltd	<b>51</b>	51
	ST Airport Ground Services Pte Ltd	<b>100</b>	100
	Bournemouth Aviation Services Company Limited	<b>81</b>	81
	Singapore British Engineering (Pte) Ltd	<b>51</b>	51
	ST Aerospace Solutions (Europe) A/S and its subsidiary:	<b>100</b>	71.3
	Airline Rotables (UK Holdings) Limited and its subsidiary:	<b>100</b>	71.3
	Airline Rotables Limited	<b>100</b>	71.3
	Panama Aerospace Engineering Inc.	<b>100</b>	100

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

	Effective equity interest held by the Group	
	2008 %	2007 %
<b>(b) Singapore Technologies Electronics Limited and its subsidiaries</b>	<b>100</b>	<b>100</b>
SEEL Electronic & Engineering Sdn Bhd	100	100
ST Electronics (Info-Software Systems) Pte. Ltd. and its subsidiaries:	100	100
INFA Systems Limited	100	100
ST Electronics (Software Services) Limited	100	100
ST Electronics (e-Services) Pte. Ltd.	100	100
PM-B Pte Ltd and its subsidiaries:	70	70
PMB Project Management Business Sdn Bhd	70	70
PT PM-B Indonesia	70	70
PM-B (China) Ltd	70	70
ST Electronics (Training & Simulation Systems) Pte. Ltd. and its subsidiaries:	100	100
ST Electronics (Digital Media) Pte. Ltd.	100	100
Antycip Simulation Limited and its subsidiary:	93	-
Antycip Simulation SAS	93	-
ST Education & Training Private Limited and its subsidiaries:	70	70
STET Maritime Education Pte. Ltd.	70	70
STET Maritime Pte. Ltd. (formerly known as STET Maritime Bureau Pte. Ltd.)	70	70
Brightspot Interactive Learning Pte. Ltd. and its subsidiary:	51	51
Brightspot Interactive Learning Inc.	51	51
MERITS Technologies LLP	51	-
ST Electronics (Info-Comm Systems) Pte. Ltd. and its subsidiaries:	100	100
ST Electronics (Info-Security) Pte. Ltd. and its subsidiary:	100	100
DataMark Technologies Pte Ltd	61.12	61.12
STELCOMMS Pte. Ltd.	51	51
Telematics Wireless Ltd. and its subsidiary:	93.93	93.93
Telematics Wireless USA Corp	93.93	93.93
ST Electronics (Satcom & Sensor Systems) Pte. Ltd. and its subsidiaries:	100	100
ST Electronics (Sichuan) Co., Ltd	100	100
iDirect Asia Pte. Ltd.	100	-
ST Electronics (Shanghai) Co., Ltd and its subsidiary:	100	100
ST Electronics-PCI Co., Ltd	51	51
iTS Technologies Pte Ltd	100	100
ST Electronics (Taiwan) Limited	100	100
Intellect Technologies, Incorporated	78.57	78.57
Ripple Systems Pty Ltd	100	100
STELOP Pte. Ltd.	50.05	50.05
TranSys Pte Ltd	100	100

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

	Effective equity interest held by the Group	
	2008 %	2007 %
<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	100	100
Silvatech Systems Corporation Pte Ltd and its subsidiary:	100	100
Kinetics Drive Solutions Inc.	100	100
STA Inspection Pte Ltd and its subsidiary:	100	100
JuzclickCar.com Pte Ltd *	-	90
Singapore Commuter Private Limited	100	100
Securedge Pte. Ltd.	100	100
STA Investment Pte Ltd	100	100
ST Kinetics International Pte. Ltd. and its subsidiary:	100	100
VT Specialized Vehicles, S.A. de C.V.	100	-
STA Detroit Diesel-Allison (Singapore) Pte Ltd	100	100
ST Kinetics Integrated Engineering Pte. Ltd. (formerly known as Expert Systems Pte Ltd)	100	100
Singapore Test Services Private Limited	100	100
ST Kinetics Pte. Ltd. (formerly known as SAO Industrial Services Pte Ltd)	100	100
Advanced Material Engineering Pte. Ltd. and its subsidiary:	100	100
Advanced Pyrotechnic Materials Private Limited	51	51
Unicorn International Pte Limited	100	100
Allied Ordnance of Singapore (Pte) Limited	100	100
Ordnance Development and Engineering Company of Singapore (1996) Private Limited	100	100
Autonomous Technology Pte Ltd and its subsidiary:	100	100
Guizhou Jonyang Kinetics Co., Ltd.	60	60
Kinetics Systems (Shanghai) Co., Ltd.	100	100
STAR Automotive Center (Zhejiang) Co., Ltd.	100	86.24
STAR Automotive Center (Guangzhou) Co., Ltd.	100	100
<b>(d) Singapore Technologies Marine Ltd and its subsidiary</b>	<b>100</b>	<b>100</b>
STSE Engineering Services Pte Ltd and its subsidiary:	100	100
ST Environmental Services & Technologies Co. Ltd	100	-

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

	Effective equity interest held by the Group	
	2008 %	2007 %
<b>(e) Vision Technologies Systems, Inc. and its subsidiaries</b>	<b>100</b>	<b>100</b>
Singapore Technologies Engineering (USA) Inc.	100	100
SA Supplies (USA) Inc.	100	100
VT Systems, Inc.	100	100
Vision Technologies Aerospace, Incorporated and its subsidiaries:	100	100
ST Mobile Aerospace Engineering, Inc.	100	100
DalFort Aerospace GP, Inc.	100	100
DalFort Aerospace, L.P.	100	100
San Antonio Aerospace GP, LLC	100	100
San Antonio Aerospace LP	100	100
Vision Technologies Electronics, Inc. and its subsidiary:	100	100
VT iDirect, Inc. (formerly known as iDirect, Inc.) and its subsidiaries:	100	100
iDirect Hong Kong Limited	100	100
iDirect UK Limited	100	100
iDirect Italy srl	100	100
iDirect International Corporation and its subsidiary:	100	100
iDirect Singapore Pte. Ltd.	100	100
iDirect Government Technologies, Inc.	100	100
Vision Technologies Kinetics, Inc. and its subsidiaries:	100	100
Miltope Corporation	100	100
MÄK Technologies, Inc.	80	80
Vision Technologies Land Systems, Inc. and its subsidiaries:	100	100
VT Dimensions, Inc.	100	100
Lee Holding Company ^ and its subsidiary:	-	100
VT LeeBoy, Inc. and its subsidiaries:	100	100
LeeBoy Rents, Inc. ^	-	100
Rosco Manufacturing Company	100	100
Force Feed Loader Parts, Inc. ^	-	100
VT Specialized Vehicles Corporation	100	100
Vision Technologies Marine, Inc. and its subsidiary:	100	100
VT Halter Marine, Inc.	100	100
<b>(f) Singapore Technologies Dynamics Pte Ltd</b>	<b>100</b>	<b>100</b>
<b>(g) ST Synthesis Pte Ltd</b>	<b>100</b>	<b>100</b>
<b>(h) FusionTech Pte. Ltd.</b>	<b>100</b>	<b>100</b>
<b>(i) Kaz-ST Engineering Bastau Limited Liability Partnership</b>	<b>51</b>	<b>51</b>

\* During the year, this entity was struck off from the Registrar with the Accounting & Corporate Regulatory Authority.

^ These entities were dissolved during the year.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. 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
Pacific Flight Services Pty Ltd	Flight training school operation and aircraft management	Australia
ST Aviation Training Academy Pte. Ltd.	Flight training school operation and aircraft management	Singapore
Aviation Training Academy Australia Pty Ltd	Flight training school operation and aircraft management	Australia
ST Aviation Training Academy (Australia) Pty Ltd	Flight training school operation and aircraft management	Australia
ST Aerospace Engines Pte Ltd	Repair and overhaul of aircraft engines	Singapore
ST Aerospace Technologies (Xiamen) Company Limited	Repair and overhaul of aircraft engines	People's Republic of China
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
Guangzhou Aerospace Technologies and Engineering Company Limited	Import/export for aircraft component leasing, repair, exchange and trading, warehousing, packaging, distribution and other related services	People's Republic of China
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

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
Visiontech Investment Pte Ltd	Investment holding and dealing	Singapore
Singapore Technologies Engineering (Europe) Ltd	Providing marketing and investment services to the Group	UK
Singapore Aerospace Kabushiki Kaisha #	Providing marketing services to the Group	Japan
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 ♦	Dormant	Singapore
Bournemouth Aviation Services Company Limited †	Dormant	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
ST Aerospace Solutions (Europe) A/S	Supply aircraft components, including purchase, maintenance and logistics services	Denmark
Airline Rotables (UK Holdings) Limited	Investment holding	UK
Airline Rotables Limited	Providing component management and support services for aircraft	UK
Panama Aerospace Engineering Inc.	Repair and maintenance of aircraft	Republic of Panama
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 and maintenance and calibration of electronic equipment	Malaysia
ST Electronics (Info-Software 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
ST Electronics (Software Services) Limited	Providing IT outsourcing services, software applications development and turnkey solutions	People's Republic of China
ST Electronics (e-Services) Pte. Ltd.	Providing shared services to government ministries, agencies and enterprises	Singapore

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
PM-B Pte Ltd	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	Singapore
PMB Project Management Business Sdn Bhd	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	Malaysia
PT PM-B Indonesia	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	Indonesia
PM-B (China) Ltd	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	People's Republic of China
ST Electronics (Training & Simulation Systems) Pte. Ltd.	Design, development, supply, integration and maintenance of training and simulation systems, exploitation, production, distribution and licensing of digital media intellectual properties and distribution of games, edutainment	Singapore
ST Electronics (Digital Media) Pte. Ltd.	Design, development and manufacture of computers and data processing systems, provision of services for the processing and maintenance of data and information, and production of animation pictures	Singapore
Antycip Simulation Limited	Investment holding	UK
Antycip Simulation SAS	A value added reseller/distributor of simulation products and provision of simulation sub-system/ components solution	France
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
STET Maritime Education Pte. Ltd.	Provision of education and training for operational and technical domains of the maritime industry	Singapore
STET Maritime Pte. Ltd. (formerly known as STET Maritime Bureau Pte. Ltd.)	Provision of marine audit, survey and consultancy services	Singapore
Brightspot Interactive Learning Pte. Ltd.	Investment holding	Singapore
Brightspot Interactive Learning Inc.	Provision of training services such as soft skills and management skills to corporations, and other courses to individuals	People's Republic of China

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
MERITS Technologies LLP	Marketing and sale of education and simulation products and services. Installation and maintenance of solutions related to these products and services.	Kazakhstan
ST Electronics (Info-Comm Systems) Pte. Ltd.	Design and development, systems integration, manufacturing and sale of communication equipment, GPS-based fleet management system, traffic management system, info appliances and defence electronics	Singapore
ST Electronics (Info-Security) Pte. Ltd.	Design, development, sale and provision of technical support for information security products, solutions and services	Singapore
DataMark Technologies Pte Ltd	Development and provision of digital water-marking and related solutions	Singapore
STELCOMMS Pte. Ltd.	To undertake design and integration of projects in the area of communications network and systems and to market and trade in communications related products and subsystems	Singapore
Telematics Wireless Ltd.	Development, manufacture, and marketing of products for locating and directing vehicles, other mobile and stationary objects, people, equipment and merchandise, systems for managing vehicular fleets, systems for locating and thwarting car thefts, vehicular wireless equipment and communications for purposes of identification and provision of information, electronic toll-road systems, and electronic systems for reading water meters	Israel
Telematics Wireless USA Corp #	Serves as sales arm for Telematics Wireless Ltd. in the USA and a local point of contact for Telematics' customers for payments and Return Material Authorization support	USA
ST Electronics (Satcom & Sensor Systems) Pte. Ltd.	Manufacture of microwave components and sub-systems, system integration and provision of related repairs and maintenance for the telecommunications and defence electronics industries	Singapore
ST Electronics (Sichuan) Co., Ltd	Manufacturing and maintenance of communication and other related apparatus and consultant service of telecommunication technology	People's Republic of China
iDirect Asia Pte. Ltd.	Design, manufacture & services for electronics and communication systems	Singapore

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
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	Investment holding	Singapore
ST Electronics (Taiwan) Limited	Provide integration for large-scale system projects in rail, expressway and intelligent building management solutions	Taiwan
Intelect Technologies, Incorporated #	Development and supply of a family of multi-access optical networking equipment	USA
Ripple Systems Pty Ltd <sup>a</sup>	Design, develop and implement innovative software systems for technically challenging integration applications. Key markets for these applications are rail command and control (ISCS) and intelligent transport systems (ITS) for road infrastructure.	Australia
STELOP Pte. Ltd.	Design and development, manufacturing, maintaining and sale of electro-optical products and systems and the provision of related services	Singapore
TranSys Pte Ltd	Design, development, distribution, maintenance and marketing of railway related products	Singapore
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

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
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 licences of technologies and products using electro-hydraulic drive, hydro-mechanical and electro-mechanical continuously variable transmissions, and equipment powered by such drives, globally	Singapore
Kinetics Drive Solutions 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
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
Singapore Commuter Private Limited	Dormant	Singapore
Securedge Pte. Ltd.	Provision of design and engineering services, manufacture and sales of security related products, and the provision of equipment maintenance services	Singapore
STA Investment Pte Ltd	Investment dealing	Singapore
ST Kinetics International Pte. Ltd.	Investment holding	Singapore
VT Specialized Vehicles, S.A. de C.V. <sup>u</sup>	Manufacture and marketing of specialised aluminium drop-frame truck bodies and trailers	Mexico
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
ST Kinetics Integrated Engineering Pte. Ltd. (formerly known as Expert Systems Pte Ltd)	Provision of customised solutions, products for defence and commercial markets	Singapore
Singapore Test Services Private Limited	Provision of professional engineering consultancy, tests, inspection, certification and related services	Singapore

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
ST Kinetics Pte. Ltd. (formerly known as SAO Industrial Services Pte Ltd)	Dormant	Singapore
Advanced Material Engineering 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
Advanced Pyrotechnic Materials Private Limited	Manufacture and sale of pyrotechnic products	Singapore
Unicorn International Pte Limited	Trading and marketing	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/modification, 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/modification, maintenance, repair and overhaul of guns and weapons systems, and related services	Singapore
Autonomous Technology Pte Ltd	Investment holding	Singapore
Guizhou Jonyang Kinetics Co., Ltd.	Design, manufacture, sales and services support of construction, engineering and industrial-related machinery and accessories, provide engineering consultancy services to engineering and manufacturing companies, provide rental of own-manufactured machinery and accessories, be a contract manufacturer of construction, engineering and industrial-related machinery and accessories, as well as supplying of casting and forging parts for all industries	People's Republic of China
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

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
STAR Automotive Center (Zhejiang) Co., Ltd.	Provide automotive services, including automotive fixing, maintaining, service, automotive examination and maintenance, damage fixing, automotive beautifying and decorating, trading and supplying of automotive spare parts, training, technology consultation, tow truck service and after sales technical support, etc.	People's Republic of China
STAR Automotive Center (Guangzhou) Co., Ltd.	Provide automotive services, including automotive fixing, maintaining, service, automotive examination and maintenance, damage fixing, automotive beautifying and decorating, trading and supplying of automotive spare parts, training, technology consultation, tow truck service and after sales technical support, etc.	People's Republic of China
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	Design, manufacture, maintain and operate environmental infrastructures and provide planning, consultancy services in environmental & renewable energy management solutions	Singapore
ST Environmental Services & Technologies Co. Ltd.	Design, development, manufacturing, sales, after-sales services and consulting services of equipments for environmental protection projects; wholesale, import and export and related business of similar products; consulting services for environmental projects information, consulting services for commercial information	People's Republic of China
Vision Technologies Systems, Inc. #	Investment holding	USA
Singapore Technologies Engineering (USA) Inc. # §	Dormant	USA
SA Supplies (USA) Inc. # §	Dormant	USA
VT Systems, Inc. #	Investment holding and providing investment services to the Group	USA
Vision Technologies Aerospace, Incorporated #	Investment holding and providing investment services	USA
ST Mobile Aerospace Engineering, Inc. #	Repair and maintenance of aircraft	USA
DalFort Aerospace GP, Inc. #	Dormant	USA
DalFort Aerospace, L.P. ** #	Dormant	USA
San Antonio Aerospace GP, LLC #	Investment holding	USA

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
San Antonio Aerospace LP	Repair and maintenance of aircraft	USA
Vision Technologies Electronics, Inc. #	Investment holding	USA
VT iDirect, Inc. (formerly known as iDirect, Inc.) #	Design, develop and market two-way internet protocol – (IP) based broadband satellite networking solutions that deliver voice, data and video services to enterprise and government customer locations worldwide	USA
iDirect Hong Kong Limited	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	Hong Kong
iDirect UK Limited	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	UK
iDirect Italy srl #	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	Italy
iDirect International Corporation #	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	USA
iDirect Singapore Pte. Ltd.	Markets two-way internet protocol – (IP) based broadband satellite networking solutions	Singapore
iDirect Government Technologies, Inc. #	Design, develop and market two-way internet protocol – (IP) based broadband satellite networking solutions that deliver voice, data and video services to government customers	USA
Vision Technologies Kinetics, Inc. #	Investment holding	USA
Miltipe Corporation #	Development of computers and peripheral equipment for rugged and other specialized applications for military and commercial customers, both domestic and international	USA
MÄK Technologies, Inc. #	Develop and supply software products and services for Networked Synthetic Environments	USA
Vision Technologies Land Systems, Inc. #	Investment holding	USA
VT Dimensions, Inc. #	Investment holding and licensing of intellectual properties	USA
VT LeeBoy, Inc. #	Manufacture of asphalt paving and road maintenance equipment including LeeBoy branded asphalt pavers, motor graders, compactors, force feed loaders, asphalt maintainers/patchers, tack distributors, and Rosco branded asphalt distributors, street flushers, brooms and asphalt spray patchers	USA
Rosco Manufacturing Company # <sup>a</sup>	Dormant	USA

# Notes to the Financial Statements

31 December 2008

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## 13. SUBSIDIARIES (continued)

Name of subsidiary	Principal activities	Country of incorporation/ place of business
VT Specialized Vehicles Corporation #	Manufacture and marketing of specialised aluminium drop-frame truck bodies, trailers, refrigerated truck bodies and trailers and speciality vehicle cabs	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
Singapore Technologies Dynamics Pte Ltd	Technology development, advanced concept design and development and technology acquisition	Singapore
ST Synthesis Pte Ltd	Provision of one-stop total integrated logistic support services	Singapore
FusionTech Pte. Ltd.	Investment holding	Singapore
Kaz-ST Engineering Bastau Limited Liability Partnership #	Provision of IT, engineering defence and related services	Kazakhstan

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

♦ This entity ceased operations in 2000. Will submit application to strike the subsidiary off the Register under Section 344 of the Companies Act, Chapter. 50.

\* This entity ceased operations in December 2006 and has commenced members' voluntary liquidation in December 2007.

α This entity ceased business activities in October 2008 and has since commenced members' voluntary liquidation.

ω This entity was incorporated during the year and was not required to be audited as at the date of this report.

β These entities are in process of dissolution.

\*\* This entity ceased operations in October 2003.

⊖ This entity has filed a notice of intent to dissolve during the year and was subsequently dissolved in January 2009.

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

Name of subsidiary	Name of accounting firm
ST PAE Holdings Pty Ltd	Ernst & Young, Perth
Pacific Flight Services Pty Ltd	Ernst & Young, Sydney
Aviation Training Academy Australia Pty Ltd	PKF Chartered Accountants & Business Advisors
ST Aerospace Technologies (Xiamen) Company Limited	Ernst & Young, Xiamen
Guangzhou Aerospace Technologies and Engineering Company Limited	Ernst & Young, Guangzhou
Singapore Technologies Engineering (Europe) Ltd	Ernst & Young, Cambridge
ST Aerospace Solutions (Europe) A/S	Ernst & Young, Denmark
Airline Rotables (UK Holdings) Limited	Ernst & Young, Cambridge
Airline Rotables Limited	Ernst & Young, Cambridge
Panama Aerospace Engineering Inc.	Ernst & Young, Panama

# Notes to the Financial Statements

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## 13. SUBSIDIARIES (continued)

Name of subsidiary	Name of accounting firm
San Antonio Aerospace LP	Ernst & Young, San Antonio
SEEL Electronic & Engineering Sdn Bhd	Ernst & Young, Kuala Lumpur
INFA Systems Limited	Ernst & Young, Hong Kong
ST Electronics (Software Services) Limited	Ernst & Young, Shenzhen
PMB Project Management Business Sdn Bhd	Ernst & Young, Kuala Lumpur
PT PM-B Indonesia	Ernst & Young, Jakarta
PM-B (China) Ltd	Ernst & Young, Beijing
Antycip Simulation Limited	Ernst & Young, United Kingdom
Antycip Simulation SAS	Ernst & Young, France
Brightspot Interactive Learning Inc.	Ernst & Young, Beijing
MERITS Technologies LLP	Ernst & Young, Kazakhstan
Telematics Wireless Ltd.	Ernst & Young, Israel
ST Electronics (Sichuan) Co., Ltd	Ernst & Young, Chengdu
ST Electronics (Shanghai) Co., Ltd	Ernst & Young, Shanghai
ST Electronics-PCI Co., Ltd	Ernst & Young, Guangzhou
ST Electronics (Taiwan) Limited	Ernst & Young, Taiwan
Ripple Systems Pty Ltd	Ernst & Young, Perth
iDirect Hong Kong Limited	Baker Tilly HK Ltd
iDirect UK Limited	PKB Chartered Accountants
Guizhou Jonyang Kinetics Co., Ltd.	Ernst & Young, Guangzhou
ST Environmental Services & Technologies Co. Ltd	Ernst & Young, Shanghai

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

Name of company	Country of incorporation/ place of business	Equity interest held %	Date of incorporation
ST Aerospace Technologies (Xiamen) Company Limited	People's Republic of China	80	25 January 2008
iDirect Asia Pte. Ltd.	Singapore	100	21 April 2008
MERITS Technologies LLP	Kazakhstan	51	21 August 2008
VT Specialized Vehicles, S.A. de C.V.	Mexico	100	26 February 2008
ST Environmental Services & Technologies Co. Ltd	People's Republic of China	100	24 June 2008

# Notes to the Financial Statements

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## 13. SUBSIDIARIES (continued)

(b) During the financial year, the Group acquired the following companies:

Name of company	Interest acquired %	Consideration \$'000	Net tangible assets acquired \$'000	Date of acquisition
ST Aviation Training Academy (Australia) Pty Ltd	66	147	-	26 August 2008
Antycip Simulation Limited and its subsidiary	60	5,216	2,235	29 February 2008

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

Name of company	Interest acquired %	Interest after acquisition %	Consideration \$'000	Net tangible assets acquired \$'000
ST Aerospace Solutions (Europe) A/S and its subsidiaries	28.7	100	60,259	59,452
Antycip Simulation Limited and its subsidiary	33	93	2,411	1,636
STAR Automotive Center (Zhejiang) Co., Ltd.	13.76	100	777	23

## 14. ASSOCIATED COMPANIES AND JOINT VENTURES

	Group	
	2008 \$'000	2007 \$'000
Unquoted shares, at adjusted cost	175,892	190,031
Goodwill on acquisition written off	(295)	(1,737)
Share of net assets acquired	175,597	188,294
Impairment in associated companies and joint ventures	(1,218)	(5,441)
Share of post-acquisition:		
Profits	101,315	100,894
Reserves	(12,616)	(16,241)
	<b>263,078</b>	<b>267,506</b>

The investment in associated company of \$50,000 in the Company represents the cost of investment in 2006 JV Pte. Ltd.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

### Impairment in associated companies and joint ventures

Movements in impairment in associated companies and joint ventures during the year are as follows:

	Note	Group 2008 \$'000	2007 \$'000
At beginning of the year		5,441	9,845
Write-back to income statement	4	-	(4,400)
Provision utilised		(4,113)	-
Disposal of an associated company		(110)	-
Translation difference		-	(4)
At end of the year		<u>1,218</u>	<u>5,441</u>

In the prior year, the Group wrote-back impairment of \$4.4 million for one of its associated companies following a divestment arising from a share swap transaction.

The summarised financial information of the associated companies is as follows:

	Group 2008 \$'000	2007 \$'000
<b>Results</b>		
Turnover	<u>752,115</u>	723,928
Net profit for the year	<u>83,687</u>	95,414
<b>Assets and liabilities</b>		
Non-current assets	311,918	327,411
Current assets	550,381	521,152
Current liabilities	(257,363)	(221,851)
Non-current liabilities	(26,409)	(28,763)
	<u>578,527</u>	<u>597,949</u>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

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

	Group	
	2008 \$'000	2007 \$'000
<b>Income and expenses</b>		
Income	25,644	19,974
Expenses	(26,025)	(25,089)
<b>Assets and liabilities</b>		
Non-current assets	3,202	3,335
Current assets	43,919	23,132
Current liabilities	(37,640)	(16,790)
Non-current liabilities	(843)	(111)
	<b>8,638</b>	<b>9,566</b>

(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	
			2008 %	2007 %
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. **	Dormant	Singapore	50	50
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
Madrid Aerospace Services S.L. ♦	Repair and overhaul of aircraft landing gears and its related components	Spain	50	-
Shanghai Technologies Aerospace Company Limited	Aircraft and component maintenance, repair, overhaul and other related maintenance business	People's Republic of China	49	49
Singapore Precision Repair and Overhaul Pte Ltd	Repair and overhaul of aircraft and helicopter landing gears and its related components	Singapore	50	50

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

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

Name of associated company	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2008 %	2007 %
Turbine Coating Services Pte Ltd	Repair, refurbishment and upgrading of aircraft jet engine turbine blades and vanes	Singapore	<b>24.5</b>	24.5
Turbine Overhaul Services Pte Ltd	Repair and service of gas and steam turbine components	Singapore	<b>49</b>	49
COMAT Training Services Pte Ltd	Operating of a computer training school, providing training in computer software and applications	Singapore	<b>45.47</b>	45.47
iWOW Technology Pte Ltd	To carry out research and development, consultancy services in telecommunication, electrical and related fields	Singapore	<b>21.74</b>	21.74
Knowledge Alive Pte. Ltd.	Offer technologically-driven learning and knowledge solutions, products and services to corporate, tertiary and workforce markets	Singapore	<b>45.47</b>	45.47
Mobile Solutions and Payment Services Pte Ltd <sup>a</sup>	Mobile-commerce and mobile-commerce related activities	Singapore	-	21.57
mPayment Pte Ltd *	To provide mobile payment and mobile commerce solutions and applications for business communities and consumers	Singapore	-	31.78
PM-B Project Management Business (Thailand) Ltd	Relate to mechanical, electrical and engineering works to design, build and provide facility management services for mission critical environments such as data centres, disaster recovery and business continuity sites	Thailand	<b>34.3</b>	34.3
Polarsat Holdings Inc <sup>β</sup>	Development, manufacturing and marketing of multimedia VSAT (Very Small Aperture Terminals) and Satcom satellite networks	Canada	-	26.67
Prescient Systems & Technologies Pte. Ltd.	Business of developing, producing and marketing non-real time and real time instrumentation systems for defence and commercial applications; design and development of training centres and provision of managed services	Singapore	<b>47.84</b>	47.84

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 14. ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

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

Name of associated company	Principal activities	Country of incorporation/ place of business	Effective equity interest held by the Group	
			2008 %	2007 %
RF Korea Inc. <sup>3</sup>	Manufacture and sell wireless communication devices and related equipments	Korea	-	22
ST LogiTrack Pte Ltd *	Development and sales of radio frequency identification applications in the logistics and related industries	Singapore	-	39.06
Trusted Hub Ltd	Provision of an integrated trusted environment for secured transactions and e-commerce	Singapore	<b>21.8</b>	21.8
WizVision Pte. Ltd.	Providing information technology services and trading of computer accessories	Singapore	<b>22.8</b>	22.8
WizVision (HK) Pte Limited *	Investment holding	Hong Kong	-	22.8
Ximaera Technologies Canada Inc. <sup>4</sup>	Research and development	Canada	<b>49</b>	49
CityCab Pte Ltd	Rental of taxis and provision of premier bus service, charge card facilities and travel related services	Singapore	<b>46.5</b>	46.5
Defence Electronics of Singapore Pte Ltd	Manufacture of fuses	Singapore	<b>49</b>	49
Nusantara Technologies Sdn. Bhd.	Provision of non-destructive testing services, ultrasonic flaw detection and gauging survey and pressure gauge calibration	Malaysia	<b>49</b>	49
Timoney Holdings Limited	Design and prototyping services and component supply for the automotive and aerospace engineering sectors	Republic of Ireland	<b>25</b>	25
Anchorville Pte Ltd <sup>5</sup>	Dormant	Singapore	-	30
AquaGen International Pte Ltd <sup>6</sup>	Dormant	Singapore	-	25
PT SSE-Van der Horst Indonesia *	Provision of precision engineering services	Indonesia	-	24
2006 JV Pte. Ltd. <sup>**</sup>	Dormant	Singapore	<b>50</b>	50
NanoScience Innovation Pte Ltd	Research and development of ultra fine structure, especially nano-scale, materials, devices, equipment and intellectual properties	Singapore	<b>27.06</b>	27.06

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 14. 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	
			2008 %	2007 %
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
ATREC Pte. Ltd.	Research and technology development in advanced materials for both defence and commercial applications	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	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>¶</sup>	To bid and secure US boat fabrication contracts for its shareholders	USA	50	50
Joint Shipyard Management Services Pte Ltd	Construction and managing workers' dormitories	Singapore	30	30
First Response Marine Pte. Ltd.	Ship and boat leasing with operator (including chatering)	Singapore	50	-

<sup>\*\*</sup> These entities are under members' voluntary liquidation.

<sup>◆</sup> Incorporated during the year and not required to be audited under the law in the country of incorporation.

<sup>Ⓐ</sup> This entity is under members' voluntary liquidation in the prior year and has completed its liquidation in January 2008.

<sup>\*</sup> These entities were disposed of during the year.

<sup>β</sup> During the year, following a dilution of interest, Polarsat Holdings Inc became an unquoted investment (previously an associated company).

<sup>∑</sup> This investment had been written off during the year.

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

<sup>ψ</sup> These entities were dissolved during the year.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 14. 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 LLP, Singapore, except for the following:

Name of associated company/joint venture	Name of accounting firm
Composite Technology International Pte Ltd	Deloitte and Touche, Singapore
Eurocopter South East Asia Private Limited	KPMG, Singapore
Shanghai Technologies Aerospace Company Limited	Ernst & Young, Shanghai
Turbine Coating Services Pte Ltd	PricewaterhouseCoopers, Singapore
Turbine Overhaul Services Pte Ltd	PricewaterhouseCoopers, Singapore
COMAT Training Services Pte Ltd	BDO Raffles
GFM Electronics S.A. de C.V.	PricewaterhouseCoopers, Mexico
iWOW Technology Pte Ltd	LW Ong & Co
Knowledge Alive Pte. Ltd.	BDO Raffles
PM-B Project Management Business (Thailand) Ltd	SCI Audit Plus Limited
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
2006 JV Pte. Ltd.	KPMG, Singapore
NanoScience Innovation Pte Ltd	NSC & Associates

## 15. INVESTMENTS

	Group	
	2008	2007
	\$'000	\$'000
		(Restated)
<b>Quoted investments</b>		
Equity shares, at fair value (Available-for-sale)		
Non-related corporations	37,955	34,271
Impairment in value of quoted investments	<b>(28,587)</b>	(3,007)
	<b>9,368</b>	31,264
<b>Unquoted investments</b>		
Equity shares (Available-for-sale)		
Related corporations, at cost	955	955
Non-related corporations, at cost	24,492	24,365
Non-related corporations, at fair value	181	384
	<b>25,628</b>	25,704

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 15. INVESTMENTS (continued)

	2008 \$'000	Group 2007 \$'000 (Restated)
<b>Unquoted investments (continued)</b>		
Bonds, at amortised cost (Held-to-maturity), from 2.02% to 3.10% per annum due from 30.9.2010 to 1.11.2010	<b>38,352</b>	-
Venture capital funds and limited partnership, at fair value	<b>2,167</b>	4,043
Convertible loan, at amortised cost *	<b>462</b>	579
Convertible loan to non-related corporations #	<b>700</b>	700
Loan to a related corporation	<b>4,392</b>	4,393
	<b>7,721</b>	9,715
Total unquoted investments	<b>71,701</b>	35,419
Impairment in value of unquoted investments	<b>(27,653)</b>	(27,306)
	<b>44,048</b>	8,113
<b>Total investments</b>	<b>53,416</b>	39,377

\* A subsidiary extended an interest-free convertible loan to an investee company at a nominal value of US\$300,000. The subsidiary is entitled to convert it within 5 years from the date of disbursement of the loan to share equity of the investee company.

# Included in the convertible loan is an amount of \$700,000 (2007: \$700,000) extended by a subsidiary to an investee company at an interest rate of 1% (2007: 1%) above bank prime rate per annum. The subsidiary was granted an option by the investee company to be able to convert the loan into convertible redeemable preference shares in the investee company.

For those unquoted investments where it is not practicable to determine the fair value, the Group has no intention to dispose such investments at the balance sheet date.

### Impairment in value of quoted investments

During the financial year, the Group recognised an impairment loss of \$25,580,000 (2007: \$3,007,000) pertaining to quoted investments reflecting the write-down in the carrying value of the investments with a significant and prolong decline in the market price.

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

	Note	2008 \$'000	Group 2007 \$'000
At beginning of the year		<b>3,007</b>	-
Charge to income statement	4	<b>25,580</b>	3,007
At end of the year		<b>28,587</b>	3,007

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 15. INVESTMENTS (continued)

### Impairment in value of unquoted investments

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

	Note	2008 \$'000	Group 2007 \$'000 (Restated)
At beginning of the year		27,306	36,765
Charge to income statement	4	363	-
Translation difference		(16)	(105)
Utilised		-	(10,799)
Acquisition of a subsidiary in prior year, as previously reported		-	-
Finalisation of purchase price allocation		-	1,445
Acquisition of a subsidiary in prior year, as restated		-	1,445
At end of the year		27,653	27,306

## 16. INTANGIBLE ASSETS

### (a) Goodwill

	2008 \$'000	Group 2007 \$'000 (Restated)
<b>Cost</b>		
At beginning of the year	504,808	443,633
Acquisition of subsidiaries in prior year, as previously reported	-	93,788
Finalisation of purchase price allocation	-	(6,480)
Acquisition of subsidiaries in prior year, as restated	-	87,308
Acquisition of subsidiaries in current year	3,128	-
Acquisition of additional interest in subsidiaries	2,336	(2,052)
Goodwill written off	(2,415)	-
Translation difference	(4,165)	(24,081)
At end of the year	503,692	504,808
<b>Impairment</b>		
At beginning of the year	18,637	18,503
Impairment written off	(2,415)	-
Translation difference	(678)	134
At end of the year	15,544	18,637
<b>Net book value</b>	<b>488,148</b>	<b>486,171</b>

During the financial year, the Group wrote-off goodwill amounting to \$2,415,000 (2007: \$nil) for a subsidiary company, which has ceased business activities in October 2008 and has commenced members' voluntary liquidation.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 16. INTANGIBLE ASSETS (continued)

### (b) Other intangible assets

	Deferred expenditure \$'000	Commercial and intellectual property rights \$'000	Corporate club membership \$'000	Brands \$'000	Others \$'000	Total \$'000
<b>The Group</b>						
<b>Cost</b>						
At 1.1.2007	6,629	51,314	1,345	88,337	9,986	157,611
Additions	5,513	1	-	-	-	5,514
Acquisition of subsidiaries in prior year, as previously reported	-	-	-	-	-	-
Finalisation of purchase price allocation #	-	18,935	-	-	-	18,935
Acquisition of subsidiaries in prior year, as restated	-	18,935	-	-	-	18,935
Translation difference	1	(2,591)	-	(5,227)	(591)	(8,408)
At 31.12.2007, as restated and at 1.1.2008	12,143	67,659	1,345	83,110	9,395	173,652
Additions	4,380	-	-	-	176	4,556
Acquisition of subsidiaries in current year	-	1,315	-	2,702	-	4,017
Write-off	-	(608)	(25)	-	-	(633)
Translation difference	68	(626)	-	(968)	(89)	(1,615)
At 31.12.2008	16,591	67,740	1,320	84,844	9,482	179,977
<b>Accumulated amortisation</b>						
At 1.1.2007	836	7,759	1,039	-	834	10,468
Amortisation for the year	482	4,416	27	1,234	1,397	7,556
Translation difference	-	(461)	-	(47)	(102)	(610)
Write-back of impairment	-	-	(27)	-	-	(27)
At 31.12.2007 and 1.1.2008	1,318	11,714	1,039	1,187	2,129	17,387
Amortisation for the year	797	6,805	25	1,265	1,311	10,203
Impairment loss	-	-	2	-	-	2
Write-off	-	(608)	(25)	-	-	(633)
Translation difference	7	54	-	1	14	76
At 31.12.2008	2,122	17,965	1,041	2,453	3,454	27,035
<b>Net book value</b>						
At 31.12.2008	14,469	49,775	279	82,391	6,028	152,942
At 31.12.2007	10,825	55,945	306	81,923	7,266	156,265

# These adjustments relate to the purchase price allocation to goodwill, intangible assets (excluding goodwill) and other assets and liabilities for Telematics Wireless Ltd., which was finalised during the current financial year. The related amortisation on other intangible assets in respect of the previous financial year was not significant to the Group, hence, no amortisation was charged in 2007.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 16. INTANGIBLE ASSETS (continued)

### (c) Total intangible assets

	Group	
	2008	2007
	\$'000	\$'000
		(Restated)
<b>Net book value</b>	<b>641,090</b>	<b>642,436</b>

#### *Impairment testing of goodwill*

Goodwill acquired through business combinations has been allocated to the Group's cash-generating units ("CGU") identified according to each individual business unit, for impairment testing. Goodwill in relation to ST Aviation Training Academy (Australia) Pty Ltd and Antycip Simulation Limited and its subsidiary has been determined provisionally and has not been allocated for impairment testing.

#### *Carrying amount of goodwill allocated to each of the CGU:*

ST Aerospace Solutions (Europe) A/S	2,204	1,186
ST Aviation Training Academy (Australia) Pty Ltd *	147	-
Pacific Flight Services Pty Ltd	701	701
Antycip Simulation Limited and its subsidiary *	2,902	-
Brightspot Interactive Learning Pte. Ltd. and its subsidiary	2,222	2,287
DataMark Technologies Pte Ltd	124	124
VT iDirect, Inc.	171,766	172,709
MÁK Technologies, Inc.	25,189	25,328
PM-B Pte Ltd and its subsidiaries	11,696	11,673
STELCOMMS Pte. Ltd.	5	5
STELOP Pte. Ltd.	1,732	1,732
Telematics Wireless Ltd.	85,353	86,128
STAR Automotive Center (Zhejiang) Co., Ltd.	1,004	224
STAR Automotive Center (Guangzhou) Co., Ltd.	510	479
VT LeeBoy, Inc.	105,327	105,905
VT Specialized Vehicles Corporation	40,167	40,387
Miltope Corporation	37,099	37,303
	<b>488,148</b>	<b>486,171</b>

\* The purchase price allocation to goodwill, intangible assets (excluding goodwill) and other assets and liabilities is currently being assessed and is expected to be finalised within 12 months from the date of acquisition (as disclosed in Note 13).

The recoverable amounts of the CGUs are determined based on value-in-use calculations, except for ST Aviation Training Academy (Australia) Pty Ltd and Antycip Simulation Limited and its subsidiary as described above.

The value-in-use calculations use cash flow projections based on financial budgets approved by Management. Management have considered and determined the factors applied in these financial budgets which include budgeted gross margins and average growth rates. The budgeted gross margins are based on past performance and its expectation of market development. Average growth rates used are consistent with forecasts included in industry reports. The discount rate applied is assumed at 6.2% (2007: 6.5%) for value-in-use calculations, which is also the Group's weighted average cost of capital.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 17. INVESTMENT PROPERTIES

	Note	2008 \$'000	Group 2007 \$'000
<b>At Cost</b>			
At beginning of the year		33,490	29,824
Translation difference		232	-
Transfer from property, plant and equipment		-	3,666
At end of the year		33,722	33,490
<b>Accumulated depreciation</b>			
At beginning of the year		15,111	12,865
Depreciation charge for the year	5	1,153	1,001
Translation difference		87	-
Transfer from property, plant and equipment		-	1,245
At end of the year		16,351	15,111
<b>Net book value</b>		<b>17,371</b>	<b>18,379</b>

The property rental income of the Group for the year ended 31 December 2008 from its investment properties, which are leased out under operating leases, amounted to \$1,529,000 (2007: \$935,000). Direct operating expenses (including repairs and maintenance) arising on the rental-earning investment properties amounted to \$174,000 (2007: \$146,000).

The fair value of the investment properties as at 31 December 2008 of \$18,912,000 (2007: \$27,823,000) are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The investment properties held by the Group as at end of the year are as follows:

Location	Existing Use	Tenure	Land area (sq. m.)
<b>Singapore</b>			
5 Ubi Close	Car showroom cum workshop	30 years from 1.8.1994	6,274
159 Sin Ming Road Amtech Building #04-05 *	Warehouse and office building	Freehold	575
<b>People's Republic of China</b>			
No. 555 Kanghua Road, Kangqiao Industrial Zone, Shanghai	Industrial building	50 years from 12.6.2003 to 27.2.2052	15,890

\* Carrying amount of \$1,389,000 (2007: \$1,428,000) is pledged as security for long-term loan.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 18. LONG-TERM RECEIVABLES

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Housing and car loans and advances to staff	1,147	953	180	-
Trade debtors *	-	1,229	-	-
Other debtors	4	4	-	-
Loans to:				
Associated company #	-	140	-	-
Allowance for doubtful debts	-	(140)	-	-
Joint venture ^	1,620	1,629	-	-
Allowance for doubtful debts	(1,620)	-	-	-
Minority shareholder <sup>a</sup>	-	1,629	-	-
Third parties	9,031	10,156	-	-
Allowance for doubtful loans	(9,031)	(10,156)	-	-
	-	-	-	-
	<b>1,151</b>	<b>4,397</b>	<b>180</b>	<b>-</b>
Receivable:				
Within 1 year	700	499	180	-
After 1 year	451	3,898	-	-
	<b>1,151</b>	<b>4,397</b>	<b>180</b>	<b>-</b>

\* Long-term trade debtors in 2007 are unsecured and charged with half-yearly interest rate at LIBOR plus 0.5% per annum. The amount was reclassified to trade debtors.

# Loan to an associated company in 2007 is unsecured and charged at an interest rate at SIBOR plus 2% per annum or such other rates as the parties may have agreed. The loan was written off following the divestment of the associated company during the year.

^ Loan to a joint venture bears interest of 4% (2007: 4%) per annum, is unsecured and has been fully impaired during the year.

<sup>a</sup> Loan to a minority shareholder in 2007 is unsecured, interest-free and is repayable within 5 years from the date of the disbursement of the loan. The loan has been repaid during the year.

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

	Note	Group	
		2008 \$'000	2007 \$'000
At beginning of the year		10,156	11,090
Write-back to income statement	5	(1,121)	(889)
Translation difference		(4)	(45)
At end of the year		<b>9,031</b>	<b>10,156</b>

Loans and receivables are carried at amortised cost and are subject to impairment.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 18. LONG-TERM RECEIVABLES (continued)

Included in the loans to third parties are:

- (a) an amount of approximately \$8,312,000 (2007: \$8,312,000) 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% (2007: 2%) per annum, which is also the effective interest rate. The loan is convertible to shares of that entity, subject to certain terms and conditions. In the prior 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.

No interest income has been accrued for this financial year for the loans stated due to the uncertainty over the collectibility of the interest income.

- (b) a bridging loan of \$718,750 (US\$500,000) (2007: \$722,700 (US\$500,000)) extended to a third party. 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 treated as a net investment in the third party and is not expected to be repaid. The loan is stated at cost and has been fully provided for since financial year 2004 due to uncertainty of collectibility. Therefore, it is not practicable to determine its fair value.
- (c) an amount of \$1,121,000 in the prior year, 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. The loan has been repaid during the year.

## 19. FINANCE LEASE RECEIVABLES

The Group entered into finance lease arrangements with customers with terms ranging from 1 year to 10 years (2007: 1 year to 3 years) and effective interest rate of 2.2% to 29.8% (2007: 3.1% to 27.4%) per annum. Lease receivables of \$149,000 (2007: \$504,000) are either secured by (i) standby letter of credit, (ii) banker's guarantees or (iii) the leased assets in cases where the legal title of the assets will only be transferred to the customers at the end of the lease term.

	Group	
	2008	2007
	\$'000	\$'000
<b>Gross investment in finance lease</b>		
Not later than 1 year	13,424	8,021
1 year through 5 years	3,330	1,558
Later than 5 years	2,509	-
	<u>19,263</u>	<u>9,579</u>
<b>Unearned interest</b>		
Not later than 1 year	606	289
1 year through 5 years	746	114
Later than 5 years	300	-
	<u>1,652</u>	<u>403</u>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 19. FINANCE LEASE RECEIVABLES (continued)

	Group	
	2008	2007
	\$'000	\$'000
<b>Present value of minimum lease receivables</b>		
Not later than 1 year	12,818	7,732
1 year through 5 years	2,584	1,444
Later than 5 years	2,209	-
	17,611	9,176
<b>Allowance for doubtful minimum lease receivables</b>		
Not later than 1 year	(1,761)	(810)
<b>Net investment in finance lease</b>		
Not later than 1 year	11,057	6,922
1 year through 5 years	2,584	1,444
Later than 5 years	2,209	-
	15,850	8,366
Not past due and not impaired	11,657	5,513
Past due and not impaired	4,193	2,853
	15,850	8,366
<b>Individually assessed</b>		
Doubtful lease receivables	1,761	810
Allowance for doubtful lease receivables	(1,761)	(810)
	-	-
	15,850	8,366

Movements in allowance for doubtful lease receivables are as follows:

		Group	
	Note	2008	2007
		\$'000	\$'000
At beginning of the year		810	-
Charge to income statement	5	877	811
Provision utilised		(6)	-
Translation difference		80	(1)
At end of the year		1,761	810

Finance leases that are individually assessed to be impaired relate to customers who have defaulted on payments.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 19. FINANCE LEASE RECEIVABLES (continued)

Ageing of net investment in minimum lease receivables that are past due but not impaired:

	Group	
	2008	2007
	\$'000	\$'000
0 - 90 days	868	1,381
91 - 180 days	1,314	933
181 - 360 days	1,285	472
>360 days	726	67
	4,193	2,853

## 20. DEFERRED TAX ASSETS

	Group	
	2008	2007
	\$'000	\$'000
		(Restated)
At beginning of the year	112,718	132,768
Recognised in income statement	30,619	9,369
Effect of reduction in tax rate	-	(9,727)
Acquisition of subsidiaries in prior year, as previously reported	-	499
Finalisation of purchase price allocation	-	338
Acquisition of subsidiaries in prior year, as restated	-	837
Disposal of a subsidiary	-	(205)
Translation difference	(938)	474
Transfer to provision for taxation	(11,680)	(22,669)
Changes in fair value of available-for-sale financial assets	1,096	1,637
Changes in fair value of derivative financial instruments designated in cash flow hedges	6,313	234
At end of the year	138,128	112,718

The deferred tax assets arise as a result of:

Unabsorbed capital allowances and unutilised tax losses	37,886	42,152
Allowance for doubtful debts and stock obsolescence	21,115	18,486
Provision for warranties	36,524	37,763
Provision for liquidated damages	1,101	2,049
Provision for foreseeable losses	6,307	5,848
Intangible assets	(652)	(820)
Other temporary differences	28,349	6,356
Changes in fair value of available-for-sale financial assets	294	(7)
Changes in fair value of derivative financial instruments designated in cash flow hedges	7,204	891
	138,128	112,718

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 21. STOCKS AND WORK-IN-PROGRESS

	Group	
	2008 \$'000	2007 \$'000 (Restated)
Stocks of equipment and spares	508,152	480,052
<b>Work-in-progress in excess of progress billings</b>		
Work-in-progress, including profits recognised	2,279,093	2,482,230
Progress billings	(1,500,914)	(1,733,042)
	<u>778,179</u>	<u>749,188</u>
Total stocks and work-in-progress at lower of cost and net realisable value	<u>1,286,331</u>	<u>1,229,240</u>
<b>Progress billings in excess of work-in-progress</b>		
Work-in-progress, including profits recognised	1,948,251	983,295
Progress billings	(2,423,997)	(1,352,052)
	<u>(475,746)</u>	<u>(368,757)</u>

Stocks are stated after allowance for stock obsolescence of \$158,112,000 (2007: \$138,816,000) and work-in-progress in excess of progress billings are stated after provision for foreseeable losses of \$15,167,000 (2007: \$28,467,000).

## 22. TRADE DEBTORS

	Group	
	2008 \$'000	2007 \$'000 (Restated)
Not past due and not impaired	485,007	441,735
Past due and not impaired	457,281	374,200
	<u>942,288</u>	<u>815,935</u>
<b>Collectively assessed</b>		
Impaired receivable (Gross)	41,448	43,581
Allowance for doubtful debts	(21,075)	(15,188)
	<u>20,373</u>	<u>28,393</u>
<b>Individually assessed</b>		
Impaired receivable (Gross)	72,668	55,592
Allowance for doubtful debts	(66,654)	(46,349)
	<u>6,014</u>	<u>9,243</u>
Unbilled receivables	139,554	94,936
Trade debtors, net	<u>1,108,229</u>	<u>948,507</u>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 22. TRADE DEBTORS (continued)

Trade debtors denominated in currencies other than the functional currencies as at 31 December 2008 are as follows:

- \$260,438,000 (2007: \$213,479,000) denominated in US dollars
- \$11,505,000 (2007: \$14,073,000) denominated in Euro

Movements in allowance for doubtful debts are as follows:

	Note	2008 \$'000	Group 2007 \$'000 (Restated)
At beginning of the year		61,537	65,980
Charge to income statement	5	28,775	3,047
Bad debts written off against allowance		(1,265)	(13,162)
Acquisition of a subsidiary in prior year, as previously reported		-	15
Finalisation of purchase price allocation		-	5,870
Acquisition of a subsidiary in prior year, as restated		-	5,885
Translation difference		(1,318)	(213)
At end of the year		87,729	61,537
Ageing of receivables that are past due but not impaired:			
0 - 90 days		259,211	213,833
91 - 180 days		88,524	51,641
181 - 360 days		54,521	51,987
>360 days		55,025	56,739
		457,281	374,200

Trade debtors that are individually determined to be impaired at the balance sheet date relates to debtors that are insolvent or in financial difficulties or who have significant delay or defaulted in payments.

Trade debtors amounting to \$20,907,000 (2007: \$15,480,000) are arranged to settle via letter of credits issued by reputable banks.

## 23. DUE FROM RELATED CORPORATIONS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Due from related corporations	234,078	662,913	139,198	302,638

Included in the amount due from related corporations are loans amounting to \$230,188,000 (2007: \$657,690,000) and \$139,169,000 (2007: \$302,611,000) extended from the Group and the Company respectively.

These loans are guaranteed by Fullerton Management Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited and mature on varying periods within 2 months (2007: 4 months) from the financial year end. Interest rates range from 0.50% to 5.33% (2007: 1.45% to 5.74%) per annum, which are also the effective interest rates.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 24. ADVANCES AND OTHER DEBTORS

	Note	Group		Company	
		2008 \$'000	2007 \$'000 (Restated)	2008 \$'000	2007 \$'000
Advance payments to suppliers		<b>234,736</b>	174,404	-	-
Other debtors, deposits and prepayments	28	<b>123,519</b>	98,246	<b>909</b>	5,170
Due from:					
Subsidiaries		-	-	<b>339,287</b>	307,918
Associated companies	29	<b>7,338</b>	12,431	-	-
Joint ventures		<b>3,355</b>	3,776	-	-
Derivative financial instruments	51	<b>10,138</b>	5,061	-	-
		<b>379,086</b>	293,918	<b>340,196</b>	313,088

## 25. SHORT-TERM INVESTMENTS

	Group	
	2008 \$'000	2007 \$'000
<b>Quoted investments</b>		
Equity shares, at fair value		
Non-related corporation (Available-for-sale)	<b>211</b>	338
Non-related corporation (Held for trading)	<b>369</b>	-
	<b>580</b>	338

## 26. AMOUNTS UNDER FUND MANAGEMENT

	Group	
	2008 \$'000	2007 \$'000
Principal sum of amounts under fund management, at market value	-	178,781

Amounts under fund management in the prior year were classified as available-for-sale financial assets with the fair value movements taken to equity.

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

Quoted equity investments at market value	-	35,735
Quoted bond investments at market value	-	90,395
Cash	-	52,651
	-	178,781

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 27. BANK BALANCES AND OTHER LIQUID FUNDS

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Fixed deposits with financial institutions	601,382	371,933	226,569	26,811
Cash and bank balances	217,543	253,904	4,626	57,953
	<b>818,925</b>	625,837	<b>231,195</b>	84,764

Fixed deposits with financial institutions mature at varying periods within 3 months (2007: 7 months) from the financial year end. Interest rates range from 0.06% to 8.1% (2007: 0.4% to 8.5%) per annum, which are also the effective interest rates.

Cash and bank balances of \$265,000 (2007: \$3,946,000) have been placed with banks as security for letters of credit issued to third parties.

## 28. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2008 \$'000	2007 \$'000 (Restated)	2008 \$'000	2007 \$'000
Deposits	13,346	8,167	492	182
Prepayments	26,755	22,633	93	151
Interest receivables	1,434	4,215	95	1,154
Other recoverables	17,504	21,391	92	3,379
Non-trade debtors	64,480	41,840	137	304
	<b>123,519</b>	98,246	<b>909</b>	5,170

## 29. DUE FROM ASSOCIATED COMPANIES

	Group	
	2008 \$'000	2007 \$'000
Trade balances	6,828	12,659
Non-trade balances	751	302
Allowance for doubtful debts - trade	(241)	(530)
	<b>7,338</b>	12,431

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 30. CREDITORS AND ACCRUALS

	Note	Group		Company	
		2008 \$'000	2007 \$'000 (Restated)	2008 \$'000	2007 \$'000
Trade creditors		<b>616,940</b>	551,733	-	-
Other creditors and accruals	34	<b>775,404</b>	966,831	<b>55,328</b>	48,520
Due to:					
Subsidiaries		-	-	<b>1,527</b>	2,605
Related corporations		<b>1,606</b>	2,168	-	-
Associated companies		<b>2,139</b>	2,195	-	-
Joint ventures		<b>1,712</b>	1,911	-	-
Derivative financial instruments	51	<b>8,368</b>	-	-	-
		<b>1,406,169</b>	1,524,838	<b>56,855</b>	51,125

Trade creditors denominated in currencies other than the functional currencies as at 31 December 2008 are as follows:

- \$65,056,000 (2007: \$52,972,000) denominated in US dollars
- \$18,134,000 (2007: \$23,991,000) denominated in Euro

## 31. PROVISIONS

	Group	
	2008 \$'000	2007 \$'000 (Restated)
Provision for:		
Warranties	<b>170,313</b>	179,962
Liquidated damages	<b>5,983</b>	11,257
Foreseeable losses	<b>9,119</b>	541
	<b>185,415</b>	191,760

(a) Movements in provision for warranties are as follows:

	Note	Group	
		2008 \$'000	2007 \$'000 (Restated)
At beginning of the year		<b>179,962</b>	163,127
Charge to income statement	5	<b>5,164</b>	33,893
Provision utilised		<b>(15,062)</b>	(15,297)
Translation difference		<b>249</b>	(1,704)
Acquisition of subsidiaries in current year		-	45
Disposal of a subsidiary		-	(102)
At end of the year		<b>170,313</b>	179,962

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 31. PROVISIONS (continued)

(b) Movements in provision for liquidated damages are as follows:

	Note	2008 \$'000	Group 2007 \$'000 (Restated)
At beginning of the year		11,257	9,396
Charge/(write-back) to income statement	5	(5,257)	2,324
Provision utilised		(16)	(468)
Translation difference		(1)	5
At end of the year		5,983	11,257

(c) Movements in provision for foreseeable losses are as follows:

At beginning of the year		541	12,709
Charge/(write-back) to income statement	5	9,009	(3,257)
Provision utilised		(352)	(9,100)
Reclassifications		-	189
Translation difference		(79)	-
At end of the year		9,119	541

## 32. SHORT-TERM BANK LOANS

	Effective interest rate %	Maturity	Group		Company	
			2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Bank loans	1.25% to 8.22%	Within 1 year	322,773	574,595	25,300	-

The bank loans are denominated in Singapore dollars, US dollars, Euro and Chinese Yuan (2007: US dollars, Sterling pounds, Euro, Australian dollars and Chinese Yuan).

Included in short-term bank loans are:

- (a) loans amounting to \$270,208,000 (2007: \$520,321,000) which are unsecured;
- (b) loan amounting to \$44,675,000 (2007: \$46,853,000) which is secured by a floating charge over a subsidiary's plant and machinery; and
- (c) loan amounting to \$7,890,000 (2007: \$7,421,000) which is guaranteed by a standby letter of credit.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 33. 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\$10,969,000, 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 2012.

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>2008</b>			
1 to 5 years	8,098	(953)	7,145
Repayable:			
Within 1 year			1,726
After 1 year			5,419
			<u>7,145</u>
<b>2007</b>			
1 to 5 years	10,169	(1,335)	8,834
Repayable:			
Within 1 year			1,675
After 1 year			7,159
			<u>8,834</u>

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

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 34. OTHER CREDITORS AND ACCRUALS

	Group		Company	
	2008 \$'000	2007 \$'000 (Restated)	2008 \$'000	2007 \$'000
Non-trade creditors	68,701	194,379	5,321	4,679
Purchase of property, plant and equipment	118	702	-	-
Accrued operating expenses	697,365	761,995	49,978	43,841
Accrued interest payable	6,704	6,367	29	-
Employee benefit liabilities	2,516	3,388	-	-
	<b>775,404</b>	<b>966,831</b>	<b>55,328</b>	<b>48,520</b>

## 35. DEFERRED INCOME

	Note	Group 2008 \$'000	2007 \$'000
At beginning of the year		13,455	8,197
Additions		8,002	5,286
Translation difference		199	(28)
		<b>21,656</b>	<b>13,455</b>
Deferred income recognised to-date		<b>(10,160)</b>	<b>(6,376)</b>
At end of the year		<b>11,496</b>	<b>7,079</b>

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

At beginning of the year		6,376	4,096
Recognised in income statement	5	3,784	2,324
Translation difference		-	(44)
At end of the year		<b>10,160</b>	<b>6,376</b>

# Notes to the Financial Statements

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## 36. DEFERRED TAX LIABILITIES

	Group		Company	
	2008 \$'000	2007 \$'000 (Restated)	2008 \$'000	2007 \$'000
At beginning of the year	45,818	46,324	372	285
Recognised in income statement	(4,260)	(1,030)	(171)	115
Effect of reduction in tax rate	-	(68)	-	(28)
Translation difference	(575)	(2,914)	-	-
Transfer to provision for taxation	18,048	200	-	-
Acquisition of a subsidiary in prior year, as previously reported	-	-	-	-
Finalisation of purchase price allocation	-	5,610	-	-
Acquisition of a subsidiary in prior year, as restated	-	5,610	-	-
Acquisition of subsidiaries in current year	1,205	-	-	-
Changes in fair value of available-for-sale financial assets	-	(3,038)	-	-
Changes in fair value of derivative financial instruments designated in cash flow hedges	2,366	734	-	-
At end of the year	62,602	45,818	201	372

The deferred tax liabilities arise as a result of:

Excess of net book value over tax written down value of property, plant and equipment	5,961	3,826	118	94
Allowance for doubtful debts and stock obsolescence	(5,456)	(5,488)	-	-
Other temporary differences	19,520	1,042	83	278
Changes in fair value of available-for-sale financial assets	-	5,174	-	-
Changes in fair value of derivative financial instruments designated in cash flow hedges	3,100	734	-	-
Intangible assets	39,477	40,530	-	-
	62,602	45,818	201	372

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 37. LONG-TERM BANK LOANS

	Effective interest rate %	Maturity	Group 2008 \$'000	2007 \$'000
Bank loans	2.52% to 5.69%	Up to 2013	<b>549,631</b>	282,366
Repayable:				
Within 1 year			<b>261,989</b>	281,783
After 1 year			<b>287,642</b>	583
			<b>549,631</b>	282,366

The bank loans are denominated in Singapore dollars, US dollars and Euro (2007: Euro and Singapore dollars).

Loans amounting to \$261,870,000 (2007: \$281,546,000) are at EURIBOR with margin ranging from 0.5% to 1.1% (2007: 0.5% to 1.1%) and secured by a floating charge over a subsidiary's plant and machinery. As at 31 December 2008, there was non-compliance in three of the five financial undertakings of the covenant clauses. Management has obtained a letter from the bank dated 10 February 2009 to waive its rights as at 31 December 2008 under the loan agreement as a consequence of the breach of the loan covenants. The outstanding balance of the long-term bank loan was presented as a current liability as at 31 December 2008 and 2007. As at 31 December 2008, the bank has requested under the facility agreement for the repayment of the outstanding long-term bank loan of \$261,870,000 (2007: \$281,546,000) and short-term bank loan of \$44,675,000 (2007: \$46,853,000) not later than 3 April 2009.

## 38. OTHER LOANS

- (a) Included in other loans are:
- (i) US dollar denominated term notes of \$1.2 million (US\$0.9 million) (2007: \$1.4 million (US\$0.9 million)) and \$0.3 million (US\$0.2 million) (2007: \$0.3 million (US\$0.2 million)) owing to the Pennsylvania Industrial Development Authority and the Industrial Properties Corporation, respectively, by a US entity of the Group. These notes are secured by assets of the entity and bear interest, respectively, at 2.75% and 4.0% (2007: 2.75% and 4.0%) per annum, which are also the effective interest rates, and are payable through 1 July 2019 and 28 June 2019, respectively.
  - (ii) Another US dollar denominated term note of \$0.3 million (US\$0.2 million) (2007: \$0.4 million (US\$0.3 million)) is owed by the same entity to the Pennsylvania Department of Community and Economic Development. This note is unsecured, bears interest of 2.75% (2007: 2.75%) per annum, which is also the effective interest rate, and is payable through 1 February 2012.
- (b) Included in other loans in prior year was an amount of \$194,000 relating to a long-term loan from a minority shareholder of a subsidiary. The loan was forgiven during the year (as disclosed in Note 8).

## 39. DUE TO A SUBSIDIARY

Amount due to a subsidiary of the Company is unsecured, interest-free and is not repayable in the foreseeable future.

# Notes to the Financial Statements

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## 40. SHARE CAPITAL

	Group and Company	
	2008	2007
	\$'000	\$'000
<b>Issued and fully paid</b>		
At beginning of the year		
2,983,550,387 (2007: 2,946,253,631) ordinary shares	554,888	474,926
Issued during the year		
15,052,775 (2007: 37,296,756) ordinary shares	31,726	79,962
At end of the year		
2,998,603,162 (2007: 2,983,550,387) ordinary shares	586,614	554,888

Included in share capital is a special share 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.

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

The Singapore Technologies Engineering Share Option Plan ("ESOP"), the Singapore Technologies Engineering Performance Share Plan ("PSP") and the Singapore Technologies Engineering Restricted Stock Plan ("RSP") of the Company were approved by its members at an Extraordinary General Meeting held on 23 November 2000. The ESOP, PSP and RSP are administered by the Executive Resource and Compensation Committee ("ERCC") comprising three directors, Mr Peter Seah Lim Huat, Mr Venkatachalam Krishnakumar and Dr Philip Nalliah Pillai.

### *Singapore Technologies Engineering Share Option Plan ("ESOP")*

Information regarding ESOP is as follows:

- The exercise price of the options is equal to volume-weighted average price for the shares on the Singapore Exchange over the three consecutive trading days immediately preceding the date of grant.
- The options are exercisable at the end of the first year after date of grant, in accordance with a vesting schedule to be determined by ERCC and are settled in cash.
- The options granted expire after five years for non-executive directors, and 10 years for the employees of the Company and its subsidiaries.

# Notes to the Financial Statements

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## 40. SHARE CAPITAL (continued)

During the financial year, the Company issued 14,075,736 (2007: 37,296,756) ordinary shares 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 \$
98R1	962,500	1.390
98R3	60,000	1.290
99R1	695,680	1.418
9902	93,000	2.000
2001	1,821,399	2.260
2002	87,500	1.808
2003	32,542	2.390
0102N	474,835	2.720
0108N	726,337	2.680
0202N	452,662	2.290
0208N	646,365	1.920
0302N	639,018	1.790
0302ND	194,375	1.790
0308N	1,263,783	1.860
0308ND	189,125	1.860
0402N	1,542,144	2.090
0402ND	42,425	2.090
0402P	5,000	2.090
0408N	1,022,675	2.120
0408ND	37,050	2.120
0502N	1,140,040	2.370
0502ND	11,875	2.370
0502P	15,000	2.370
0508N	650,656	2.570
0508ND	10,123	2.570
0508P	10,000	2.570
0602N	643,822	3.010
0602ND	1,875	3.010
0608N	324,807	2.840
0703N	278,246	3.230
0708N	877	3.610

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 40. SHARE CAPITAL (continued)

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

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

	Number of shares	
	2008	2007
<b>ESOS</b>		
At beginning of the year	16,289,332	29,276,128
Exercised	(3,752,621)	(11,458,023)
Lapsed	(340,160)	(1,528,773)
At end of the year	12,196,551	16,289,332
Exercisable at end of the year	12,196,551	16,289,332
<b>ESOP</b>		
At beginning of the year	125,291,506	125,092,641
Granted and accepted	-	31,973,758
Exercised	(10,323,115)	(25,838,733)
Lapsed	(2,762,690)	(5,936,160)
At end of the year	112,205,701	125,291,506
Exercisable at end of the year	67,141,259	52,201,700

### (ii) Details of share options

#### 2008

Details of share options to subscribe for ordinary shares pursuant to ESOS are as follows:

Date of grant	Balance as at 1.1.2008	Options lapsed	Options exercised	Balance as at 31.12.2008	No. of holders at 31.12.2008	Exercise price \$	Exercisable period
29.4.1998	1,021,500	59,000	962,500	-	-	1.390	30.4.2000 to 29.4.2008
7.8.1998	75,000	15,000	60,000	-	-	1.290	8.8.2000 to 7.8.2008
9.2.1999	2,029,740	-	695,680	1,334,060	29	1.418	10.2.2001 to 9.2.2009
10.8.1999	567,910	10,000	93,000	464,910	78*	2.000	11.8.2001 to 10.8.2009
9.2.2000	11,291,850	226,160	1,821,399	9,244,291	191**	2.260	10.2.2002 to 9.2.2010
9.2.2000	829,125	30,000	87,500	711,625	26	1.808	10.2.2002 to 9.2.2010
6.9.2000	474,207	-	32,542	441,665	20	2.390	7.9.2002 to 6.9.2010
Total	16,289,332	340,160	3,752,621	12,196,551			

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 40. SHARE CAPITAL (continued)

### 2008

Details of share options to subscribe for ordinary shares pursuant to ESOP are as follows:

Date of grant	Balance as at 1.1.2008	Options lapsed	Options exercised	Balance as at 31.12.2008	No. of holders at 31.12.2008	Exercise price \$	Exercisable period
19.2.2001	5,099,273	52,812	474,835	4,571,626	395**	2.720	20.2.2002 to 19.2.2011
10.8.2001	6,833,358	61,304	726,337	6,045,717	416**	2.680	11.8.2002 to 10.8.2011
7.2.2002	4,919,653	31,438	452,662	4,435,553	343**	2.290	8.2.2003 to 7.2.2012
12.8.2002	3,062,714	10,000	646,365	2,406,349	250**	1.920	13.8.2003 to 12.8.2012
6.2.2003	3,161,835	-	639,018	2,522,817	280**	1.790	7.2.2004 to 6.2.2013
6.2.2003	227,750	33,375	194,375	-	-	1.790	7.2.2004 to 6.2.2008
6.2.2003	4,972	-	-	4,972	1	1.790	7.2.2004 to 6.2.2013
11.8.2003	4,783,284	1,228	1,263,783	3,518,273	445**	1.860	12.8.2004 to 11.8.2013
11.8.2003	247,125	58,000	189,125	-	-	1.860	12.8.2004 to 11.8.2008
11.8.2003	8,754	-	-	8,754	1	1.860	12.8.2004 to 11.8.2013
9.2.2004	6,751,941	26,356	1,542,144	5,183,441	653**	2.090	10.2.2005 to 9.2.2014
9.2.2004	271,300	-	42,425	228,875	11 <sup>#</sup>	2.090	10.2.2005 to 9.2.2009
9.2.2004	16,426	-	5,000	11,426	1	2.090	10.2.2005 to 9.2.2014
10.8.2004	8,227,271	91,952	1,022,675	7,112,644	953**	2.120	11.8.2005 to 10.8.2014
10.8.2004	239,425	-	37,050	202,375	13 <sup>#</sup>	2.120	11.8.2005 to 10.8.2009
10.8.2004	16,426	-	-	16,426	2	2.120	11.8.2005 to 10.8.2014
7.2.2005	10,039,234	92,132	1,140,040	8,807,062	1,041**	2.370	8.2.2006 to 7.2.2015
7.2.2005	321,625	-	11,875	309,750	17 <sup>#</sup>	2.370	8.2.2006 to 7.2.2010
7.2.2005	31,426	-	15,000	16,426	2	2.370	8.2.2006 to 7.2.2015
10.8.2005	11,824,329	186,029	650,656	10,987,644	1,157**	2.570	11.8.2006 to 10.8.2015
10.8.2005	309,166	-	10,123	299,043	17 <sup>#</sup>	2.570	11.8.2006 to 10.8.2010
10.8.2005	31,426	-	10,000	21,426	2	2.570	11.8.2006 to 10.8.2015
9.2.2006	12,708,952	294,108	643,822	11,771,022	1,245**	3.010	10.2.2007 to 9.2.2016
9.2.2006	361,625	-	1,875	359,750	18 <sup>#</sup>	3.010	10.2.2007 to 9.2.2011
10.8.2006	14,219,586	436,727	324,807	13,458,052	1,355**	2.840	11.8.2007 to 10.8.2016
10.8.2006	355,625	-	-	355,625	18 <sup>#</sup>	2.840	11.8.2007 to 10.8.2011
15.3.2007	15,683,232	583,655	278,246	14,821,331	1,460**	3.230	16.3.2008 to 15.3.2017
15.3.2007	360,000	-	-	360,000	18 <sup>#</sup>	3.230	16.3.2008 to 15.3.2012
10.8.2007	14,846,773	803,574	877	14,042,322	1,574**	3.610	11.8.2008 to 10.8.2017
10.8.2007	327,000	-	-	327,000	16 <sup>#</sup>	3.610	11.8.2008 to 10.8.2012
Total	125,291,506	2,762,690	10,323,115	112,205,701			

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

\*\* Includes 1 executive Director of the Company

<sup>#</sup> Includes Directors of the Company and its subsidiaries

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 40. SHARE CAPITAL (continued)

### 2007

Details of share options to subscribe for ordinary shares pursuant to ESOS are as follows:

Date of grant	Balance as at 1.1.2007	Options lapsed / (adjustment)	Options exercised	Balance as at 31.12.2007	No. of holders at 31.12.2007	Exercise price \$	Exercisable period		
6.12.1997	332,981	-	332,981	-	-	0.422	18.5.1999	to	2.4.2007
6.12.1997	262,002	-	262,002	-	-	0.492	18.5.1999	to	24.4.2007
6.12.1997	92,471	-	92,471	-	-	0.720	11.9.1999	to	9.9.2007
29.4.1998	1,580,750	(6,250)	565,500	1,021,500	16	1.390	30.4.2000	to	29.4.2008
7.8.1998	215,000	25,000	115,000	75,000	15	1.290	8.8.2000	to	7.8.2008
9.2.1999	4,664,860	286,180	2,348,940	2,029,740	46	1.418	10.2.2001	to	9.2.2009
10.8.1999	1,086,400	137,000	381,490	567,910	97*	2.000	11.8.2001	to	10.8.2009
9.2.2000	18,731,580	828,843	6,610,887	11,291,850	227**	2.260	10.2.2002	to	9.2.2010
9.2.2000	1,235,125	(65,000)	471,000	829,125	29	1.808	10.2.2002	to	9.2.2010
6.9.2000	1,074,959	323,000	277,752	474,207	24	2.390	7.9.2002	to	6.9.2010
Total	29,276,128	1,528,773	11,458,023	16,289,332					

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 40. SHARE CAPITAL (continued)

### 2007

Details of share options to subscribe for ordinary shares pursuant to ESOP are as follows:

Date of grant	Balance as at 1.1.2007 or date of grant if later	Options lapsed	Options exercised	Balance as at 31.12.2007	No. of holders at 31.12.2007	Exercise price \$	Exercisable period	
19.2.2001	7,432,061	357,308	1,975,480	5,099,273	441**	2.720	20.2.2002	to 19.2.2011
10.8.2001	9,587,619	289,176	2,465,085	6,833,358	465**	2.680	11.8.2002	to 10.8.2011
7.2.2002	7,254,468	249,256	2,085,559	4,919,653	394**	2.290	8.2.2003	to 7.2.2012
7.2.2002	496,000	-	496,000	-	-	2.290	8.2.2003	to 7.2.2007
12.8.2002	5,580,266	245,643	2,271,909	3,062,714	312**	1.920	13.8.2003	to 12.8.2012
12.8.2002	101,750	-	101,750	-	-	1.920	13.8.2003	to 12.8.2007
6.2.2003	6,433,790	310,152	2,961,803	3,161,835	353**	1.790	7.2.2004	to 6.2.2013
6.2.2003	318,500	-	90,750	227,750	12#	1.790	7.2.2004	to 6.2.2008
6.2.2003	14,972	-	10,000	4,972	1	1.790	7.2.2004	to 6.2.2013
11.8.2003	7,946,329	335,107	2,827,938	4,783,284	663**	1.860	12.8.2004	to 11.8.2013
11.8.2003	320,064	-	72,939	247,125	13#	1.860	12.8.2004	to 11.8.2008
11.8.2003	28,754	-	20,000	8,754	1	1.860	12.8.2004	to 11.8.2013
9.2.2004	9,435,793	344,675	2,339,177	6,751,941	986**	2.090	10.2.2005	to 9.2.2014
9.2.2004	314,100	-	42,800	271,300	16#	2.090	10.2.2005	to 9.2.2009
9.2.2004	31,426	-	15,000	16,426	2	2.090	10.2.2005	to 9.2.2014
21.6.2004	100,000	50,000	50,000	-	-	2.000	22.6.2005	to 21.6.2014
10.8.2004	11,126,767	425,235	2,474,261	8,227,271	1,049**	2.120	11.8.2005	to 10.8.2014
10.8.2004	277,475	-	38,050	239,425	16#	2.120	11.8.2005	to 10.8.2009
10.8.2004	31,426	-	15,000	16,426	2	2.120	11.8.2005	to 10.8.2014
7.2.2005	12,487,006	465,051	1,982,721	10,039,234	1,097**	2.370	8.2.2006	to 7.2.2015
7.2.2005	348,625	-	27,000	321,625	17#	2.370	8.2.2006	to 7.2.2010
7.2.2005	31,426	-	-	31,426	2	2.370	8.2.2006	to 7.2.2015
10.8.2005	14,248,987	635,643	1,789,015	11,824,329	1,229**	2.570	11.8.2006	to 10.8.2015
10.8.2005	334,291	-	25,125	309,166	17#	2.570	11.8.2006	to 10.8.2010
10.8.2005	31,426	-	-	31,426	2	2.570	11.8.2006	to 10.8.2015
9.2.2006	14,291,958	616,162	966,844	12,708,952	1,321**	3.010	10.2.2007	to 9.2.2016
9.2.2006	377,500	-	15,875	361,625	18#	3.010	10.2.2007	to 9.2.2011
10.8.2006	15,738,362	855,999	662,777	14,219,586	1,440**	2.840	11.8.2007	to 10.8.2016
10.8.2006	371,500	-	15,875	355,625	18#	2.840	11.8.2007	to 10.8.2011
15.3.2007	16,274,367 ##	591,135	-	15,683,232	1,562**	3.230	16.3.2008	to 15.3.2017
15.3.2007	360,000 ##	-	-	360,000	18#	3.230	16.3.2008	to 15.3.2012
10.8.2007	15,012,391 ##	165,618	-	14,846,773	1,698	3.610	11.8.2008	to 10.8.2017
10.8.2007	327,000 ##	-	-	327,000	16#	3.610	11.8.2008	to 10.8.2012
<b>Total</b>	<b>157,066,399</b>	<b>5,936,160</b>	<b>25,838,733</b>	<b>125,291,506</b>				

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

\*\* Includes 1 executive Director of the Company

# Includes Directors of the Company and its subsidiaries

## These numbers relate to options granted and accepted in 2007

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 40. SHARE CAPITAL (continued)

### (iii) Details of share options exercised

	No. of shares	Exercise price \$	Proceeds from share issue \$'000	Share price \$
<b>2008</b>				
January to March	8,183,482	1.290 - 3.230	17,681	3.17 - 3.74
April to June	3,978,667	1.290 - 3.230	9,128	2.72 - 3.52
July to September	973,564	1.290 - 3.610	2,058	2.54 - 2.88
October to December	940,023	1.418 - 2.840	1,610	2.04 - 2.67
	<u>14,075,736</u>			
<b>2007</b>				
January to March	16,426,452	0.422 - 3.010	33,958	3.12 - 3.46
April to June	10,763,244	0.492 - 3.010	23,635	3.46 - 3.86
July to September	6,732,563	1.290 - 3.010	14,922	3.26 - 3.98
October to December	3,374,497	1.290 - 3.010	7,447	3.60 - 3.94
	<u>37,296,756</u>			

The weighted average share price for options exercised during the year was \$3.285 (2007: \$3.505). The weighted average remaining contractual life for these options is 5.74 years (2007: 6.46 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2007. No options were granted for the year ended 31 December 2008.

	2007
Expected dividend yield (%)	Management's forecast in line with dividend policy
Expected volatility (%)	23.13 - 31.49
Risk-free interest rate (%)	2.29 - 2.71
Expected life of option (years)	2.49 - 5.23
Exercise price (\$)	3.23 - 3.61
Weighted average share price (\$)	3.31 - 3.72

The expected life of the options is based on historical data and therefore not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options were incorporated into the measurement of fair value.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 40. SHARE CAPITAL (continued)

### Singapore Technologies Engineering Performance Share Plan ("PSP")

Performance shares are granted on an annual basis, conditional on targets set for a performance period, currently prescribed to be a three-year performance period. The performance shares will only be released to the recipient at the end of the performance qualifying period. The final number of performance shares given will depend on the level of achievement of those targets over the three-year performance period. A specified number of performance shares shall be released by the ERCC to the recipient at the end of the performance period, provided a minimum threshold performance is achieved.

	Year of grant			Total
	2008	2007	2006	
<b>Number of performance shares</b>				
At grant date	1,632,000	1,513,000	2,450,000	5,595,000
Lapsed	-	(19,000)	(210,000)	(229,000)
Outstanding as at 31.12.2008	1,632,000	1,494,000	2,240,000	5,366,000

During the year, performance shares amounting to 977,039 ordinary shares were awarded in respect of grant made in 2005.

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

The significant inputs to the model used for the conditional grants in 2006 to 2008 are as follows:

	Year of grant		
	2008	2007	2006
<b>Market conditions</b>			
Volatility of MSCI Index (%)	20.93	13.66	14.69
Volatility of the Company's shares (%)	15.51	14.59	15.22
Correlation of volatility of MSCI vs the Company (%)	45.30	26.83	26.46
Risk-free rate (%)	1.11	2.43	3.09
Share price (\$)	3.36	3.62	2.93
Cost of equity (%)	9.60	8.27	-
Dividend yield			(-- Management's forecast in line with dividend policy --)

### Non-market conditions

(Best estimate\* of number of shares expected to vest at the end of three-year performance period)

- EVA Spread (%)	-	-	61
- EPS Growth	-	-	63

\* Subject to revision when new information is available

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 40. SHARE CAPITAL (continued)

### *Singapore Technologies Engineering Restricted Stock Plan ("RSP")*

Restricted shares are granted on an annual basis, conditional on targets set for a performance period. Depending on the achievement of pre-determined targets over a two-year performance period, the final number of restricted shares awarded could range between 0% and 150% of the initial grant of the restricted shares. Based on meeting stated performance conditions over a two-year period, 50% of the RSP award will vest. The balance will vest equally over the subsequent two years with fulfilment of service requirements.

During the financial year, RSP was introduced for non-executive directors. Depending on the achievement of pre-determined targets over a one-year performance period, the total release of awards could range from zero to a maximum capped at 150% of the conditional award, over a three-year vesting period at 33 $\frac{1}{3}$ % per year.

	2008	Year of grant 2007	Total
<b>Number of restricted shares</b>			
At grant date	7,811,183	897,000	8,708,183
Lapsed	(282,083)	(41,000)	(323,083)
Outstanding as at 31.12.2008	7,529,100	856,000	8,385,100

The fair value of the restricted shares is determined at conditional grant date using the Monte Carlo simulation model.

The significant inputs to the model used for the conditional grant in 2008 are as follows:

	2008	Year of grant 2007
Volatility of the Company's shares (%)	15.51	14.59
Mark-to-market Company TSR achievement (%)	-	28.64
Risk-free rate (%)	0.94 - 1.32	2.41 - 2.50
Share price (\$)	3.36	3.80
Dividend yield	(--Management's forecast in line with dividend policy--)	

## 41. CAPITAL RESERVES

Included in capital reserves are:

- an amount relating 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; and
- an amount relating to an excess capital contribution from minority shareholders of a subsidiary in China following the additional capital injection during the year.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 42. OTHER RESERVES

	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Fair value reserve \$'000	Share-based payment reserve \$'000	Total \$'000
<b>The Group</b>					
At 1.1.2007	(39,742)	712	29,319	23,553	13,842
Net fair value changes on available- for-sale financial assets	-	-	(4,978)	-	(4,978)
Net fair value changes on cash flow hedges	-	-	1,646	-	1,646
Foreign currency translation differences	(21,113)	-	-	-	(21,113)
Total net income recognised directly in equity and for the year	(21,113)	-	(3,332)	-	(24,445)
Cost of share-based payment	-	-	-	15,949	15,949
Disposal of a subsidiary	391	(712)	-	-	(321)
Transfer from unappropriated profit to statutory reserve	-	394	-	-	394
At 31.12.2007	(60,464)	394	25,987	39,502	5,419
At 1.1.2008	(60,464)	394	25,987	39,502	5,419
Net fair value changes on available- for-sale financial assets	-	-	(26,324)	-	(26,324)
Net fair value changes on cash flow hedges	-	-	(2,642)	-	(2,642)
Foreign currency translation differences	(11,093)	-	2	-	(11,091)
Total net income recognised directly in equity and for the year	(11,093)	-	(28,964)	-	(40,057)
Cost of share-based payment	-	-	-	17,940	17,940
Transfer from unappropriated profit to statutory reserve	-	482	-	-	482
At 31.12.2008	(71,557)	876	(2,977)	57,442	(16,216)

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 42. OTHER RESERVES (continued)

	Group	
	2008	2007
	\$'000	\$'000
Net fair value changes on available-for-sale financial assets arises from:		
- Effect of reduction in tax rate	-	(149)
- Net gain on fair value changes during the year	(16,459)	8,191
- Recognised in income statement, in other operating income	(9,865)	(13,020)
	<b>(26,324)</b>	<b>(4,978)</b>
Net fair value changes on cash flow hedges arises from:		
- Effect of reduction in tax rate	-	40
- Net gain on fair value changes during the year	(5,302)	786
- Recognised in income statement, in other operating income	2,660	820
	<b>(2,642)</b>	<b>1,646</b>

### *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

### *Statutory reserve*

In accordance with foreign Enterprise Law application to the subsidiaries in the People's Republic of China ("PRC"), the subsidiaries are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities the SRF maybe used to offset any accumulated losses or increase the registered capital of the subsidiaries, the SRF is not available for standard distribution to shareholders.

### *Fair value reserve*

Fair value reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired as well as the portion of the fair value changes on the derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

### *Share-based payment reserve*

Share-based payment reserve represents the equity-settled share options, performance shares and restricted shares granted to employees and non-executive directors. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options, performance shares and restricted shares. The expense for services received will be recognised over the vesting period.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 43. RETAINED EARNINGS

	Group	
	2008 \$'000	2007 \$'000
Retained by:		
The Company	510,612	565,743
Subsidiaries	281,792	289,618
Associated companies and joint ventures	101,315	100,894
	893,719	956,255

## 44. DIVIDENDS

	Group and Company	
	2008 \$'000	2007 \$'000
Final dividend paid in respect of the previous financial year of 4.0 cents (2007: 4.0 cents) per share	119,342	117,850
Special dividend paid in respect of the previous financial year of 10.88 cents (2007: 11.11 cents) per share	324,610	327,277
Interim dividend paid in respect of the current financial year of 3.0 cents (2007: 2.0 cents) per share	89,922	59,562
	533,874	504,689
Additional final dividend paid in respect of the previous financial year due to issue of shares under ESOS/ESOP before books closure date	1,816	3,531
	535,690	508,220

The Directors propose a final dividend of 4.0 cents (2007: 4.0 cents) per share amounting to \$119.9 million (2007: \$119.3 million) and a special dividend of 8.8 cents (2007: 10.88 cents) per share amounting to \$263.9 million (2007: \$324.6 million), in respect of the financial year ended 31 December 2008. 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.

## 45. RELATED PARTY INFORMATION

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

	Group	
	2008 \$'000	2007 \$'000
Sales and services rendered	13,401	17,044
Purchases and services received	34,578	52,761
Property, plant and equipment purchases	123	237
Interest income	10,731	19,864
Dividend income	213	99
Rental income	380	3,214
Rental expenses	4,156	2,243

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 46. CASH AND CASH EQUIVALENTS

	Note	2008 \$'000	Group 2007 \$'000
Fixed deposits with financial institutions	27	601,382	371,933
Cash and bank balances	27	217,543	253,904
Short-term loans to a related corporation	23	230,188	657,690
Bank overdrafts		(19)	(803)
		<u>1,049,094</u>	<u>1,282,724</u>

Cash and cash equivalents denominated in currencies other than the functional currencies as at 31 December are as follows:

US dollars	98,746	270,186
Euro	118,023	47,393

## 47. COMMITMENTS

### (a) Capital commitments

	2008 \$'000	Group 2007 \$'000
Capital expenditure contracted but not provided for in the financial statements	260,995	38,589

### (b) Leases

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

Within 1 year	19,787	23,861
Within 2 to 5 years	71,504	64,631
After 5 years	131,638	98,435
	<u>222,929</u>	<u>186,927</u>

The Group has several operating lease agreements for leasehold land and buildings, office premises and computers. The leases for leasehold land and buildings 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.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 47. COMMITMENTS (continued)

### (c) Operating lease commitments – As lessor

- (i) The Group has entered into commercial leases on three of its aircraft engines. The non-cancellable lease has an average lease term of about 3 to 5 years.

Future lease payment receivables under non-cancellable operating lease are as follows:

	Group	
	2008	2007
	\$'000	\$'000
		(Restated)
Within 1 year	2,023	2,709
Within 2 to 5 years	3,606	6,635
After 5 years	–	1,069
	<u>5,629</u>	<u>10,413</u>

- (ii) The Group has entered into commercial leases on its aircraft. These non-cancellable leases have remaining lease terms of 17 years. The leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases at the balance sheet date are as follows:

	Group	
	2008	2007
	\$'000	\$'000
Within 1 year	587	587
Within 2 to 5 years	2,348	2,348
After 5 years	7,584	8,171
	<u>10,519</u>	<u>11,106</u>

### (d) Investments

- (i) As at 31 December 2008, the Group has outstanding commitments in respect of uncalled capital to the extent of \$20.3 million (2007: \$2.4 million) in subsidiaries.

- (ii) As at 31 December 2008, in respect of investments in unquoted equity shares of venture capital fund companies, there is uncalled capital contribution amounting to \$0.6 million (2007: \$0.6 million) for the Group.

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 47. COMMITMENTS (continued)

### (d) Investments (continued)

- (iii) On 3 September 2007, ST Aerospace Engineering Pte Ltd ("STA Engineering") signed an agreement with Aviation Training Academy (Singapore) Pte Ltd ("ATAS") to set up a commercial pilot training academy in Singapore known as ST Aviation Training Academy Pte. Ltd. ("STATA") with a 66% and 34% shareholding respectively.

Pursuant to the agreement, if STATA and its subsidiaries are able to achieve the agreed profit before tax excluding minority interests for the second and fifth financial years, STA Engineering will grant two independent options which will entitle ATAS to purchase STA Engineering's shareholdings of STATA, amounting to 5% of the total share capital of STATA for each option on the date of the exercise of the option ("First Option" and "Second Option"). If ATAS does not exercise the First Option by the expiry date, the First Option shall lapse and will not be carried forward to the Second Option.

The First Option may be exercised at any time during a six-month period from the date of the audited financial statements of STATA for the second financial year, while the Second Option may be exercised at any time during a six-month period from the date of the audited financial statements of STATA for the fifth financial year.

The price for the shares of the First Option and Second Option shall be at fair values as determined by an appraiser to be jointly appointed by shareholders and the appraiser shall determine the fair value in accordance with the principles set out in the agreement.

- (iv) As at 31 December 2008, the Group has outstanding commitments in respect of production for digital media intellectual properties to the extent of \$1.43 million (2007: \$2.48 million).
- (v) As at 31 December 2008, the Group has outstanding commitments in respect of uncalled capital to the extent of \$2.4 million (2007: \$2.4 million) in a joint venture.

On 2 November 2006, an agreement was signed between Singapore Technologies Kinetics Ltd and BF Utilities Limited to form an Equity Joint Venture Company in Pune, India. The joint venture company will have a registered capital of US\$6 million to be contributed by each party in the proportion of 26% and 74% respectively, which is to be contributed over three years. To-date, the joint venture company has not been set up.

## 48. CONTINGENT LIABILITIES (UNSECURED)

- (a) On 8 April 2008, Singapore Technologies Aerospace Ltd ("ST Aerospace") entered into a risk participation agreement with a financial institution to extend a 7.5 years credit facility of up to US\$43,350,000 to one of its customers to finance 85% of the value of the service contract entered between ST Aerospace and the customer.

Under the risk participation agreement, ST Aerospace had unconditionally and irrevocably undertaken to pay the financial institution the credit facility drawn down by the customer. As at 31 December 2008, the credit facility extended by the financial institution to the customer had not been utilised.

- (b) Corporate guarantees given by the Company to banks in respect of loan facilities extended to certain subsidiaries amounted to \$914 million (US\$400 million and Euro 167 million) (2007: \$781 million (US\$540 million)).
- (c) Guarantee given by subsidiaries in respect of banking facilities granted to subsidiaries as at 31 December 2008 amounted to \$20 million (2007: \$56.6 million).

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 49. SEGMENT INFORMATION

### (a) Analysis by business segments

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

#### (i) *Aerospace*

Provides a full spectrum of maintenance and engineering services which include airframe, engine and component maintenance, repair and overhaul; engineering design and technical services; and aviation materials and management services, including Total Aviation Support.

#### (ii) *Electronics*

Delivers innovative system solutions to government, commercial, defence, and industrial customers worldwide. It specialises in the design, development and integration of advanced electronics and communications systems, such as broadband radio frequency and satellite communication, e-Government solutions, information communications technologies and IT, rail and traffic management, real-time command and control, training and simulation, intelligent building management, and information security and mobile commerce solutions.

#### (iii) *Land Systems*

Delivers integrated land systems, specialty vehicles and their related through life support for defence, homeland security and commercial applications.

#### (iv) *Marine*

Provides turnkey building, repair and conversion services for a wide spectrum of naval and commercial vessels. In shipbuilding, it has the proven capabilities to provide turnkey solutions from concept definition to detailed design, construction, on-board system installation and integration, testing, commissioning to through-life support. It has also established a track record in providing high engineering content shiprepair and ship conversion services for a worldwide clientele.

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

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 49. SEGMENT INFORMATION (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
<b>2008</b>							
Turnover							
External sales	1,938,411	1,142,728	1,274,093	821,681	167,602	-	5,344,515
Inter-segment sales	2,543	14,976	6,786	73	24,406	(48,784)	-
	<u>1,940,954</u>	<u>1,157,704</u>	<u>1,280,879</u>	<u>821,754</u>	<u>192,008</u>	<u>(48,784)</u>	<u>5,344,515</u>
Segment results	235,310	117,481	90,528	72,276	498,131	(485,734)	527,992
Investment income, net	21,001	(18,627)	(6,690)	(375)	-	-	(4,691)
Interest income	4,374	3,680	4,424	5,506	26,610	(23,443)	21,151
Operating profit	<u>260,685</u>	<u>102,534</u>	<u>88,262</u>	<u>77,407</u>	<u>524,741</u>	<u>(509,177)</u>	<u>544,452</u>
Financial expenses	(21,434)	(10,282)	(8,003)	(2,244)	(22,800)	22,076	(42,687)
Share of results of associated companies and joint ventures	32,869	1,688	4,469	40	-	(129)	38,937
Profit from operations before taxation	<u>272,120</u>	<u>93,940</u>	<u>84,728</u>	<u>75,203</u>	<u>501,941</u>	<u>(487,230)</u>	<u>540,702</u>
Taxation	(37,403)	(22,817)	(1,629)	(703)	12,668	(2,055)	(51,939)
Minority interests	(9,026)	(3,012)	(3,152)	-	-	63	(15,127)
Net profit attributable to shareholders	<u>225,691</u>	<u>68,111</u>	<u>79,947</u>	<u>74,500</u>	<u>514,609</u>	<u>(489,222)</u>	<u>473,636</u>
Assets							
Assets	1,919,793	1,384,250	1,360,744	642,846	2,399,747	(2,141,163)	5,566,217
Associated companies and joint ventures	137,386	11,305	112,111	241	1,528	507	263,078
Unallocated assets							<u>163,476</u>
Total assets							<u>5,992,771</u>
Liabilities							
Liabilities	1,587,644	1,278,836	1,242,453	566,977	879,305	(1,506,816)	4,048,399
Unallocated liabilities							<u>267,256</u>
Total liabilities							<u>4,315,655</u>
Capital expenditure							
Capital expenditure	104,343	39,835	32,412	21,711	2,754	-	201,055
Depreciation and amortisation	97,717	22,335	20,418	16,218	2,105	-	158,793
Impairment loss	263	18,688	6,892	-	118	(118)	25,843
Other non-cash expenses	11,934	90	92	-	1	-	12,117

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 49. SEGMENT INFORMATION (continued)

	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	Group \$'000
<b>2007 (Restated)</b>							
Turnover							
External sales	1,834,885	1,023,240	1,178,033	863,184	151,640	-	5,050,982
Inter-segment sales	2,884	15,044	10,284	1,410	13,169	(42,791)	-
	<u>1,837,769</u>	<u>1,038,284</u>	<u>1,188,317</u>	<u>864,594</u>	<u>164,809</u>	<u>(42,791)</u>	<u>5,050,982</u>
Segment results	304,905	85,858	86,195	77,356	538,356	(532,546)	560,124
Investment income, net	6,196	25,182	(6,177)	14,037	(24)	24	39,238
Interest income	11,489	4,866	7,946	8,558	37,507	(27,904)	42,462
Operating profit	<u>322,590</u>	<u>115,906</u>	<u>87,964</u>	<u>99,951</u>	<u>575,839</u>	<u>(560,426)</u>	<u>641,824</u>
Financial expenses	(17,418)	(9,461)	(9,628)	(3,430)	(30,766)	20,347	(50,356)
Share of results of associated companies and joint ventures	35,990	8,891	1,667	46	-	53	46,647
Profit from operations before taxation	<u>341,162</u>	<u>115,336</u>	<u>80,003</u>	<u>96,567</u>	<u>545,073</u>	<u>(540,026)</u>	<u>638,115</u>
Taxation	(54,925)	(24,893)	(6,995)	(21,303)	(6,943)	453	(114,606)
Minority interests	(15,758)	(2,220)	(2,219)	-	-	191	(20,006)
Net profit attributable to shareholders	<u>270,479</u>	<u>88,223</u>	<u>70,789</u>	<u>75,264</u>	<u>538,130</u>	<u>(539,382)</u>	<u>503,503</u>
Assets	1,910,535	1,364,794	1,271,504	650,278	2,316,125	(1,870,626)	5,642,610
Associated companies and joint ventures	141,335	8,971	110,983	353	1,646	4,218	267,506
Unallocated assets							140,157
Total assets							<u>6,050,273</u>
Liabilities	1,498,439	1,279,063	1,188,777	531,583	782,413	(1,258,808)	4,021,467
Unallocated liabilities							249,113
Total liabilities							<u>4,270,580</u>
Capital expenditure	111,792	103,216	24,881	20,687	2,238	-	262,814
Depreciation and amortisation	78,416	15,524	20,910	17,096	2,065	63	134,074
Impairment loss/(write-back of impairment)	(188)	(4,400)	3,063	-	24	(24)	(1,525)
Other non-cash expenses	8,446	203	72	-	-	-	8,721

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 49. 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 and intangibles are based on the location of those assets.

	Turnover		Assets		Capital expenditure	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000 (Restated)	2008 \$'000	2007 \$'000 (Restated)
Asia	3,490,238	3,177,681	3,795,128	3,857,657	121,604	99,439
USA	1,379,309	1,420,556	1,286,162	1,244,805	30,461	38,322
Europe	416,804	446,215	738,606	775,024	45,625	32,613
Others	58,164	6,530	172,875	172,787	3,365	92,440
	<b>5,344,515</b>	<b>5,050,982</b>	<b>5,992,771</b>	<b>6,050,273</b>	<b>201,055</b>	<b>262,814</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	
	2008 \$'000	2007 \$'000
Asia	2,538,725	2,485,993
USA	1,522,881	1,588,870
Europe	743,130	655,403
Others	539,779	320,716
	<b>5,344,515</b>	<b>5,050,982</b>

# Notes to the Financial Statements

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(Currency - Singapore dollars unless otherwise stated)

## 50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The Group's principal financial instruments, other than foreign exchange contracts and derivatives, comprise bankers' guarantees, performance bonds, bank loans and overdrafts, finance leases and hire purchase contracts, investments, cash and short-term deposits. All financial transactions with the banks are governed by banking facilities duly accepted with Board of Directors' resolutions, with banking mandates, which define the permitted financial instruments and facilities limits, approved by the Board of Directors. All financial transactions require dual signatories. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is the Group's policy not to engage in foreign exchange and/or derivatives speculation or trading. It is not in the interest of the Group to speculate or trade in treasury instruments. The purpose of engaging in treasury transactions is solely for hedging.

The Group's treasury policy allows only foreign exchange spot, forward or non-deliverable forward, foreign exchange swap, cross currency, purchase of foreign exchange call, put or collar option, forward rate agreement, interest rate swap, purchase of interest rate cap, floor or collar option ("Permitted Transactions"); sale of options are expressly prohibited. These instruments are generic in nature with no embedded or leverage features and any deviation from these instruments would require specific approval from the Board of Directors.

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

The Group's accounting policies in relation to derivatives are set out in Note 2.

### 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 with due consideration to operating cash flow requirements and optimising yield.

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.

Movements in interest rates will therefore have an impact on the Group. A change of 200 basis points in interest rate at the reporting date would increase/decrease income statement by the amounts shown below. This analysis assumes that all other variables remain constant.

	Income statement	
	200bp increase \$'000	200bp decrease \$'000
<b>The Group</b>		
<b>2008</b>		
Bank loans	(3,532)	3,532
<b>2007</b>		
Bank loans	(3,756)	3,756

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 2008

(Currency - Singapore dollars unless otherwise stated)

## 50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign exchange risk

The Group's foreign exchange risk arises both from its subsidiaries operating in foreign countries, generating revenue and incurring costs denominated in foreign currencies, and from operations of its local subsidiaries which are transacted in foreign currencies. The Group's foreign exchange exposures are primarily from US dollars and Euro and the Group enters mainly into forward currency contracts to hedge against its foreign exchange risk resulting from anticipated sale and purchase transactions denominated in foreign currencies in accordance with the Group's hedging policy.

The Company's centralised Treasury Unit facilitates intra-group foreign exchange transactions within the Group to net-off the foreign exchange exposures before proceeding to transact the hedge with banks.

The Company's centralised Treasury Unit executes the Group's material foreign exchange transactions. Foreign exchange transactions are executed with segregation of duties between authorised dealers and back office. Only authorised dealers can transact with the banks on behalf of the Group, with back office confirming the deals. The dealers' limits and permitted treasury instruments in the form of an authorisation matrix and mandates are communicated to the banks for compliance.

### Market risk

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

The table below summarises the impact to the Group's fair value reserve in equity and income statement arising as a result of a 10% increase/decrease in the fair value of the quoted investments. This analysis assumes that all other variables remain constant.

	Equity		Income statement	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
<b>The Group</b>				
<b>2008</b>				
Quoted investments	958	(958)	37	(37)
<b>2007</b>				
Quoted investments	3,160	(3,160)	-	-
Amounts under fund management	17,878	(17,878)	-	-
	21,038	(21,038)	-	-

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

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

The table below analyses the Group's financial liabilities that will be settled on a net basis and certain derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>The Group</b>				
<b>2008</b>				
Bank loans	872,404	584,762	287,642	-
Other loans	1,847	240	811	796
Lease obligations	8,098	2,025	6,073	-
Bank overdrafts	19	19	-	-
Trade and other payables	1,395,285	1,395,285	-	-
Derivative financial instruments:				
• Forward currency contracts - gross payments	80,403	80,403	-	-
• Forward currency contracts - gross receipts	451,810	363,447	88,363	-
• Embedded derivatives	277,640	70,871	206,769	-
• Interest rate swaps - settled net	6,252	6,252	-	-
<b>2007 (Restated)</b>				
Bank loans	856,961	856,378	583	-
Other loans	2,304	234	911	1,159
Lease obligations	10,169	2,034	8,135	-
Bank overdrafts	803	803	-	-
Trade and other payables	1,521,450	1,521,450	-	-
Derivative financial instruments:				
• Forward currency contracts - gross payments	35,160	35,160	-	-
• Forward currency contracts - gross receipts	159,888	159,888	-	-

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Total \$'000	Within 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	No specific terms \$'000
<b>The Company</b>					
<b>2008</b>					
Creditors and accruals	56,855	56,855	-	-	-
Due to a subsidiary	54,000	-	-	-	54,000
<b>2007</b>					
Creditors and accruals	51,125	51,125	-	-	-
Due to a subsidiary	54,000	-	-	-	54,000

### 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 related corporations, as disclosed in Notes 15 and 23.

As at 31 December 2008, there were no significant concentrations of credit risk, except for 26% (2007: 39%) of trade debts relating to three major customers of the respective subsidiaries. The table below analyses the trade debtors by the Group's four main operating segments.

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
		(Restated)
Aerospace	<b>412,235</b>	328,149
Electronics	<b>278,628</b>	249,396
Land Systems	<b>147,932</b>	146,145
Marine	<b>106,619</b>	101,477
Others	<b>23,261</b>	29,633
	<b>968,675</b>	854,800

# Notes to the Financial Statements

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## 51. 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, other liquid funds and short-term receivables**

The carrying amounts approximate fair values due to the relatively short-term maturity of these instruments.

### **Quoted and unquoted investments**

The fair values of quoted investments are determined directly by reference to their quoted market prices for these investments as at balance sheet date. 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. However, for unquoted investment in related and non-related corporations as stated in Note 15, the fair value is determined by reference to valuation provided by related and non-related corporations.

### **Loan receivables**

The fair values of loan receivables are estimated based on the expected cash flows discounted to present value, except as disclosed in Note 18.

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

The carrying amounts approximate fair values because of the short period to maturity of these instruments.

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Set out below is a comparison by category of carrying amounts of all the Group's financial instruments that are carried in the financial statements:

### Classification of financial instruments

	Loans and receivables	Fair value through profit or loss	Derivatives used for hedging	Available- for-sale	Held-to- maturity	Liabilities at amortised cost	Non- financial assets/ liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>The Group</b>								
<b>2008</b>								
<b>Assets</b>								
Property, plant and equipment	-	-	-	-	-	-	1,019,084	1,019,084
Associated companies and joint ventures	-	-	-	-	-	-	263,078	263,078
Investments	1,162	-	-	13,902	38,352	-	-	53,416
Intangible assets	-	-	-	-	-	-	641,090	641,090
Investment properties	-	-	-	-	-	-	17,371	17,371
Long-term receivables	1,151	-	-	-	-	-	-	1,151
Finance lease receivables	15,850	-	-	-	-	-	-	15,850
Derivative financial instruments	-	2,950	13,424	-	-	-	-	16,374
Deferred tax assets	-	-	-	-	-	-	138,128	138,128
Stocks and work-in-progress	-	-	-	-	-	-	1,286,331	1,286,331
Trade debtors	968,675	-	-	-	-	-	139,554	1,108,229
Due from related corporations	234,078	-	-	-	-	-	-	234,078
Advances and other debtors	107,457	253	9,885	-	-	-	261,491	379,086
Short-term investments	-	369	-	211	-	-	-	580
Bank balances and other liquid funds	818,925	-	-	-	-	-	-	818,925
	<u>2,147,298</u>	<u>3,572</u>	<u>23,309</u>	<u>14,113</u>	<u>38,352</u>	<u>-</u>	<u>3,766,127</u>	<u>5,992,771</u>
<b>Liabilities</b>								
Advance payments from customers	-	-	-	-	-	-	1,091,640	1,091,640
Creditors and accruals	-	866	7,502	-	-	1,395,285	2,516	1,406,169
Provisions	-	-	-	-	-	-	185,415	185,415
Progress billings in excess of work-in-progress	-	-	-	-	-	-	475,746	475,746
Provision for taxation	-	-	-	-	-	-	177,647	177,647
Short-term bank loans	-	-	-	-	-	322,773	-	322,773
Lease obligations	-	-	-	-	-	7,145	-	7,145
Long-term bank loans	-	-	-	-	-	549,631	-	549,631
Other loans	-	-	-	-	-	1,847	-	1,847
Bank overdrafts	-	-	-	-	-	19	-	19
Deferred income	-	-	-	-	-	-	11,496	11,496
Deferred tax liabilities	-	-	-	-	-	-	62,602	62,602
Derivative financial instruments	-	-	23,525	-	-	-	-	23,525
	<u>-</u>	<u>866</u>	<u>31,027</u>	<u>-</u>	<u>-</u>	<u>2,276,700</u>	<u>2,007,062</u>	<u>4,315,655</u>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Loans and receivables \$'000	Fair value through profit or loss \$'000	Derivatives used for hedging \$'000	Available- for-sale \$'000	Liabilities at amortised cost \$'000	Non- financial assets/ liabilities \$'000	Total \$'000
<b>The Group</b>							
<b>2007 (Restated)</b>							
<b>Assets</b>							
Property, plant and equipment	-	-	-	-	-	1,014,623	1,014,623
Associated companies and joint ventures	-	-	-	-	-	267,506	267,506
Investments	1,279	-	-	38,098	-	-	39,377
Intangible assets	-	-	-	-	-	642,436	642,436
Investment properties	-	-	-	-	-	18,379	18,379
Long-term receivables	4,397	-	-	-	-	-	4,397
Finance lease receivables	8,366	-	-	-	-	-	8,366
Derivative financial instruments	-	-	2,937	-	-	-	2,937
Deferred tax assets	-	-	-	-	-	112,718	112,718
Stocks and work-in-progress	-	-	-	-	-	1,229,240	1,229,240
Trade debtors	853,571	-	-	-	-	94,936	948,507
Due from related corporations	662,913	-	-	-	-	-	662,913
Advances and other debtors	91,820	102	4,959	-	-	197,037	293,918
Short-term investments	-	-	-	338	-	-	338
Amounts under fund management	-	-	-	178,781	-	-	178,781
Bank balances and other liquid funds	625,837	-	-	-	-	-	625,837
	<b>2,248,183</b>	<b>102</b>	<b>7,896</b>	<b>217,217</b>	<b>-</b>	<b>3,576,875</b>	<b>6,050,273</b>
<b>Liabilities</b>							
Advance payments from customers	-	-	-	-	-	1,062,102	1,062,102
Creditors and accruals	-	-	-	-	1,521,450	3,388	1,524,838
Provisions	-	-	-	-	-	191,760	191,760
Progress billings in excess of work-in-progress	-	-	-	-	-	368,757	368,757
Provision for taxation	-	-	-	-	-	201,324	201,324
Short-term bank loans	-	-	-	-	574,595	-	574,595
Lease obligations	-	-	-	-	8,834	-	8,834
Long-term bank loans	-	-	-	-	282,366	-	282,366
Other loans	-	-	-	-	2,304	-	2,304
Bank overdrafts	-	-	-	-	803	-	803
Deferred income	-	-	-	-	-	7,079	7,079
Deferred tax liabilities	-	-	-	-	-	45,818	45,818
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,390,352</b>	<b>1,880,228</b>	<b>4,270,580</b>

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Loans and receivables \$'000	Liabilities at amortised cost \$'000	Non-financial assets/liabilities \$'000	Total \$'000
<b>The Company</b>				
<b>2008</b>				
<b>Assets</b>				
Property, plant and equipment	-	-	1,016	1,016
Subsidiaries	-	-	574,453	574,453
Associated companies and joint ventures	-	-	50	50
Due from related corporations	139,198	-	-	139,198
Advances and other debtors	340,103	-	93	340,196
Long-term receivables, current	180	-	-	180
Bank balances and other liquid funds	231,195	-	-	231,195
	710,676	-	575,612	1,286,288
<b>Liabilities</b>				
Creditors and accruals	-	56,855	-	56,855
Provision for taxation	-	-	5,927	5,927
Short-term bank loans	-	25,300	-	25,300
Deferred tax liabilities	-	-	201	201
Due to a subsidiary	-	54,000	-	54,000
	-	136,155	6,128	142,283
<b>2007</b>				
<b>Assets</b>				
Property, plant and equipment	-	-	843	843
Subsidiaries	-	-	557,959	557,959
Associated companies and joint ventures	-	-	50	50
Due from related corporations	302,638	-	-	302,638
Advances and other debtors	312,937	-	151	313,088
Bank balances and other liquid funds	84,764	-	-	84,764
	700,339	-	559,003	1,259,342
<b>Liabilities</b>				
Creditors and accruals	-	51,125	-	51,125
Provision for taxation	-	-	4,968	4,968
Deferred tax liabilities	-	-	372	372
Due to a subsidiary	-	54,000	-	54,000
	-	105,125	5,340	110,465

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### Forward currency contracts

As at 31 December 2008, the Group has the following forward currency contracts and embedded derivative separated from the foreign currency portion of a sales contract amounting to \$676,154,000 (2007: \$183,122,000) designated as hedges of confirmed sales in foreign currencies, firm purchase commitments in foreign currencies and accounts receivable in foreign currencies.

	Note	2008		2007	
		Contractual/ notional amount \$'000	Estimated fair value \$'000	Contractual/ notional amount \$'000	Estimated fair value \$'000
<b>Cash flow hedges</b>					
Forward currency contracts:					
- to hedge confirmed sales in foreign currencies	(i)	282,136	9,303	10,390	464
- to hedge firm purchase commitments in foreign currencies	(i)	72,175	(1,003)	26,352	775
Other derivatives					
- embedded derivative	(i)	167,787	9,002	-	-
<b>Fair value hedges</b>					
Forward currency contracts:					
- to hedge confirmed sales in foreign currencies	(i)	122,232	(3,068)	139,212	3,650
- to hedge accounts receivable in foreign currencies	(i)	31,824	1,573	7,168	70

- (i) The maturity dates of the forward currency contracts and embedded derivative separated from the foreign currency portion of a sales contract approximate the timing of the expected cash flows of their respective hedged items, which are on varying periods up to 5 years from the financial year end.

As at 31 December 2008, the Group has the following outstanding forward currency contracts and embedded derivatives separated from the foreign currency portion of sales contracts amounting to \$133,699,000 (2007: \$11,926,000), which are not designated as hedges of confirmed sales in foreign currencies and firm purchase commitments in foreign currencies.

	2008		2007	
	Contractual/ notional amount \$'000	Estimated fair value \$'000	Contractual/ notional amount \$'000	Estimated fair value \$'000
Forward currency contracts:				
- purchase	8,228	(66)	8,808	82
- sale	15,618	(102)	3,118	20
Other derivatives:				
- embedded derivatives	109,853	2,505	-	-

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 51. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

### Interest rate swaps

As at 31 December 2008, the Group has the following outstanding interest rate swaps amounting to \$417,465,000 (2007: \$140,560,000), which are designated as a cash flow hedge.

The USD interest rate swaps are being used to hedge the exposure to changes in the fair value of the 100% unsecured USD long-term loans. Under the USD interest rate swaps, the Group pays fixed rates of interest of 3.68% to 3.86% per annum (2007: nil) and receives variable rates of interest equal to the LIBOR on the notional amount. The USD interest rate swaps have the same maturity terms as the unsecured USD long-term loans.

The Euro interest rate swap is being used to hedge the exposure to changes in the fair value of the 50% secured Euro long-term loan. Under the Euro interest rate swap, the Group pays a fixed rate of interest of 3.96% (2007: 3.96%) per annum and receives a variable rate of interest equal to the EURIBOR on the notional amount. The Euro interest rate swap has the same maturity terms as the secured Euro long-term loan.

Subsequent to 31 December 2008, the Euro interest rate swap was terminated at the prevailing market rate to receive Euro 61.4 million (\$124.7 million) under fixed interest rate and to pay Euro 64.1 million (\$130.2 million) under variable interest rate.

	2008		2007	
	Contractual/ notional amount \$'000	Estimated fair value \$'000	Contractual/ notional amount \$'000	Estimated fair value \$'000
<b>Cash flow hedges</b>				
Interest rate swaps	417,465	(23,525)	140,560	2,937

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 52. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The Group is currently in a net cash position. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	2008 \$'000	Group 2007 \$'000 (Restated)
Gross debt		
Bank loans	872,404	856,961
Capitalised lease obligations	7,145	8,834
Other borrowings	1,847	2,304
	<b>881,396</b>	868,099
Bank overdrafts	19	803
	<b>881,415</b>	868,902
Shareholders' funds		
Share capital	586,614	554,888
Other reserves	100,107	121,367
Retained earnings	893,719	956,255
	<b>1,580,440</b>	1,632,510
Minority interests	96,676	147,183
	<b>1,677,116</b>	1,779,693
Gross debt equity ratio	52.6%	48.8%
Cash and cash equivalents	1,049,094	1,282,724
Amounts under fund management	-	178,781
	<b>1,049,094</b>	1,461,505
Gross debt (excluding bank overdrafts)	<b>(881,396)</b>	(868,099)
Net cash position	<b>167,698</b>	593,406

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 53. COMPARATIVE FIGURES

Comparatives in the financial statements have been changed from the previous year due to finalisation of the purchase price allocation to goodwill, intangible assets (excluding goodwill), other assets and liabilities for Pacific Flight Services Pty Ltd and Telematics Wireless Ltd. during the year.

	Restated 2007 \$'000	Previously reported 2007 \$'000
<b>Presented in the Balance Sheet</b>		
Minority interests	147,183	146,700
Investments	39,377	40,822
Intangible assets	642,436	629,981
Deferred tax assets	112,718	112,380
Stocks and work-in-progress	1,229,240	1,228,125
Trade debtors	948,507	953,703
Advances and other debtors	293,918	294,221
Creditors and accruals	1,524,838	1,524,156
Provisions	191,760	191,571
Deferred tax liabilities	45,818	40,208
<b>Presented in the Notes to the Financial Statements</b>		
<b>Note 15:</b>		
Impairment in value of unquoted investments, at cost	(27,306)	(25,861)
<b>Note 16:</b>		
Goodwill	486,171	492,651
Other intangible assets	156,265	137,330
<b>Note 20:</b>		
Deferred tax assets	112,718	112,380
<b>Note 21:</b>		
Stocks of equipment and spares	480,052	479,126
Work-in-progress in excess of progress billings	749,188	748,999
<b>Note 22:</b>		
Not past due and not impaired	441,735	389,713
Past due and not impaired	374,200	301,598
<b>Collectively assessed</b>		
Impaired receivable (Gross)	43,581	174,601
<b>Individually assessed</b>		
Impaired receivable (Gross)	55,592	48,522
Allowance for doubtful debts	(46,349)	(40,479)

# Notes to the Financial Statements

31 December 2008

(Currency - Singapore dollars unless otherwise stated)

## 53. COMPARATIVE FIGURES (continued)

	Restated 2007 \$'000	Previously reported 2007 \$'000
<b>Presented in the Notes to the Financial Statements</b> (continued)		
<b>Note 24:</b>		
Other debtors, deposits and prepayments	98,246	98,549
<b>Note 28:</b>		
Other recoverables	21,391	21,694
<b>Note 30:</b>		
Trade creditors	551,733	551,575
Other creditors and accruals	966,831	966,307
<b>Note 31:</b>		
Provision for foreseeable losses	541	352
<b>Note 34:</b>		
Non-trade creditors	194,379	194,232
Accrued operating expenses	761,995	761,618
<b>Note 36:</b>		
Deferred tax liabilities	45,818	40,208

## 54. SUBSEQUENT EVENTS

- (a) A subsidiary's land and buildings with a carrying amount of \$23,252,000 (RMB 110,513,000) are mortgaged to secure bank loans of \$16,832,000 (RMB 80,000,000), of which \$8,276,000 (RMB 37,500,000) of bank loans has been drawn down as at 12 February 2009.
- (b) In January 2009, the Singapore Government announced the 2009 Budget with a "Resilience Package", which provides a number of measures to cushion the impact of the slowing Singapore economy. The Group will benefit largely from two key Budget measures, namely the reduction in corporate tax rate from 18% to 17% and the Jobs Credit scheme.