Notes to the Financial Statements
For the financial year ended 31 December 2017

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

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

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

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

- offshore oil-rig construction, shipbuilding & shiprepair and conversion;
- environmental engineering, power generation, logistics and data centres;
- property development & investment; and
- investments and asset management.

There has been no significant change in the nature of these principal activities during the financial year.

The financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet and statement of changes in equity of the Company at 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 23 February 2018.

2. Significant accounting policies

(a) Basis of Preparation
The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

Adoption of New and Revised Standards
In the current year, the Group adopted the new/revised FRS that are effective for annual periods beginning on or after 1 January 2017. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

The following are the new or amended FRS that are relevant to the Group:

- Improvements to Financial Reporting Standards (December 2016)
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of the above new or amended FRS did not have any significant impact on the financial statements of the Group.

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

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

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

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

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

Notes to the Financial Statements

2. Significant accounting policies (continued)

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

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

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

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the owners of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests in a subsidiary based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(c) Fixed Assets

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

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

Buildings on freehold land	20 to 50 years
Leasehold land & buildings	Over period of lease (ranging from 15 to 60 years)
Vessels & floating docks	10 to 20 years
Plant, machinery & equipment	3 to 30 years
Furniture, fittings & office equipment	2 to 10 years
Cranes	5 to 30 years
Small equipment and tools	2 to 20 years

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

(d) Investment Properties

Investment properties comprise completed properties and properties under construction or re-development held to earn rental and/or for capital appreciation. Investment properties are initially recognised at cost and subsequently measured at fair value, determined annually based on valuations by independent professional valuers. Changes in fair value are recognised in the profit and loss account.

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

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

(e) Subsidiaries

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

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

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

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

(f) Associated Companies

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

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

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

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

(g) Intangibles

Goodwill

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

Management Rights

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

Other Intangible Assets

Intangible assets include development expenditure, customer contracts and customer relationships initially recognised at cost and subsequently carried at cost less accumulated amortisation. Costs incurred which are expected to generate future economic benefits are recognised as intangibles and amortised on a straight line basis over their useful lives, ranging from 3 to 20 years.

Notes to the Financial Statements

2. Significant accounting policies (continued)

(h) Investments

Investments are classified as held for trading or available-for-sale. Investments acquired for the purpose of selling in the short term are classified as held for trading. Other investments held by the Group are classified as available-for-sale.

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

Investments are initially measured at fair value plus transaction costs except for investments held for trading, which are recognised at fair value. Transaction costs for investments held for trading are recognised immediately as expenses. Investments are subsequently carried at fair value. For unquoted equity investments whose fair value cannot be reliably measured using alternative valuation methods, they are carried at cost less any impairment loss.

For investments held for trading, gains and losses arising from changes in fair value are included in the profit and loss account.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in other comprehensive income and accumulated in the fair value reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the profit and loss account.

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

(i) Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

(j) Financial Assets

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

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

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

(k) Stocks & Work-in-Progress

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

For work-in-progress in relation to construction contract, when contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as work-in-progress (billings in excess of costs). Amounts received before the related work is performed are included in the statement of financial position, as a liability, as work-in-progress (billings in excess of costs). Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under debtors. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land and construction, related overhead expenditure, financing charges and other net costs incurred during the period of development.

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

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

(l) Impairment of Assets

Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor and default or significant delay in payments are objective evidence that the financial assets are impaired. The carrying amount of these assets is reduced through the use of an allowance account and the loss is recognised in the profit and loss account. When the asset becomes uncollectible, the carrying amount is written off against the allowance account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively measured, the previously recognised impairment loss is reversed to the extent that the carrying amount does not exceed the amortised cost had no impairment been recognised in the prior periods. The amount of reversal is recognised in the profit and loss account.

Investments

In addition to the objective evidence of impairment described in the preceding paragraph, significant or prolonged decline in the fair value of the investment below its cost is considered in determining whether the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account - is removed from equity and recognised in the profit and loss account. For available-for-sale equity investments, impairment losses previously recognised in the profit and loss account are not reversed through the profit and loss account in a subsequent period.

Goodwill

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

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

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

Notes to the Financial Statements

2. Significant accounting policies (continued)

Other Non-Financial Assets
Tangible and intangible assets are tested for impairment whenever there is any indication that these assets may be impaired.

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

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

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

(m) Financial Liabilities and Equity Instruments

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

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

(n) Provisions

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

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

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

(o) Leases

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

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

(p) Assets classified as held for sale

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

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

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

(q) Revenue

Revenue consists of:

- Revenue recognised on contracts, under the completion of construction method;
- Revenue recognised on contracts, under the percentage of completion method when the outcome of the contract can be estimated reliably;
- Sale of goods and services;
- Rental income from investment properties;
- Investment and fee income; and
- Dividend income.

<u>Revenue recognition</u>

Revenue from rigbuilding, shipbuilding and repairs, and long term engineering contracts is recognised based on the percentage of completion method in proportion to the stage of completion and provided the outcome of such work can be reliably estimated. The percentage of completion is measured by reference to the percentage of the physical proportion of the contract work completed as determined by engineers' estimates. Where applicable, anticipated losses on contracts in progress are recognised in the profit and loss account.

Revenue recognition on partly completed properties, which are held for sale is based on the following methods:

- For Singapore trading properties under progressive payment scheme, revenue and profit are recognised on the percentage-of-completion method to reflect the continuous transfer of significant risks and rewards of the ownership of the properties to the purchasers as construction progresses. The percentage of work completion is measured based on the construction and related costs incurred to date as a proportion of the estimated total construction and related costs;

- For overseas trading properties, profit recognition is recognised upon the transfer of significant risks and rewards of ownership to the purchasers under the completion of construction method; and

- Where a project comprises more than one component or phase with a separate temporary occupation permit, each component or phase is treated as a separate project.

When losses are expected, they are recognised in full in the accounts after adequate allowance has been made for estimated costs to completion including cost of discontinuance and salvage cost. Any expenditure incurred on abortive projects is written off in the profit and loss account.

Revenue from the sale of products is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales are stated net of goods and services tax, sales returns, rebates and discounts, and after eliminating sales within the Group.

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

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

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

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

(r) Borrowing Costs

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

Notes to the Financial Statements

2. Significant accounting policies (continued)

(s) Employee Benefits

Defined Contribution Plan

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

Employee Leave Entitlement

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

Share Option Scheme and Share Plans

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

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

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

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

(t) Income Taxes

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

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

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

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

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

(u) Foreign Currencies

Functional Currency

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

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

Foreign Currency Transactions

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

Foreign Currency Translation

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

Disposal or partial disposal of a foreign operation

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

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

(v) Share Capital

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

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

(w) Segment Reporting

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

(x) Critical Accounting Estimates and Judgments

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

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

Control over Keppel REIT

The Group has approximately 45% (2016: approximately 45%) gross ownership interest of units in Keppel REIT as at 31 December 2017. Keppel REIT is managed by Keppel REIT Management Limited ("KRML"), a wholly-owned subsidiary of the Group. The Group has provided an undertaking to the trustee of Keppel REIT to grant the other unitholders the right to endorse or re-endorse the appointment of directors of KRML at the annual general meetings of Keppel REIT. The Group has determined that it does not have control over Keppel REIT but continues to have significant influence over the investment.

Notes to the Financial Statements

2. Significant accounting policies (continued)

Control over KrisEnergy
The Group has approximately 40% (2016: approximately 40%) gross ownership interest of shares in KrisEnergy Limited ("KrisEnergy") as at 31 December 2017. The management assessed whether or not the Group has control over KrisEnergy based on whether it has the practical ability to direct the relevant activities of KrisEnergy. In exercising its judgment, management considers the relative size and dispersion of the shareholdings owned by the other shareholders. Taking into consideration the approximately 26% (2016: approximately 37%) interest held by another single shareholder of KrisEnergy, management concluded that the Group does not have sufficient dominant vesting interest to exert control over KrisEnergy but continues to have significant influence over the investment.

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

Impairment of loans and receivables
The Group assesses at each balance sheet date whether there is any objective evidence that a loan and receivable is impaired. The Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. When 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 amounts of trade, intercompany and other receivables are disclosed in the balance sheet. As at 31 December 2017, the Group has credit risk exposure to an external group of companies for receivables that are past due. Management has considered any changes in the credit quality of the debtors, the possibility of discontinuance of the projects and the cost incurred to-date when determining the allowance for doubtful receivables and its expected loss. Management performs on-going assessments on the ability of its debtors to repay the amounts owing to the Group. These assessments include the review of the customers' credit-standing and the possibility of discontinuance of the projects.

Impairment of available-for-sale investments
The Group follows the guidance of FRS 39 in determining whether available-for-sale investments are considered impaired. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, the financial health of and the near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. The fair values of available-for-sale investments are disclosed in the balance sheet.

Impairment of non-financial assets
Determining whether the carrying value of a non-financial asset is impaired requires an estimation of the value in use of the CGUs. This requires the Group to estimate the future cash flows expected from the CGUs and an appropriate discount rate in order to calculate the present value of the future cash flows. The carrying amounts of fixed assets, investments in subsidiaries, investment in associates and joint ventures, and intangibles are disclosed in the balance sheet. Management performed impairment tests on these non-financial assets as at 31 December 2017. Refer to Note 6, 8, 9 and 12 for more details.

Revenue recognition and contract cost
The Group recognises contract revenue and contract cost based on the percentage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 2(q). Significant assumptions are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. In making the assumption, the Group evaluates by relying on past experience and the work of engineers. Revenue from construction contracts is disclosed in Note 22.

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

Recoverability of work-in-progress balances in relation to Offshore & Marine construction contracts and stocks for sale
Contracts with Sete Brasil ("Sete")
The Group had previously entered into contracts with Sete for the construction of six rigs for which progress payments from Sete had ceased since November 2014. In April 2016, Sete filed for bankruptcy protection and its authorised representatives had been in discussion with the Group on the eventual completion and delivery of some of the rigs. Management has continually assessed the probable outcomes of these contracts by taking into consideration the progress and status of the discussions and market conditions in Brazil. During the financial year ended 31 December 2017, an expected loss of $81,000,000 was recognised, taking into consideration cost of completion, cost of discontinuance, salvage cost and unpaid progress billings with regards to these rigs, bringing the total loss recognised on these rigs to $309,000,000.

Other contracts
As at 31 December 2017, the Group had several rigs/vessels that were under construction for customers or had been completed and were awaiting delivery to the customers. See Note 13 on work-in-progress balances.

During 2017, some of the Group's customers had requested for further deferral of delivery dates of the rigs/vessels.

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

Management has also estimated the net realisable values of rigs/vessels under construction as stocks for sale in assessing whether a provision for loss on work-in-progress is necessary.

Management has further assessed if the values of the rigs/vessels would exceed the carrying values of work-in-progress and stocks for sale. Management has estimated, with the assistance of an independent professional firm, the values of the rigs/vessels using Discounted Cash Flow ("DCF") calculations that cover each class of rig/vessel under construction. The most significant inputs to the DCF calculations include day rates, utilisation rates, forecasted oil price movements and discount rates.

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

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

3. Share capital

	Group and Company			
	Number of Ordinary Shares ("Shares")			
	Issued Share Capital		Treasury Shares	
	2017	2016	**2017**	2016
Balance at 1 January	**1,817,910,180**	1,817,910,180	**(2,232,510)**	(6,762,980)
Issue of shares under the share option scheme	**424,000**	-	**-**	-
Treasury shares transferred pursuant to share option scheme	**-**	-	**208,900**	367,500
Treasury shares transferred pursuant to KCL PSP	**-**	-	**-**	122,600
Treasury shares transferred pursuant to KCL RSP	**-**	-	**4,862,822**	4,630,370
Treasury shares purchased	**-**	-	**(2,850,000)**	(590,000)
Balance at 31 December	**1,818,334,180**	1,817,910,180	**(10,788)**	(2,232,510)

	Amount ($'000)			
	Issued Share Capital		Treasury Shares	
	2017	2016	**2017**	2016
Balance at 1 January	**1,288,394**	1,288,394	**(15,523)**	(49,011)
Issue of shares under the share option scheme	**2,916**	-	**-**	-
Treasury shares transferred pursuant to share option scheme	**-**	-	**1,437**	2,555
Treasury shares transferred pursuant to KCL PSP	**-**	-	**-**	877
Treasury shares transferred pursuant to KCL RSP	**-**	-	**33,440**	33,125
Treasury shares purchased	**-**	-	**(19,428)**	(3,069)
Balance at 31 December	**1,291,310**	1,288,394	**(74)**	(15,523)

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

During the financial year, the Company issued 424,000 (2016: nil) Shares at an average weighted price of $6.88 (2016: nil) per Share for cash upon exercise of options under the KCL Share Option Scheme.

During the financial year, 4,862,822 (2016: 4,630,370) Shares under the KCL Restricted Share Plan ("KCL RSP") were vested. In the prior year, 122,600 Shares under the KCL Performance Share Plan ("KCL PSP") were vested.

Notes to the Financial Statements

3. Share capital (continued)

During the financial year, the Company transferred 5,071,722 (2016: 5,120,470) treasury shares to employees under vesting of shares released under the KCL Share Option Scheme and KCL Share Plans. The Company also purchased 2,850,000 (2016: 590,000) treasury shares in the Company in the open market during the financial year. The total amount paid was $19,428,000 (2016: $3,069,000). Except for the transfer, there was no other sale, disposal, cancellation and/or use of treasury shares during the financial year.

KCL Share Option Scheme

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

Till Bernhard Vestring (Chairman)
Lee Boon Yang
Danny Teoh
Tow Heng Tan

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

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

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

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

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

	2017		2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance at 1 January	**14,025,974**	**$8.92**	17,821,474	$8.81
Exercised	**(632,900)**	**$6.78**	(367,500)	$3.07
Cancelled	**(7,304,289)**	**$10.01**	(3,428,000)	$8.97
Balance at 31 December	**6,088,785**	**$7.83**	14,025,974	$8.92
Exercisable at 31 December	**6,088,785**	**$7.83**	14,025,974	$8.92

The weighted average share price at the date of exercise for options exercised during the financial year was $7.58 (2016: $5.87). The options outstanding at the end of the financial year had a weighted average exercise price of $7.83 (2016: $8.92) and a weighted average remaining contractual life of 1.0 year (2016: 1.4 years).

KCL Share Plans

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

After a comprehensive review of the Group's total remuneration structure, eligible employees will receive deferred shares under the approved KCL RSP scheme ("KCL RSP-Deferred Shares") from Year 2017 onwards. For Year 2017, the deferred shares were granted in February 2018 after taking into consideration the Group, business units and individual performance. Subject to the fulfilment of service conditions at vesting, the deferred shares will vest equally over three years from February 2018 onwards.

During the year, the transformation incentive plan ("KCL PSP-TIP"), which was implemented in 2016, was also updated after a review of the Group's long term business plans. The performance period was extended from five years to six years (i.e. to Year 2021), with a corresponding revision in the absolute total shareholder's return targets. As a result, the estimated fair value of the contingent shares granted under the KCL PSP-TIP on 29 April 2016 was revised from $0.78 to $1.74.

Details of the KCL RSP, the KCL RSP-Deferred Shares, the KCL PSP and the KCL PSP-TIP are as follows:

	KCL RSP	**KCL RSP-Deferred Shares**	**KCL PSP**	**KCL PSP-TIP**
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets at the end of a one-year performance period	Award of fully-paid ordinary shares of the Company	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a three-year performance period	Award of fully-paid ordinary shares of the Company, conditional on achievement of pre-determined targets over a six-year performance period
Performance Conditions	Return on Equity (2015 and 2016 awards)	-	(a) Economic Value Added (b) Absolute Total Shareholder's Return (c) Relative Total Shareholder's Return to MSCI Asia Pacific Ex-Japan Industrials Index (MXAPJIN) (2015 and 2016 awards) (a) Absolute Total Shareholder's Return (b) Return on Capital Employed (c) Net Profit (2017 award)	(a) Absolute Total Shareholder's Return (b) Corporate Scorecard Achievement comprising pre-determined stretched financial and non-financial targets for the Group (c) Individual Performance Achievement
Final Award	0% to 100% of the contingent award granted, depending on achievement of pre-determined targets	100% of the awards granted	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets	0% to 150% of the contingent award granted, depending on achievement of pre-determined targets
Vesting Condition and Schedule	If pre-determined targets are achieved, awards will vest equally over three years subject to fulfilment of service requirements	Awards will vest equally over three years subject to fulfilment of service requirements.	If pre-determined targets are achieved, awards will vest at the end of the three-year performance period subject to fulfilment of service requirements	If pre-determined targets are achieved, awards will vest at the end of the six-year performance period subject to fulfilment of service requirements

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

	2017			2016		
	KCL RSP	**KCL PSP**	**KCL PSP-TIP**	KCL RSP	KCL PSP	KCL PSP-TIP
Contingent awards						
Balance at 1 January	**5,726,426**	**2,562,212**	**5,625,000**	5,521,483	2,052,119	-
Granted	**-**	**1,120,000**	**2,040,000**	5,825,645	1,185,000	5,625,000
Adjustments upon released	**-**	**(565,082)**	**-**	-	(421,619)	-
Released	**(5,676,157)**	**-**	**-**	(5,448,278)	(133,100)	-
Cancelled	**(50,269)**	**(592,130)**	**(917,509)**	(172,424)	(120,188)	-
Balance at 31 December	**-**	**2,525,000**	**6,747,491**	5,726,426	2,562,212	5,625,000

	2017	2016	
	KCL RSP	KCL RSP	KCL PSP
Awards released but not vested			
Balance at 1 January	**4,854,898**	4,193,125	-
Released	**5,676,157**	5,448,278	133,100
Vested	**(4,862,822)**	(4,630,370)	(122,600)
Cancelled	**(539,868)**	(125,328)	-
Other adjustments	**(26,000)**	(30,807)	(10,500)
Balance at 31 December	**5,102,365**	4,854,898	-

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

Notes to the Financial Statements

3. Share capital (continued)

As at 31 December 2017, there were 5,102,365 (2016: 4,854,898) shares under the KCL RSP that were released but not vested. At the end of the financial year, the number of contingent Shares granted but not released was nil (2016: 5,726,426) under the KCL RSP, 2,525,000 (2016: 2,562,212) under the KCL PSP and 6,747,491 (2016: 5,625,000) under the KCL PSP-TIP. Depending on the achievement of pre-determined performance targets, the actual number of Shares to be released could range from zero to a maximum of 3,787,500 under the KCL PSP and zero to a maximum of 10,121,237 under the KCL PSP-TIP.

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

On 28 April 2017 (2016: 29 April 2016), the Company granted contingent awards of 1,120,000 (2016: 1,185,000) Shares under the KCL PSP and 2,040,000 (2016: 5,625,000) Shares under the KCL PSP-TIP. The estimated fair value of the shares granted amounts to $5.22 (2016: $3.05) under the KCL PSP and $1.74 (2016: $0.78) under the KCL PSP-TIP. In the prior year, the Company granted contingent awards of 5,825,645 Shares under the KCL RSP on 29 April 2016 and the estimated fair value of the shares granted amounts to $4.85.

The significant inputs into the model are as follows:

	2017	
	KCL PSP	**KCL PSP-TIP**
Date of grant	**28.04.2017**	**28.04.2017**
Prevailing share price at date of grant	**$6.51**	**$6.51**
Expected volatility of the Company	**23.47%**	**23.47%**
Expected term	**2.83 years**	**4.83 years**
Risk free rate	**1.35%**	**1.64%**
Expected dividend yield	*****	*****

	2016		
	KCL RSP	KCL PSP	KCL PSP -TIP
Date of grant	29.04.2016	29.04.2016	29.04.2016
Prevailing share price at date of grant	$5.40	$5.40	$5.40
Expected volatility:			
Company	21.89%	21.89%	21.89%
MXAPJIN	#	14.96%	#
Correlation with MXAPJIN	#	68.0%	#
Expected term	0.83 – 2.83 years	2.83 years	5.83 years
Risk free rate	0.81% - 1.15%	1.15%	1.55%
Expected dividend yield	*	*	*

This input is not required for the valuation of shares granted under the KCL RSP and KCL PSP-TIP.
* Expected dividend yield is based on management's forecast.

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

Share option and share plans of a subsidiary

Keppel Telecommunications & Transportation Ltd ("Keppel T&T")

Details of share option and share plans granted by Keppel T&T are disclosed in its annual report.

4. Reserves

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Capital Reserves				
Share option and share plan reserve	**202,048**	207,139	**177,599**	184,593
Fair value reserve	**99,169**	126,014	**15,012**	14,340
Hedging reserve	**(111,930)**	(410,797)	**-**	-
Bonus issue by subsidiaries	**40,000**	40,000	**-**	-
Others	**52,120**	49,130	**16,895**	14,183
	281,407	11,486	**209,506**	213,116
Revenue Reserves	**10,486,054**	10,655,379	**6,132,150**	5,133,722
Foreign Exchange Translation Account	**(626,009)**	(280,787)	**-**	-
	10,141,452	10,386,078	**6,341,656**	5,346,838

Movements in the Group's and the Company's reserves are set out in the Statements of Changes in Equity.

5. Non-controlling interests

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

	NCI percentage of ownership interest and voting interest		Carrying amount of NCI		Profit after tax allocated to NCI	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Beijing Aether Property Development Limited	**49%**	49%	**199,716**	202,855	**2,150**	3,641
Keppel Telecommunications & Transportation Ltd	**21%**	20%	**172,434**	163,173	**10,473**	9,750
Other subsidiaries with immaterial NCI			**155,596**	308,663	**(12,112)**	24,456
Total			**527,746**	674,691	**511**	37,847

Summarised financial information before inter-group elimination

	Beijing Aether Property Development Limited		Keppel Telecommunications & Transportation Ltd	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Non-current assets	**934,671**	928,471	**1,264,383**	1,240,751
Current assets	**2,001**	3,405	**272,816**	482,115
Non-current liabilities	**139,547**	136,606	**366,009**	477,548
Current liabilities	**389,542**	381,280	**222,985**	337,291
	407,583	413,990	**948,205**	908,027
Less: NCI	**-**	-	**(113,499)**	(111,363)
Net assets	**407,583**	413,990	**834,706**	796,664
Revenue	**-**	-	**176,988**	194,622
Profit for the year	**4,387**	7,431	**55,917**	113,323
Total comprehensive income	**(36,347)**	(24,320)	**64,203**	97,455
Net cash flow (used in)/from operations	**(8,909)**	(4,625)	**9,736**	48,935
Total comprehensive income allocated to NCI	**(17,810)**	(11,917)	**12,247**	7,085
Dividends paid to NCI	**-**	-	**6,495**	5,357

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

	2017 $'000	2016 $'000
Amounts paid on changes in ownership interest in subsidiaries	**(66,380)**	(8,357)
Non-controlling interest acquired	**43,489**	8,176
Total amount recognised in equity reserves	**(22,891)**	(181)

Notes to the Financial Statements

6. Fixed assets

	Freehold Land & Buildings $'000	Leasehold Land & Buildings $'000	Vessels & Floating Docks $'000	Plant, Machinery, Equipment & Others (1) $'000	Capital Work-in-Progress $'000	Total $'000
Group						
2017						
Cost						
At 1 January	121,640	2,150,487	516,442	2,075,836	311,979	5,176,384
Additions	173	9,775	1,334	51,108	149,079	211,469
Disposals	(606)	(22,319)	(45,837)	(57,415)	-	(126,177)
Write-off	-	-	-	(12,305)	(10)	(12,315)
Subsidiaries disposed	(4)	(49,646)	(172,064)	(55,406)	(16,320)	(293,440)
Reclassification						
- Stocks and other assets	-	(775)	(46)	82	(1,370)	(2,109)
- Investment properties (Note 7)	-	-	-	(1,376)	-	(1,376)
- Other fixed assets categories	1,356	7,636	2,211	60,273	(71,476)	-
Exchange differences	(6,848)	(26,563)	(9,358)	(45,310)	(3,381)	(91,460)
At 31 December	115,711	2,068,595	292,682	2,015,487	368,501	4,860,976
Accumulated Depreciation & Impairment Losses						
At 1 January	59,736	850,850	255,130	1,304,783	60,429	2,530,928
Depreciation charge	3,776	56,206	20,318	127,073	-	207,373
Disposals	(526)	(16,752)	(40,756)	(47,304)	-	(105,338)
Impairment loss	-	9,242	10	6,002	49	15,303
Write-off	-	26	-	(12,114)	-	(12,088)
Subsidiaries disposed	(4)	(24,745)	(91,352)	(47,803)	-	(163,904)
Reclassification						
- Stocks and other assets	-	(1,791)	-	(152)	-	(1,943)
- Other fixed assets categories	690	(690)	(4)	4	-	-
Exchange differences	(3,595)	(7,102)	(3,946)	(26,984)	(691)	(42,318)
At 31 December	60,077	865,244	139,400	1,303,505	59,787	2,428,013
Net Book Value	55,634	1,203,351	153,282	711,982	308,714	2,432,963

Included in freehold land & buildings are freehold land amounting to $8,726,000 (2016: $8,758,000).

Certain fixed assets with carrying amount of $155,748,000 (2016: $273,363,000) are mortgaged to banks for loan facilities (Note 20).

Interest capitalised during the financial year amounted to $1,460,000 (2016: $4,956,000).

The Group has $983,000,000 of fixed assets as at 31 December 2017 where management performed an impairment review.

The Group recognised impairment losses amounting to $3,102,000 (2016: $148,043,000) relating to the Offshore & Marine Division's assets. Each rigbuilding, shipbuilding and repair facilities has been identified as individual cash generating units ("CGUs"). The recoverable amounts of these CGUs were determined using value-in-use models that incorporated cash flow projections based on financial forecasts approved by management. Management had determined the forecasted cash flows based on past performance and its current expectations of market development. These cash flows were discounted at discount rates ranging from 6% to 13% (2016: 6% to 14%) per annum, depending on the location of the facilities.

The Group recognised impairment losses amounting to $3,700,000 (2016: $35,672,000) relating to the Infrastructure Division's assets in China. The group estimated the recoverable amount of the relevant assets on the basis of their value in use. The discount rate used in measuring the value in use was 9.0% (2016: 9.3%). In 2016, the impairment losses recognised included $26,972,000 relating to certain land and buildings. Sustained losses as a result of weaker economic outlook had adversely affected the fair values and expected returns on these assets. The recoverable amounts of these fixed assets are assessed based on fair value less costs to sell using direct comparison method based on certain estimates and assumptions, such as price of comparable land plots ranging from $33 to $175 per square metre, gross development value and total development cost. The fair value is within Level 3 of the fair value hierarchy.

The Group also recognised an impairment loss of $8,501,000 (2016: $nil) relating to the Property Division's assets in China, which was based on the difference between the recoverable amount and the net book value of the fixed assets. The recoverable amount of the fixed assets was based on fair value determined using the income approach.

	Freehold Land & Buildings $'000	Leasehold Land & Buildings $'000	Vessels & Floating Docks $'000	Plant, Machinery, Equipment & Others [(1)] $'000	Capital Work-in-Progress $'000	Total $'000
Group						
2016						
Cost						
At 1 January	122,438	2,108,739	466,254	1,959,971	464,747	5,122,149
Additions	478	25,251	3,206	26,388	153,038	208,361
Disposals	(1,057)	(3,771)	(22,685)	(21,810)	(220)	(49,543)
Write-off	-	(5,229)	(2,679)	(14,153)	(1,193)	(23,254)
Subsidiaries acquired	-	-	-	14,439	-	14,439
Subsidiaries disposed	-	(22,056)	-	(7,096)	(20)	(29,172)
Reclassification						
- Stocks and other assets	-	(157)	-	(754)	-	(911)
- Investment properties (Note 7)	-	(77,661)	-	-	-	(77,661)
- Other fixed assets categories	702	149,951	68,196	105,016	(323,865)	-
Exchange differences	(921)	(24,580)	4,150	13,835	19,492	11,976
At 31 December	121,640	2,150,487	516,442	2,075,836	311,979	5,176,384
Accumulated Depreciation & Impairment Losses						
At 1 January	55,515	847,556	207,121	1,166,410	-	2,276,602
Depreciation charge	4,755	55,229	25,784	144,319	-	230,087
Disposals	-	(707)	(14,577)	(20,331)	-	(35,615)
Write-back of impairment loss	-	(54,886)	-	(14,539)	-	(69,425)
Impairment loss	-	46,955	37,153	39,503	60,104	183,715
Write-off	-	(552)	(2,679)	(12,379)	-	(15,610)
Subsidiaries disposed	-	(4,362)	-	(6,298)	-	(10,660)
Reclassification						
- Stocks and other assets	-	(82)	-	429	-	347
- Investment properties (Note 7)	-	(27,621)	-	-	-	(27,621)
- Other fixed assets categories	-	(291)	-	291	-	-
Exchange differences	(534)	(10,389)	2,328	7,378	325	(892)
At 31 December	59,736	850,850	255,130	1,304,783	60,429	2,530,928
Net Book Value	61,904	1,299,637	261,312	771,053	251,550	2,645,456

(1) Others comprise furniture, fittings and office equipment, cranes and small equipment and tools.

Notes to the Financial Statements

6. Fixed assets (continued)

	Freehold Land & Buildings $'000	Plant, Machinery, Equipment & Others [2] $'000	Total $'000
Company			
2017			
Cost			
At 1 January	1,233	8,570	9,803
Additions	-	177	177
Disposals	-	(54)	(54)
At 31 December	1,233	8,693	9,926
Accumulated Depreciation			
At 1 January	1,220	7,731	8,951
Depreciation charge	11	722	733
Disposals	-	(54)	(54)
At 31 December	1,231	8,399	9,630
Net Book Value	2	294	296
2016			
Cost			
At 1 January	1,233	8,490	9,723
Additions	-	443	443
Disposals	-	(363)	(363)
At 31 December	1,233	8,570	9,803
Accumulated Depreciation			
At 1 January	1,141	7,301	8,442
Depreciation charge	79	793	872
Disposals	-	(363)	(363)
At 31 December	1,220	7,731	8,951
Net Book Value	13	839	852

[2] Others comprise furniture, fittings and office equipment.

7. Investment properties

	Group 2017 $'000	Group 2016 $'000
At 1 January	3,550,290	3,272,112
Development expenditure	181,522	257,865
Fair value gain		
- Attributable to the Group (Note 24)	177,939	63,745
- Attributable to third parties under a contractual agreement	4,814	6,673
Subsidiary disposed	(405,604)	(74,062)
Reclassification		
- Stocks and work-in-progress	-	89,131
- Fixed assets (Note 6)	1,376	50,040
Exchange differences	(49,729)	(115,214)
At 31 December	3,460,608	3,550,290

The Group's investment properties (including integral plant and machinery) are stated at Management's assessments based on the following valuations (open market value basis), performed on an annual basis, by independent firms of professional valuers as at 31 December 2017:

- Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Savills Valuation and Professional Services (S) Pte Ltd for properties in Singapore;
- Colliers International (Hong Kong) Limited for properties in China;
- Savills Vietnam Co. Ltd for a property in Vietnam;
- CBRE Limited for a property in the Netherlands;
- Knight Frank LLP for a property in the United Kingdom; and
- KJPP Willson dan Rekan (an affiliate of Knight Frank) for properties in Indonesia.

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

Interest capitalised during the financial year amounted to $6,777,000 (2016: $12,143,000).

The Group has mortgaged certain investment properties of up to an aggregate amount of $552,684,000 (2016: $517,726,000) to banks for loan facilities (Note 20).

During the year, the Group reclassified $1,376,000 from fixed assets (2016: $89,131,000 from property held for sale and $50,040,000 from fixed assets) to investment properties as there is a change in use of the properties arising from the commencement of operating leases to another party.

8. Subsidiaries

	Company 2017 $'000	Company 2016 $'000
Quoted shares, at cost		
Market value: $701,714,000 (2016: $766,654,000)	398,140	398,140
Unquoted shares, at cost	7,821,594	7,919,131
	8,219,734	8,317,271
Provision for impairment	(246,885)	(163,070)
	7,972,849	8,154,201

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

	Company 2017 $'000	Company 2016 $'000
At 1 January	163,070	31,070
Charge to profit and loss account	83,815	132,000
At 31 December	246,885	163,070

Impairment of $83,815,000 (2016: $132,000,000) made during the year mainly relates to an investment holding subsidiary that holds equity investments in the Oil & Gas segment. Due to the economic downturn in that segment, recoverable amount of the equity investments, based on a value-in-use ("VIU") calculation, was projected to be below the Company's cost of investment. Cash flows in the VIU calculation was discounted at 10% per annum.

Information relating to significant subsidiaries consolidated in the financial statements is given in Note 36.

Notes to the Financial Statements

9. Associated companies

	Group 2017 $'000	Group 2016 $'000
Quoted shares, at cost Market value: $3,525,749,000 (2016: $2,978,817,000)	**3,105,919**	3,080,800
Unquoted shares, at cost	**1,784,809**	1,640,502
	4,890,728	4,721,302
Provision for impairment	**(100,297)**	(150,845)
	4,790,431	4,570,457
Share of reserves	**514,057**	499,621
Carrying amount of equity interest	**5,304,488**	5,070,078
Notes issued by associated companies	**310,242**	245,000
Advances to associated companies	**286,522**	97,503
	5,901,252	5,412,581

Notes issued by associated companies are unsecured and mature between 2024 and 2040. Interest is charged at rates ranging from 0% to 17.5% (2016: 17.5%) per annum.

Advances to associated companies are unsecured and are not repayable with the next 12 months. Interest is charged at rates ranging from 3.0% to 7.0% (2016: 6.0%) per annum on interest-bearing advances.

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

	Group 2017 $'000	Group 2016 $'000
At 1 January	**150,845**	83,871
(Write-back of impairment loss)/impairment loss	**(39,192)**	66,504
Disposal	**(9,873)**	-
Exchange differences	**(1,483)**	470
At 31 December	**100,297**	150,845

Write-back of impairment losses during the year mainly relates to the excess of recoverable amount of an associated company over the carrying amount of the investment which includes share of losses recognised by the Group in 2017.

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

	Group 2017 $'000	Group 2016 $'000
The Group's share of net profit of associated companies is as follows:		
Share of profit before tax	**390,039**	344,986
Share of taxation (Note 26)	**(95,990)**	(72,361)
Share of net profit	**294,049**	272,625

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

	2017 $'000	2016 $'000
Keppel REIT	**1,850,409**	1,844,738
Keppel Infrastructure Trust	**267,169**	284,320
KrisEnergy Limited	**321,562**	347,397
Keppel DC REIT	**396,152**	392,834
Other associated companies	**3,065,960**	2,543,292
	5,901,252	5,412,581

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

	Keppel REIT		Keppel Infrastructure Trust	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Current assets	**208,307**	290,193	**488,154**	516,723
Non-current assets	**7,395,981**	7,245,132	**3,468,262**	3,601,919
Total assets	**7,604,288**	7,535,325	**3,956,416**	4,118,642
Current liabilities	**492,865**	59,869	**919,010**	937,324
Non-current liabilities	**2,196,165**	2,576,898	**1,725,512**	1,727,348
Total liabilities	**2,689,030**	2,636,767	**2,644,522**	2,664,672
Net assets	**4,915,258**	4,898,558	**1,311,894**	1,453,970
Less: Non-controlling interests	**(151,834)**	(151,841)	**(158,959)**	(198,580)
	4,763,424	4,746,717	**1,152,935**	1,255,390
Proportion of the Group's ownership	**45%**	45%	**18%**	18%
Group's share of net assets	**2,146,723**	2,128,798	**209,949**	228,607
Other adjustments	**(296,314)**	(284,060)	**57,220**	55,713
Carrying amount of equity interest	**1,850,409**	1,844,738	**267,169**	284,320
Revenue	**164,516**	161,252	**632,476**	581,117
Profit after tax	**180,154**	257,787	**13,776**	6,121
Other comprehensive (loss)/income	**(49,789)**	9,217	**(10,051)**	(6,695)
Total comprehensive income/(loss)	**130,365**	267,004	**3,725**	(574)
Fair value of ownership interest (if listed) **	**1,914,043**	1,505,741	**403,858**	333,622
Dividends received	**80,011**	90,922	**26,126**	26,128

	KrisEnergy Limited *		Keppel DC REIT	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Current assets	**191,987**	183,440	**178,078**	338,312
Non-current assets	**869,374**	1,236,024	**1,585,204**	1,244,687
Total assets	**1,061,361**	1,419,464	**1,763,282**	1,582,999
Current liabilities	**74,604**	273,951	**53,224**	35,144
Non-current liabilities	**653,172**	546,346	**593,556**	473,987
Total liabilities	**727,776**	820,297	**646,780**	509,131
Net assets	**333,585**	599,167	**1,116,502**	1,073,868
Less: Non-controlling interests	**-**	-	**(26,786)**	(343)
	333,585	599,167	**1,089,716**	1,073,525
Proportion of the Group's ownership	**40%**	40%	**35%**	35%
Group's share of net assets	**133,067**	239,607	**380,617**	375,841
Other adjustments	**123,253**	107,790	**15,535**	16,993
Carrying amount of equity interest	**256,320**	347,397	**396,152**	392,834
Revenue	**196,612**	182,474	**139,050**	99,139
(Loss)/profit after tax	**(293,277)**	(262,322)	**70,274**	50,943
Other comprehensive income/(loss)	**32**	300	**21,044**	(7,656)
Total comprehensive (loss)/income	**(293,245)**	(262,022)	**91,318**	43,287
Fair value of ownership interest (if listed) **	**60,425**	110,679	**562,990**	466,534
Dividends received	**-**	-	**20,958**	17,595

* As at the date of approval of these financial statements, the most recent available financial information on which equity accounting for the current year can be practically applied are those financial information from October of the preceding year to September of the current year. The difference in reporting period has no material impact on the Group's consolidated financial statements. The Group also holds notes amounting to $65,242,000 issued by KrisEnergy Limited in 2017.

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

Notes to the Financial Statements

9. Associated companies (continued)

For the investment in KrisEnergy Limited ("KrisEnergy"), management performed an assessment on the recoverable amount using a discounted cash flow model based on a cash flow projection from 2018 to 2036 applying certain estimates and assumptions, such as oil prices, discount rates, production volume, lifting costs, reserves and operating costs. The assumption for oil prices, ranging from US$52 to US$70 per barrel for 2018 to 2036 (2016: US$59 to US$76 per barrel for 2017 to 2032), is determined by taking reference from external information sources. The discount rate used is 10% (2016: 10%). The Group has recognised a write-back of impairment of $46,000,000 (2016: impairment charge of $46,000,000) during the financial year. The write-back was primarily due to equity accounting for the Group's share of loss in 2017 amounting to $118,995,000. This share of loss recognised by the Group in 2017 included impairment loss recorded by KrisEnergy on its exploration assets which the Group had taken into consideration when performing the impairment review in 2016. The estimates and assumptions used are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the investment in KrisEnergy. If the estimated oil prices applied to the discounted cash flows had been 10% (2016: 10%) lower than management's estimates, the Group would have recognised a write-back of impairment amounting to $22,000,000 (2016: further impairment charge of $40,000,000).

In addition, the Group carried out a review of the recoverable amount of an associated company held by its Offshore & Marine Division, in consideration of the fact that the fair value of the investment is significantly below its carrying amount as at the balance sheet date. The recoverable amount of the associated company was determined based on a value-in-use calculation where cash flow projections were based on financial forecasts by management. Management had determined the forecasted cash flows based on past performance and their current expectations of market development. Cash inflows were based on revenue projections from existing order books with an estimate of the terminal growth rate of 2.2% (2016: 2.0%) and a discount rate of 7.9% (2016: 7.6%) per annum on the cash flows. An impairment charge of $8,000,000 (2016: $21,640,000) was recognised in the profit and loss account within other operating expense as a result of the above review.

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

	2017 $'000	2016 $'000
Share of profit before tax	**381,642**	287,995
Share of taxation	**(78,505)**	(50,309)
Share of other comprehensive loss	**(65,443)**	(62,221)
Share of total comprehensive income	**237,694**	175,465

Information relating to significant associated companies, including information on principal activities, country of operation/incorporation and proportion of ownership interest, and whose results are included in the financial statements is given in Note 36.

10. Investments

	Group		**Company**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Available-for-sale investments:				
Carried at fair value				
- Quoted equity shares	**8,854**	12,878	**-**	-
- Unquoted equity shares	**53,419**	47,736	**15,012**	14,340
- Unquoted property funds	**185,187**	174,154	**-**	-
- Unquoted - others	**-**	11,788	**-**	-
Total – Carried at fair value	**247,460**	246,556	**15,012**	14,340
Carried at cost				
- Unquoted equity shares	**102,183**	116,446	**-**	-
- Unquoted - others	**3,285**	5,729	**-**	-
Total – Carried at cost	**105,468**	122,175	**-**	-
Total available-for-sale investments	**352,928**	368,731	**15,012**	14,340
Investments at fair value through profit or loss:				
- Quoted warrants	**31,647**	-	**-**	-
- Unquoted equity shares	**74,063**	8,973	**-**	-
Total investments at fair value through profit or loss	**105,710**	8,973	**-**	-
Total investments	**458,638**	377,704	**15,012**	14,340

Unquoted investments included a bond amounting to $39,256,000 (2016: $41,700,000) bearing interest at 4% (2016: 4%) per annum which is maturing in 2027. In prior year, an impairment loss of $35,971,000 was recorded based on cash flow projections using financial forecasts approved by the management.

During the financial year, the Group recognised an impairment loss of $14,330,000 (2016: $17,496,000) for certain unquoted equity securities in which the Group does not expect to recover its cost of investment.

11. Long term assets

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Staff loans	**933**	1,395	**386**	504
Derivative assets	**26,780**	125,508	**14,101**	97,199
Call option	**137,200**	120,600	**-**	-
Long term receivables and others	**651,597**	569,334	**-**	-
	816,510	816,837	**14,487**	97,703
Less: Amounts due within one year and included in debtors (Note 15)	**(42,194)**	(2,399)	**(141)**	(146)
	774,316	814,438	**14,346**	97,557

Included in staff loans are interest-free advances to directors of related corporations amounting to $179,000 (2016: $221,000) under an approved car loan scheme.

The call option granted to the Group is in connection with the disposal of its 87.51% equity interest in Ocean Properties Pte. Ltd. that was held by a subsidiary to an associated company in 2011. As at 31 December 2017, the fair value was determined by reference to the difference in valuations obtained from an independent professional valuer for the underlying investment property based on the remaining 844-year leasehold and 93-year leasehold (2016: based on the remaining 845-year leasehold and 94-year leasehold). The details of the valuation techniques and inputs used for the call option are disclosed in Note 32.

Long term receivables are unsecured, largely repayable after five years (2016: five years) and bears effective interest ranging from 2.00% to 6.00% (2016: 2.00% to 11.00%) per annum.

The carrying amounts of the long term receivables of the Group approximate their fair values.

Included in the long term receivables is an interest-bearing US$ loan amounting to $279,004,000 (2016: $285,167,000) which is repayable on 2025 by an associated company. The loan is secured and cross-secured over several vessels together with other borrowings of the associated company. Upon initial recognition in 2016, this loan was recorded at its fair value which was determined using the future cash flows of the instrument discounted at a market borrowing rate of 3.64%. In the prior year, a loss of $42,656,000, representing the difference between the fair value and principal of the loan on initial recognition, was recognised in the profit and loss account and presented within interest expense.

12. Intangibles

	Goodwill $'000	Development Expenditure $'000	Management Rights $'000	Customer Contracts $'000	Customer Relationships $'000	Total $'000
Group						
2017						
At 1 January	**59,270**	**20,779**	**16,757**	**14,694**	**29,169**	**140,669**
Additions	**-**	**731**	**-**	**-**	**-**	**731**
Amortisation	**-**	**(1,646)**	**-**	**(1,467)**	**(1,894)**	**(5,007)**
Reversal	**-**	**-**	**-**	**-**	**(1,195)**	**(1,195)**
Exchange differences	**-**	**(791)**	**-**	**-**	**(1,813)**	**(2,604)**
At 31 December	**59,270**	**19,073**	**16,757**	**13,227**	**24,267**	**132,594**
Cost	**59,270**	**38,122**	**16,757**	**24,963**	**27,775**	**166,887**
Accumulated amortisation	**-**	**(19,049)**	**-**	**(11,736)**	**(3,508)**	**(34,293)**
	59,270	**19,073**	**16,757**	**13,227**	**24,267**	**132,594**
2016						
At 1 January	59,270	7,145	16,757	16,653	-	99,825
Additions	-	838	-	-	1,563	2,401
Amortisation	-	(3,232)	-	(1,464)	(1,692)	(6,388)
Subsidiary acquired	-	15,533	-	-	29,298	44,831
Reclassification						
- Other intangible assets categories	-	495	-	(495)	-	-
At 31 December	59,270	20,779	16,757	14,694	29,169	140,669
Cost	59,270	38,274	16,757	24,963	30,937	170,201
Accumulated amortisation	-	(17,495)	-	(10,269)	(1,768)	(29,532)
	59,270	20,779	16,757	14,694	29,169	140,669

Notes to the Financial Statements

12. Intangibles (continued)

For the purpose of impairment testing, goodwill is allocated to CGUs.

Out of the total goodwill of $59,270,000, goodwill allocated to a CGU in the Infrastructure Division amounted to $57,178,000 (2016: $57,178,000). The recoverable amount of the CGU at the balance sheet date is based on current bid prices of the quoted shares of the CGU.

The recoverable amount of management rights is determined based on cash flow projections from the provision of asset management services using a pre-tax discount rate of 5.0% (2016: 6.5%). The key assumptions are those regarding the discount rate and expected changes to assets under management and net property income of these assets.

13. Stocks & work-in-progress

		Group	
		2017 $'000	2016 $'000
Work-in-progress:			
- Construction contracts		**2,772,373**	3,316,559
- Stocks		**754,704**	727,092
	(a)	**3,527,077**	4,043,651
Consumable materials and supplies		**115,135**	125,727
Finished products for sale		**78,225**	85,889
Properties held for sale	(c)	**5,061,814**	5,770,538
		8,782,251	10,025,805
Construction contracts			
- Billings on work-in-progress in excess of related costs	(b)	**(1,764,874)**	(1,669,466)

(a) Work-in-progress

	Group	
	2017 $'000	2016 $'000
Costs incurred and attributable profits (less foreseeable losses)	**13,373,971**	14,529,093
Provision for loss on work-in-progress (stocks)	**(53,118)**	(59,839)
	13,320,853	14,469,254
Less: Progress billings	**(9,793,776)**	(10,425,603)
	3,527,077	4,043,651

Included in the balance above is an amount of $1,127,566,000 (2016: $868,535,000) relating to certain rig building contracts where the scheduled delivery dates of the rigs had been deferred and the revised delivery dates are more than twelve months from 31 December 2017.

Movements in the provision for loss on work-in-progress (stocks) are as follows:

	Group	
	2017 $'000	2016 $'000
At 1 January	**59,839**	4,498
(Credit)/charge to profit and loss account	**(2,264)**	54,106
Exchange differences	**(320)**	(29)
Amount written off	**(4,137)**	(361)
Reclassification	**-**	1,625
At 31 December	**53,118**	59,839

During the financial year ended 31 December 2017, there was a write-back of $2,264,000 (2016: write-down of $54,106,000) on work-in-progress (stocks).

(b) Billings on work-in-progress in excess of related costs

	Group	
	2017 $'000	2016 $'000
Costs incurred and attributable profits	**13,780,023**	15,425,636
Less: Progress billings	**(15,544,897)**	(17,095,102)
	(1,764,874)	(1,669,466)

During the financial year ended 31 December 2017, an expected loss of $81,000,000 (2016: $nil) was recognised in the billings on work-in-progress in excess of related costs with regards to certain rigbuilding contracts.

(c) Properties held for sale

	Group 2017 $'000	2016 $'000
Properties under development		
Land cost	**2,848,223**	3,039,080
Development cost incurred to date	**1,006,820**	842,811
Related overhead expenditure and recognised profits	**323,043**	282,593
Progress billings	**(362,922)**	(189,417)
	3,815,164	3,975,067
Completed properties held for sale	**1,284,426**	1,867,887
	5,099,590	5,842,954
Provision for properties held for sale	**(37,776)**	(72,416)
	5,061,814	5,770,538
Movements in the provision for properties held for sale are as follows:		
At 1 January	**72,416**	83,959
Charge to profit and loss account	**-**	19,008
Exchange differences	**(383)**	(400)
Amount written off	**(28,866)**	(15,155)
Subsidiary disposed	**(5,391)**	(14,996)
At 31 December	**37,776**	72,416

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

The following table provides information about agreements that are in progress at the reporting date whose revenue are recognised on a percentage of completion basis:

	Group 2017 $'000	2016 $'000
Aggregate amount of costs incurred and recognised profit (less recognised losses) to date	**1,426,286**	1,414,377
Less: Progress billings	**(362,922)**	(189,417)
At 31 December	**1,063,364**	1,224,960

Interest capitalised during the financial year amounted to $44,187,000 (2016: $54,982,000) at rates ranging from 1.60% to 3.36% (2016: 0.93% to 3.91%) per annum for Singapore properties and 0.05% to 15.00% (2016: 0.05% to 15.00%) per annum for overseas properties.

Certain properties held for sale with carrying amount of $1,186,296,000 (2016: $2,019,439,000) are mortgaged to banks for loan facilities (Note 20).

Notes to the Financial Statements

14. Amounts due from/to

	Company 2017 $'000	Company 2016 $'000
Subsidiaries		
Amounts due from		
- trade	**97,984**	86,001
- advances	**3,407,536**	3,902,961
	3,505,520	3,988,962
Provision for doubtful debts	**(6,600)**	(6,600)
	3,498,920	3,982,362
Amounts due to		
- trade	**4,726**	900,632
- advances	**231,677**	162,090
	236,403	1,062,722
Movements in the provision for doubtful debts are as follows:		
At 1 January/31 December	**6,600**	6,600

Advances to and from subsidiaries are unsecured and are repayable on demand. Interest is charged at rates up to 4.00% (2016: up to 4.00%) per annum on interest-bearing advances.

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Associated Companies				
Amounts due from				
- trade	**66,482**	61,117	**733**	688
- advances	**291,735**	373,394	**-**	-
	358,217	434,511	**733**	688
Provision for doubtful debts	**(15,257)**	(1,131)	**-**	-
	342,960	433,380	**733**	688
Amounts due to				
- trade	**34,110**	16,094	**-**	-
- advances	**219,221**	95,449	**-**	-
	253,331	111,543	**-**	-
Movements in the provision for doubtful debts are as follows:				
At 1 January	**1,131**	46	**-**	-
Charge to profit and loss account	**14,126**	1,085	**-**	-
At 31 December	**15,257**	1,131	**-**	-

Advances to and from associated companies are unsecured and are repayable on demand. Interest is charged at rates ranging from 0.25% to 8.00% (2016: 0.13% to 8.90%) per annum on interest-bearing advances.

15. Debtors

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade debtors	2,214,444	2,569,022	7	-
Provision for doubtful debts	(41,027)	(15,723)	-	-
	2,173,417	2,553,299	7	-
Long term receivables due within one year (Note 11)	42,194	2,399	141	146
Sundry debtors	155,568	182,536	3,902	2,173
Prepaid project cost & prepayments	118,565	88,321	112	168
Tax recoverable	15,171	22,693	-	-
Goods & Services Tax receivable	59,040	52,648	-	-
Interest receivable	19,410	12,314	20	32
Deposits paid	25,235	25,104	408	446
Land tender deposits	103,346	-	-	-
Recoverable accounts	125,740	150,507	-	-
Accrued receivables	169,873	141,926	-	-
Purchase consideration receivable from disposal of subsidiaries/associated companies	61,228	-	-	-
Advances to subcontractors	73,455	86,132	-	-
Advances to non-controlling shareholders of subsidiaries	41,081	69,789	-	-
	1,009,906	834,369	4,583	2,965
Provision for doubtful debts	(13,906)	(13,827)	-	-
	996,000	820,542	4,583	2,965
Total	3,169,417	3,373,841	4,590	2,965

Movements in the provision for doubtful debts are as follows:

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
At 1 January	29,550	41,447	-	-
Charge to profit and loss account	34,780	11,435	-	-
Amount written off	(7,361)	(23,504)	-	-
Subsidiary disposed	(1,926)	-	-	-
Exchange differences	(110)	172	-	-
At 31 December	54,933	29,550	-	-

16. Short term investments

	Group 2017 $'000	Group 2016 $'000
Available-for-sale investments:		
Quoted equity shares	55,048	77,264
Unquoted equity funds	-	49,610
Total available-for-sale investments	55,048	126,874
Investments held for trading:		
Quoted equity shares	147,654	147,054
Unquoted equity shares	74	-
Total investments held for trading	147,728	147,054
Total short term investments	202,776	273,928

Notes to the Financial Statements

17. Bank balances, deposits and cash

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Bank balances and cash	**590,248**	437,654	**2,213**	542
Fixed deposits with banks	**1,515,887**	1,436,485	**-**	-
Amounts held under escrow accounts for overseas acquisition of land, payment of construction cost and liabilities	**32,340**	68,306	**-**	-
Amounts held under project accounts, withdrawals from which are restricted to payments for expenditures incurred on projects	**135,313**	144,633	**-**	-
	2,273,788	2,087,078	**2,213**	542

Fixed deposits with banks of the Group mature on varying periods, substantially between 1 day to 12 months (2016: 1 day to 3 months). This comprises Singapore dollar fixed deposits of $121,525,000 (2016: $10,051,000) at interest rates ranging from 0.35% to 1.24% (2016: 0.15% to 0.85%) per annum, and foreign currency fixed deposits of $1,394,362,000 (2016: $1,426,434,000) at interest rates ranging from 0.01% to 13.15% (2016: 0.03% to 14.21%) per annum.

18. Creditors

	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Trade creditors	**579,371**	589,834	**161**	-
Customers' advances and deposits	**89,656**	64,788	**-**	-
Proceeds received from sale of properties	**677,997**	424,376	**-**	-
Sundry creditors	**1,227,417**	1,277,276	**4,070**	3,591
Accrued expenses	**2,401,071**	1,955,100	**39,074**	86,458
Advances from non-controlling shareholders	**177,151**	209,726	**-**	-
Retention monies	**176,850**	194,673	**-**	-
Interest payables	**42,105**	37,719	**25,280**	22,422
	5,371,618	4,753,492	**68,585**	112,471
Other non-current liabilities:				
Accrued expenses	**204,121**	112,885	**49,275**	54,409
Derivative liabilities	**82,494**	68,214	**60,521**	66,632
	286,615	181,099	**109,796**	121,041

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

Advances from non-controlling shareholders of certain subsidiaries are unsecured and are repayable on demand. Interest is charged at rates ranging from 2.00% to 4.35% (2016: 2.03% to 4.31%) per annum on interest-bearing advances.

During the financial year, a wholly-owned subsidiary, Keppel Land China Limited ("KLCL"), entered into a Sale & Purchase Agreement to divest its interest in a wholly-owned subsidiary, Keppel China Marina Holdings Pte Ltd ("KCMH"), which indirectly owns a 80% interest in Sunsea Yacht Club (Zhongshan) Company Limited ("SYCZS") ("Divestment"). KLCL has received an advanced payment of $174,538,000 and the amount was included in sundry creditors as at 31 December 2017. Both KLCL and KCMH had, on 20 November 2017, been served as co-defendants a writ of summons filed by Sunsea Yacht Club (Hong Kong) Company Limited ("SYCHK"), which indirectly owns the remaining 20% interest in SYCZS, in the High Court of Singapore ("the Suit"). The reliefs claimed by SYCHK in the Suit are essentially to, amongst others, restrain both KLCL and KCMH from completing the Divestment. The Interim Injunction application was dismissed by the High Court on 15 December 2017. However, when SYCHK informed the High Court of its intention to apply to the Court of Appeal for permission to appeal the Dismissal of Application ("Application to CA"), the High Court on 22 December 2017 imposed an order restraining KLCL from completing the Divestment until the Application to CA is disposed of by the Court of Appeal.

In December 2017, a wholly-owned subsidiary, Keppel Offshore & Marine Limited ("KOM"), reached a global resolution with the criminal authorities in the United States, Brazil and Singapore in relation to corrupt payments made by KOM's former agent in Brazil, which were made with knowledge or approval of former KOM executives. As part of the global resolution, KOM will pay fines in an aggregate amount of US$422,216,980, or equivalent to approximately S$570 million, to be allocated between the three jurisdictions. The amount was included in accrued expenses as at 31 December 2017.

As part of the global resolution, KOM has accepted a Conditional Warning from the Corrupt Practices Investigation Bureau ("CPIB") in Singapore, and entered into a Deferred Prosecution Agreement ("DPA") with the U.S. Department of Justice ("DOJ"), while Keppel FELS Brasil S.A., a wholly-owned subsidiary of KOM, has entered into a Leniency Agreement with the Public Prosecutor's Office in Brazil, the Ministério Público Federal ("MPF"). The Leniency Agreement would become effective following the approval of the Fifth Chamber for Coordination and Review of the MPF. In addition, Keppel Offshore & Marine USA, Inc. ("KOM USA"), also a wholly-owned subsidiary of KOM, has pleaded guilty to one count of conspiracy to violate the U.S. Foreign Corrupt Practices Act and has entered into a Plea Agreement with the DOJ. KOM USA will pay a penalty, which will be subtracted from the amount owed by KOM to the United States government under the DPA.

Pursuant to the DPA, KOM has paid a monetary penalty of US$105,554,245, of which US$4,725,000 has been paid as a criminal fine by KOM USA, to the United States Treasury within ten business days of 22 December 2017 (the date of entry of the judgment of KOM USA's sentence by the United States District Court for the Eastern District of New York). In addition, KOM will pay US$211,108,490 to the MPF within 90 days of the payment instructions provided by the MPF and after the approval of the Fifth Chamber for Coordination and Review of the MPF. Under the Conditional Warning issued by CPIB, KOM has committed to certain undertakings and will pay US$52,777,122.50 to the Singapore authorities within 90 days from the date of the Conditional Warning dated 23 December 2017 (i.e. being 23 March 2018) and a further US$52,777,122.50 within three years from the date of the Conditional Warning (less any penalties paid by KOM to specified Brazilian authorities during this period).

Based on the information available as at the date of these financial statements, management is of the opinion that no material claim has arisen that would result in additional provision in relation to these corrupt payments.

19. Provisions

	Warranties $'000
Group	
2017	
At 1 January	**81,679**
Charge to profit and loss account	**39,280**
Amount utilised	**(4,205)**
Subsidiary disposed	**(397)**
Exchange differences	**(385)**
At 31 December	**115,972**
2016	
At 1 January	90,216
Write-back to profit and loss account	(1,450)
Amount utilised	(7,153)
Exchange differences	66
At 31 December	81,679

20. Term loans

		2017		2016	
		Due within one year $'000	**Due after one year $'000**	Due within one year $'000	Due after one year $'000
Group					
Keppel Corporation Medium Term Notes	(a)	**-**	**1,700,000**	-	1,700,000
Keppel Land Medium Term Notes	(b)	**-**	**916,027**	99,964	786,873
Keppel Telecommunications & Transportation Medium Term Notes	(c)	**-**	**100,000**	-	120,000
Keppel GMTN Floating Rate Notes	(d)	**-**	**269,800**	-	286,600
Bank and other loans					
- secured	(e)	**150,591**	**580,825**	391,046	744,449
- unsecured	(f)	**1,563,493**	**2,512,267**	1,344,311	3,579,799
		1,714,084	**6,078,919**	1,835,321	7,217,721
Company					
Keppel Corporation Medium Term Notes	(a)	**-**	**1,700,000**	-	1,700,000
Unsecured bank loans	(f)	**551,530**	**1,239,800**	692,311	1,625,600
		551,530	**2,939,800**	692,311	3,325,600

Notes to the Financial Statements

20. Term loans (continued)

(a) At the end of the financial year, notes issued under the US$3,000,000,000 Multi-Currency Medium Term Note Programme by the Company amounted to $1,700,000,000 (2016: $1,700,000,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2020 to 2042 (2016: from 2020 to 2042) with interest rates ranging from 3.10% to 4.00% (2016: 3.10% to 4.00%) per annum.

(b) At the end of the financial year, notes issued under the US$3,000,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited and its wholly-owned subsidiary, Keppel Land Financial Services Pte. Ltd. amounted to $486,696,000 (2016: $357,691,000), of which $149,818,000 (2016: $nil) are denominated in Singapore dollar and $336,878,000 (2016: $357,691,000) are denominated in foreign currency. The fixed rate notes are unsecured and are due from 2019 to 2023 (2016: from 2020 to 2042), with interest rates of 2.84% per annum for fixed rate notes denominated in Singapore dollar and 3.26% (2016: 3.26%) per annum for fixed rate notes denominated in foreign currency.

At the end of the financial year, notes issued under the US$800,000,000 Multi-Currency Medium Term Note Programme by Keppel Land Limited amounted to $429,331,000 (2016: $529,146,000). The notes denominated in Singapore Dollars, are unsecured and comprised fixed rate notes due from 2020 to 2024 (2016: 2017 to 2024) with interest rates ranging from 2.83% to 3.90% (2016: 2.83% to 3.90%) per annum.

(c) At the end of the financial year, notes issued under the S$500,000,000 Multi-Currency Medium Term Note Programme by Keppel Telecommunications & Transportation Ltd, amounted to $100,000,000 (2016: $120,000,000). The fixed rates notes, due in 2024, are unsecured and carried an interest rate of 2.85% per annum from September 2017 to September 2022 and 3.85% per annum from September 2022 to September 2024 (2016: 2.63% per annum from August 2012 to August 2017 and 3.83% per annum from August 2017 to August 2019).

(d) At the end of the financial year, US$200,000,000 notes issued under the US$2,000,000,000 Euro Medium Term Note Programme by Keppel GMTN Pte Ltd amounted to $269,800,000 (2016: $286,600,000). The floating rate notes due in 2020 are unsecured and bear interest rate payable quarterly at 3-month US Dollar London Interbank Offered Rate plus 0.89% per annum and ranging from 1.75% to 2.24% (2016: 1.21% to 1.75%) per annum.

(e) The secured bank loans consist of:

- A term loan of $256,498,000 (2016: $351,557,000) drawn down by a subsidiary. The term loan is repayable in 2019 and is secured on certain assets of the subsidiary. Interest is based on money market rates ranging from 1.35% to 1.94% (2016: 0.93% to 2.30%) per annum.

- Other secured bank loans comprised $474,918,000 (2016: $504,943,000) of foreign currency loans. They are repayable between one to sixteen (2016: one to seventeen) years and are secured on investment property and certain fixed and other assets of the subsidiaries. Interest on foreign currency loans is based on money market rates ranging from 1.49% to 7.23% (2016: 1.60% to 10.89%) per annum.

During the previous financial year,

- A term loan of $175,874,000 was drawn down by a subsidiary. The term loan was repaid in 2017 and was previously secured on certain assets of the subsidiary. Interest was based on money market rates ranging from 1.28% to 2.68% per annum.

- A term loan of $53,121,000 was drawn down by a subsidiary. The term loan was repaid in 2017 and was previously secured on certain assets of the subsidiary. Interest was based on money market rates ranging from 1.21% to 2.94% per annum.

- A term loan of $50,000,000 was drawn down by a subsidiary. The term loan was repaid in 2017 and was previously secured on certain assets of the subsidiary. Interest was fixed at 2.62% per annum.

(f) The unsecured bank and other loans of the Group totalling $4,075,760,000 (2016: $4,924,110,000) comprised $2,823,820,000 (2016: $3,136,786,000) of loans denominated in Singapore dollar and $1,251,940,000 (2016: $1,787,324,000) of foreign currency loans. They are repayable between one to fourteen (2016: one to fifteen) years. Interest on loans denominated in Singapore dollar is based on money market rates ranging from 1.18% to 3.38% (2016: 0.84% to 3.38%) per annum. Interest on foreign currency loans is based on money market rates ranging from 0.48% to 10.69% (2016: 0.25% to 13.76%) per annum.

The unsecured bank loans of the Company totalling $1,791,330,000 (2016: $2,317,911,000) comprise $1,550,000,000 (2016: $1,707,350,000) of loans denominated in Singapore dollar and $241,330,000 (2016: $610,561,000) of foreign currency loans. They are repayable within one to seven years (2016: one to seven years). Interest on loans denominated in Singapore dollar is based on money market rates ranging from 1.46% to 3.38% (2016: 0.84% to 3.38%) per annum. Interest on foreign currency loans is based on money market rates ranging from 0.50% to 2.10% (2016: 0.41% to 2.30%) per annum.

The Group has mortgaged certain properties and assets of up to an aggregate amount of $1,894,728,000 (2016: $2,810,528,000) to banks for loan facilities.

The fair values of term loans for the Group and Company are $7,864,285,000 (2016: $9,055,975,000) and $3,556,370,000 (2016: $4,024,498,000) respectively. These fair values, under Level 2 of the fair value hierarchy, are computed on the discounted cash flow method using a discount rate based upon the borrowing rate which the Group expect would be available as at the balance sheet date.

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

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Years after year-end:				
After one but within two years	**1,403,471**	1,839,458	**-**	400,000
After two but within five years	**3,174,902**	3,027,749	**1,900,000**	1,000,000
After five years	**1,500,546**	2,350,514	**1,039,800**	1,925,600
	6,078,919	7,217,721	**2,939,800**	3,325,600

21. Deferred taxation

	Group	
	2017 $'000	2016 $'000
Deferred tax liabilities:		
Accelerated tax depreciation	**108,936**	115,424
Investment properties valuation	**184,429**	152,751
Offshore income & others	**90,502**	96,334
	383,867	364,509
Deferred tax assets:		
Provisions	**(32,778)**	(29,711)
Unutilised tax benefits	**(16,415)**	(3,623)
	(49,193)	(33,334)
Net deferred tax liabilities	**334,674**	331,175

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

The Group has unrecognised deferred tax liabilities of $96,255,000 (2016: $86,905,000) for taxes that would be payable on the undistributed earnings of certain subsidiaries as these earnings would not be distributed in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences.

The Group has unutilised tax losses and capital allowances of $886,858,000 (2016: $950,132,000) for which no deferred tax benefit is recognised in the balance sheet. These tax losses and capital allowances can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. Tax losses amounting to $227,747,000 (2016: $322,206,000) can be carried forward for a period of one to five years subsequent to the year of the loss, while the remaining tax losses have no expiry date.

Notes to the Financial Statements

21. Deferred taxation (continued)

Movements in deferred tax liabilities and assets are as follows:

	At 1 January $'000	Charged/ (credited) to profit or loss $'000	Charged/ (credited) to other comprehensive income $'000	Subsidiaries disposed $'000	Subsidiaries acquired $'000	Reclassification $'000	Exchange differences $'000	At 31 December $'000
Group								
2017								
Deferred Tax Liabilities								
Accelerated tax depreciation	115,424	(2,320)	-	(2,753)	-	(1,195)	(220)	108,936
Investment properties valuation	152,751	32,196	-	-	-	-	(518)	184,429
Offshore income & others	96,334	(5,028)	898	(1,441)	-	-	(261)	90,502
Total	364,509	24,848	898	(4,194)	-	(1,195)	(999)	383,867
Deferred Tax Assets								
Other provisions	(29,711)	(3,392)	229	(53)	-	(49)	198	(32,778)
Unutilised tax benefits	(3,623)	(7,402)	-	(6,052)	-	(131)	793	(16,415)
Total	(33,334)	(10,794)	229	(6,105)	-	(180)	991	(49,193)
Net Deferred Tax Liabilities	331,175	14,054	1,127	(10,299)	-	(1,375)	(8)	334,674
2016								
Deferred Tax Liabilities								
Accelerated tax depreciation	123,573	(9,212)	-	-	1,208	-	(145)	115,424
Investment properties valuation	148,684	9,662	-	(4,380)	-	-	(1,215)	152,751
Offshore income & others	137,972	(39,261)	(14)	(853)	-	-	(1,510)	96,334
Total	410,229	(38,811)	(14)	(5,233)	1,208	-	(2,870)	364,509
Deferred Tax Assets								
Other provisions	(26,981)	(2,650)	-	(50)	-	(55)	25	(29,711)
Unutilised tax benefits	(10,075)	6,292	-	-	-	-	160	(3,623)
Total	(37,056)	3,642	-	(50)	-	(55)	185	(33,334)
Net Deferred Tax Liabilities	373,173	(35,169)	(14)	(5,283)	1,208	(55)	(2,685)	331,175

22. Revenue

	Group 2017 $'000	Group 2016 $'000
Revenue from construction contracts	1,771,007	2,705,985
Sale of property		
- Recognised on completion of construction method	885,022	1,064,540
- Recognised on percentage of completion method	748,037	797,071
Sale of goods	49,835	118,808
Rental income from investment properties	54,592	59,718
Revenue from services rendered	2,417,293	2,017,761
Sale of investments	34,953	-
Dividend income from quoted shares	2,760	3,163
Others	274	218
	5,963,773	6,767,264

23. Staff costs

	Group 2017 $'000	Group 2016 $'000
Wages and salaries	821,201	909,671
Employer's contribution to Central Provident Fund	75,609	80,687
Share options and share plans granted to Directors and employees	32,583	39,969
Other staff benefits	97,626	125,055
	1,027,019	1,155,382

24. Operating profit

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

	Group 2017 $'000	Group 2016 $'000
Included in direct costs:		
Fair value (gain)/loss on		
- investments	(9,094)	(4,236)
- forward foreign exchange contracts	3,305	(23,366)
Cost of stocks & properties held for sale recognised as expense	1,165,049	1,376,888
Direct operating expenses		
- investment properties that generated rental income	27,528	20,975
Included in staff costs:		
Key management's emoluments (including executive directors' remuneration)		
- short-term employee benefits	10,783	13,618
- post-employment benefits	124	102
- share options and share plans granted	7,740	6,956
Included in other operating expense/(income):		
Rental expense		
- operating leases	94,090	105,618
Impairment/write-off of fixed assets	15,530	121,934
(Write-back of impairment)/impairment of investments and associated companies	(24,862)	119,971
Provision for stocks and work-in-progress	84,377	74,532
Provision for doubtful debts	34,780	11,435
Fair value gain on investment properties (Note 7)	(177,939)	(63,745)
Fair value (gain)/loss on		
- investments	(406)	15,914
- forward foreign exchange contracts	35,181	(43,236)
Gain on differences in foreign exchange	(5,389)	(26,150)
Profit on sale of fixed assets	(20,142)	(6,170)
(Profit)/loss on sale of investments	(341)	4,123
Gain on disposal of subsidiaries	(165,293)	(11,853)
Gain on disposal of associated companies	(61,848)	-
Adjustment to gain on disposal of data centres	-	(26,963)
Fees and other remuneration to Directors of the Company	2,341	2,139
Contracts for services rendered by Directors or with a company in which a Director has a substantial financial interest	3,926	2,973
Auditors' remuneration		
- auditors of the Company	2,770	2,357
- other auditors of subsidiaries	2,218	2,463
Non-audit fees paid to		
- auditors of the Company	135	54
- other auditors of subsidiaries	129	245

25. Investment income, interest income and interest expenses

	Group 2017 $'000	Group 2016 $'000
Investment income from:		
Shares - quoted outside Singapore	129	103
Shares - unquoted	19,742	15,076
	19,871	15,179
Interest income from:		
Bonds, debentures and deposits	85,306	74,546
Associated companies	52,622	49,547
	137,928	124,093
Interest expenses on notes, loans and overdrafts	(189,223)	(225,760)
Fair value (loss)/gain on interest rate caps and swaps	(4)	1,211
	(189,227)	(224,549)

Notes to the Financial Statements

26. Taxation

(a) Income tax expense

	Group 2017 $'000	Group 2016 $'000
Tax expense comprised:		
Current tax	184,624	243,458
Adjustment for prior year's tax	(6,365)	(39,419)
Share of taxation of associated companies (Note 9)	95,990	72,361
Others	10,085	(8,084)
Deferred tax movement:		
Movements in temporary differences (Note 21)	14,054	(35,169)
	298,388	233,147

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

	Group 2017 $'000	Group 2016 $'000
Profit before tax	515,567	1,054,922
Tax calculated at tax rate of 17% (2016: 17%)	87,646	179,337
Income not subject to tax	(125,393)	(108,737)
Expenses not deductible for tax purposes	319,770	199,795
Utilisation of previously unrecognised tax benefits	(12,637)	(10,860)
Effect of different tax rates in other countries	35,367	13,031
Adjustment for prior year's tax	(6,365)	(39,419)
	298,388	233,147

(b) Movement in current income tax liabilities

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	339,108	352,595	17,263	15,867
Exchange differences	(4,939)	(2,044)	-	-
Tax expense	184,624	243,458	12,400	7,700
Adjustment for prior year's tax	(6,365)	(39,419)	4,400	(6,931)
Net income taxes (paid)/received	(321,729)	(223,020)	(108)	627
Subsidiaries disposed	(2,981)	(97)	-	-
Reclassification				
- tax recoverable and others	6,581	7,635	-	-
At 31 December	194,299	339,108	33,955	17,263

27. Earnings per ordinary share

	Group			
	2017 $'000		2016 $'000	
	Basic	Diluted	Basic	Diluted
Net profit attributable to shareholders	216,668	216,668	783,928	783,928
Adjustment for dilutive potential ordinary shares of subsidiaries and associated companies	-	-	-	(443)
Adjusted net profit	216,668	216,668	783,928	783,485
	Number of Shares '000		Number of Shares '000	
Weighted average number of ordinary shares (excluding treasury shares)	1,816,965	1,816,965	1,814,792	1,814,792
Adjustment for dilutive potential ordinary shares	-	12,737	-	11,566
Weighted average number of ordinary shares used to compute earnings per share (excluding treasury shares)	1,816,965	1,829,702	1,814,792	1,826,358
Earnings per ordinary share	11.9 cts	11.8 cts	43.2 cts	42.9 cts

28. Dividends

A final cash dividend of 14.0 cents per share tax exempt one-tier (2016: final cash dividend of 12.0 cents per share tax exempt one-tier) in respect of the financial year ended 31 December 2017 has been proposed for approval by shareholders at the next Annual General Meeting to be convened.

Together with the interim dividend comprising a cash dividend of 8.0 cents per share tax exempt one-tier (2016: cash dividend of 8.0 cents per share tax exempt one-tier), total distributions paid and proposed in respect of the financial year ended 31 December 2017 will be 22.0 cents per share (2016: 20.0 cents per share).

During the financial year, the following distributions were made:

	$'000
A final cash dividend of 12.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the previous financial year	218,117
An interim cash dividend of 8.0 cents per share tax exempt one-tier on the issued and fully paid ordinary shares in respect of the current financial year	145,414
	363,531

Notes to the Financial Statements

29. Commitments

(a) Capital commitments

	Group 2017 $'000	Group 2016 $'000
Capital expenditure/commitments not provided for in the financial statements:		
In respect of contracts placed:		
- for purchase and construction of investment properties	175,759	261,950
- for purchase of other fixed assets	17,341	46,730
- for purchase/subscription of shares mainly in property development companies	174,311	376,308
- for commitments to private funds	450,247	169,953
- for construction of desalination plant	165,814	-
Amounts approved by Directors in addition to contracts placed:		
- for purchase and construction of investment properties	105,115	108,422
- for purchase of other fixed assets	224,903	313,196
- for purchase/subscription of shares mainly in property development companies	36,509	-
	1,349,999	1,276,559
Less: Non-controlling shareholders' shares	(69,698)	(34,584)
	1,280,301	1,241,975

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

(b) Lessee's lease commitments

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Years after year-end:				
Within one year	89,315	94,214	40	121
From two to five years	300,506	326,154	-	40
After five years	684,204	806,359	-	-
	1,074,025	1,226,727	40	161

(c) Lessor's lease commitments

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Years after year-end:				
Within one year	88,087	104,100	-	-
From two to five years	166,553	212,861	-	-
After five years	61,638	81,721	-	-
	316,278	398,682	-	-

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

30. Contingent liabilities and guarantees (unsecured)

	Group		Company	
	2017 **$'000**	2016 $'000	**2017** **$'000**	2016 $'000
Guarantees in respect of banks and other loans granted to subsidiaries and associated companies	**585,207**	469,263	**1,574,853**	1,715,102
Bank guarantees	**1,677**	5,328	**-**	-
Others	**-**	327	**-**	-
	586,884	474,918	**1,574,853**	1,715,102

The financial effects of FRS 39 relating to financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised.

31. Significant related party transactions

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

	Group	
	2017 **$'000**	2016 $'000
Sales of goods and/or services to		
- associated companies	**168,705**	205,489
- other related parties	**82,884**	103,749
	251,589	309,238
Purchase of goods and/or services from		
- associated companies	**83,761**	79,384
- other related parties	**28,842**	48,057
	112,603	127,441
Treasury transactions with		
- associated companies	**9,093**	10,546

32. Financial risk management

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

Market Risk

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

As at the end of the financial year, the Group has outstanding forward foreign exchange contracts with notional amounts totalling $6,344,009,000 (2016: $7,865,165,000). The net positive fair value of forward foreign exchange contracts is $58,266,000 (2016: net negative fair value of $270,025,000) comprising assets of $105,511,000 (2016: $138,169,000) and liabilities of $47,245,000 (2016: $408,194,000). These amounts are recognised as derivative assets and derivative liabilities.

As at the end of the financial year, the Company has outstanding forward foreign exchange contracts with notional amounts totalling $6,269,592,000 (2016: $7,716,396,000). The net positive fair value of forward foreign exchange contracts is $56,859,000 (2016: net negative fair value of $265,342,000) comprising assets of $104,045,000 (2016: $137,860,000) and liabilities of $47,186,000 (2016: $403,202,000). These amounts are recognised as derivative assets and derivative liabilities.

Notes to the Financial Statements

32. Financial risk management (continued)

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

	2017			2016		
	USD $'000	**RMB $'000**	**Others $'000**	USD $'000	RMB $'000	Others $'000
Group						
Financial Assets						
Debtors	**187,377**	**1,001**	**90,994**	157,984	1,376	85,427
Investments	**278,092**	**-**	**98,973**	248,108	-	56,334
Bank balances, deposits & cash	**140,111**	**245,835**	**14,323**	324,295	94,344	24,578
Financial Liabilities						
Creditors	**68,066**	**214**	**52,988**	67,650	148	24,045
Term loans	**55,896**	**-**	**241,330**	504,611	-	210,281
Company						
Financial Assets						
Debtors	**-**	**52**	**-**	40	65	2
Bank balances, deposits & cash	**1**	**330**	**13**	97	527	11

Sensitivity analysis for currency risk
If the relevant foreign currency change against SGD by 5% (2016: 5%) with all other variables held constant, the effects will be as follows:

	Profit before tax		Equity	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Group				
USD against SGD				
- Strengthened	**10,109**	(4,524)	**13,812**	12,466
- Weakened	**(10,109)**	4,524	**(13,812)**	(12,466)
RMB against SGD				
- Strengthened	**12,331**	4,778	**-**	-
- Weakened	**(12,331)**	(4,778)	**-**	-
Company				
USD against SGD				
- Strengthened	**-**	7	**-**	-
- Weakened	**-**	(7)	**-**	-
RMB against SGD				
- Strengthened	**19**	28	**-**	-
- Weakened	**(19)**	(28)	**-**	-

(ii) Interest rate risk

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

The Group enters into interest rate swap agreements to hedge the interest rate risk exposure arising from its SGD, USD and Renminbi variable rate term loans (Note 20). As at the end of the financial year, the Group has interest rate swap agreements with notional amount totalling $1,778,962,000 (2016: $1,678,235,000) whereby it receives variable rates equal to SIBOR and LIBOR (2016: SIBOR, LIBOR and SHIBOR) and pays fixed rates of between 1.27% and 3.62% (2016: 1.27% and 4.90%) on the notional amount.

The net negative fair value of interest rate swaps for the Group is $58,025,000 (2016: net negative fair value of $10,605,000) comprising assets of $4,339,000 (2016: $2,703,000) and liabilities of $62,364,000 (2016: $13,308,000). These amounts are recognised as derivative assets and derivative liabilities.

Sensitivity analysis for interest rate risk
If interest rates increase/decrease by 0.5% (2016: 0.5%) with all other variables held constant, the Group's profit before tax would have been lower/higher by $13,649,000 (2016: $19,060,000) as a result of higher/lower interest expense on floating rate loans.

(iii) Price risk

The Group hedges against fluctuations arising on the purchase of natural gas that affect cost. Exposure to price fluctuations is managed via fuel oil forward contracts, whereby the price of natural gas is indexed to benchmark fuel price indices, High Sulphur Fuel Oil (HSFO) 180-CST and Dated Brent. As at the end of the financial year, the Group has outstanding HSFO forward contracts with notional amounts totalling $542,679,000 (2016: $579,270,000). The net positive fair value of HSFO forward contracts for the Group is $89,599,000 (2016: net positive fair value of $57,122,000) comprising assets of $97,957,000 (2016: $83,215,000) and liabilities of $8,358,000 (2016: $26,093,000). These amounts are recognised as derivative assets and derivative liabilities. The Group has no outstanding Dated Brent forward contracts as at 31 December 2016 and 2017.

The Group hedges against fluctuations in electricity prices via its daily sales of electricity. Exposure to price fluctuations is managed via electricity futures contracts. As at the end of the financial year, the Group has outstanding electricity futures contracts with notional amounts totalling $47,042,000 (2016: $6,964,000). The net negative fair values of electricity futures contracts is $2,297,000 (2016: net negative fair value of $124,000) comprising assets of $199,000 (2016: $405,000) and liabilities of $2,496,000 (2016: $529,000). These amount are recognised as derivative assets and derivative liabilities.

The Group is exposed to equity securities price risk arising from equity investments classified as investments held for trading and available-for-sale investments. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity analysis for price risk

If prices for HSFO increase/decrease by 5% (2016: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been higher/lower by $30,635,000 (2016: $31,820,000) as a result of fair value changes on cash flow hedges.

If prices for electricity futures contracts increase/decrease by 5% (2016: 5%) with all other variables held constant, the Group's hedging reserve in equity would have been lower/higher by $2,467,000 (2016: $15,000) as a result of fair value changes on cash flow hedges.

If prices for quoted investments increase/decrease by 5% (2016: 5%) with all other variables held constant, the Group's profit before tax would have been higher/lower by $8,965,000 (2016: $7,353,000) as a result of higher/lower fair value gains on investments held for trading, and the Group's fair value reserve in other comprehensive income would have been higher/lower by $3,195,000 (2016: $4,507,000) as a result of higher/lower fair value gains on available-for-sale investments.

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

Credit Risk

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

The maximum exposure to credit risk is the carrying amount of financial assets which are mainly debtors, amounts due from associated companies and bank balances, deposits and cash.

(i) Financial assets that are neither past due nor impaired

Debtors and amounts due from associated companies that are neither past due nor impaired are substantially companies with good collection track record with the Group. Bank deposits, forward foreign exchange contracts, interest rate caps and interest rate swaps are mainly transacted with banks of high credit ratings assigned by international credit-rating agencies.

(ii) Financial assets that are past due but not impaired/partially impaired

The age analysis of trade debtors past due but not impaired/partially impaired is as follows:

	Group	
	2017 $'000	2016 $'000
Past due zero to three months but not impaired	**88,280**	120,531
Past due three to six months but not impaired	**74,420**	74,905
Past due over six months and partially impaired	**1,180,123**	1,262,615
	1,342,823	1,458,051

Trade debtors that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Information relating to the provision for doubtful debts is given in Note 15.

Notes to the Financial Statements

32. Financial risk management (continued)

Liquidity Risk

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

Information relating to the maturity profile of loans is given in Note 20.

The following table details the liquidity analysis for derivative financial instruments and borrowings of the Group and the Company based on contractual undiscounted cash inflows/(outflows).

	Within one year $'000	Within one to two years $'000	Within two to five years $'000	After five years $'000
Group				
2017				
Gross-settled forward foreign exchange contracts				
- Receipts	**5,367,540**	**989,250**	**48,742**	**-**
- Payments	**(5,310,740)**	**(989,397)**	**(50,423)**	**-**
Net-settled HSFO forward contracts				
- Receipts	**85,426**	**12,150**	**381**	**-**
- Payments	**(4,564)**	**(1,841)**	**(1,953)**	**-**
Net-settled electricity futures contracts				
- Receipts	**52**	**147**	**-**	**-**
- Payments	**(2,390)**	**(106)**	**-**	**-**
Borrowings	**(1,903,567)**	**(1,567,496)**	**(3,457,684)**	**(1,884,254)**
2016				
Gross-settled forward foreign exchange contracts				
- Receipts	5,417,222	1,419,776	681,250	-
- Payments	(5,688,831)	(1,402,107)	(663,117)	-
Net-settled HSFO forward contracts				
- Receipts	55,851	25,690	1,673	-
- Payments	(17,390)	(7,354)	(1,349)	-
Net-settled electricity futures contracts				
- Receipts	513	-	-	-
- Payments	(495)	(142)	-	-
Borrowings	(1,542,315)	(2,011,240)	(3,415,261)	(2,794,455)
Company				
2017				
Gross-settled forward foreign exchange contracts				
- Receipts	**5,306,832**	**973,865**	**48,742**	**-**
- Payments	**(5,251,003)**	**(974,631)**	**(50,423)**	**-**
Borrowings	**(644,666)**	**(85,514)**	**(2,096,221)**	**(1,333,585)**
2016				
Gross-settled forward foreign exchange contracts				
- Receipts	5,286,287	1,405,221	675,651	-
- Payments	(5,559,747)	(1,387,357)	(657,486)	-
Borrowings	(312,060)	(486,119)	(1,230,036)	(2,262,454)

In addition to the above, creditors (Note 18) of the Group and the Company have a maturity profile of within one year from the balance sheet date.

Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings. The Group's current strategy remains unchanged from the previous financial year. The Group and the Company are in compliance with externally imposed capital undertakings for the financial year ended 31 December 2017. Externally imposed capital undertakings are mainly debt covenants included in certain loans of the Group and the Company requiring the Group or certain subsidiaries of the Company to maintain net gearing to total equity not exceeding ratios ranging from 2.00 to 3.00 times.

Management monitors capital based on the Group net gearing. The Group net gearing is calculated as net borrowings divided by total equity. Net borrowings are calculated as bank balances, deposits & cash (Note 17) less total term loans (Note 20).

	Group	
	2017 $'000	2016 $'000
Net debt	**5,519,215**	6,965,964
Total equity	**11,960,434**	12,333,640
Net gearing ratio	**0.46x**	0.56x

Fair Value of Financial Instruments and Investment Properties

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

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2017				
Financial assets				
Derivative financial instruments	**-**	**208,006**	**-**	**208,006**
Call option	**-**	**-**	**137,200**	**137,200**
Investments				
- Available-for-sale investments	**8,854**	**-**	**238,606**	**247,460**
- Investments at fair value through profit or loss	**31,647**	**43,250**	**30,813**	**105,710**
Short term investments				
- Available-for-sale investments	**55,048**	**-**	**-**	**55,048**
- Investments held for trading	**147,654**	**-**	**74**	**147,728**
	243,203	**251,256**	**406,693**	**901,152**
Financial liabilities				
Derivative financial instruments	**-**	**120,463**	**-**	**120,463**
Non-financial assets				
Investment Properties				
- Commercial and residential, completed	**-**	**-**	**1,404,294**	**1,404,294**
- Commercial, under construction	**-**	**-**	**2,056,314**	**2,056,314**
	-	**-**	**3,460,608**	**3,460,608**
Group				
2016				
Financial assets				
Derivative financial instruments	-	224,492	-	224,492
Call option	-	-	120,600	120,600
Investments				
- Available-for-sale investments	12,878	11,788	221,890	246,556
- Investments at fair value through profit or loss	-	-	8,973	8,973
Short term investments				
- Available-for-sale investments	77,264	49,610	-	126,874
- Investments held for trading	147,054	-	-	147,054
	237,196	285,890	351,463	874,549
Financial liabilities				
Derivative financial instruments	-	448,124	-	448,124
Non-financial assets				
Investment Properties				
- Commercial and residential, completed	-	-	1,639,368	1,639,368
- Commercial, under construction	-	-	1,910,922	1,910,922
	-	-	3,550,290	3,550,290

Notes to the Financial Statements

32. Financial risk management (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Company				
2017				
Financial assets				
Derivative financial instruments	-	107,631	-	107,631
Investments				
- Available-for-sale investments	-	-	15,012	15,012
	-	107,631	15,012	122,643
Financial liabilities				
Derivative financial instruments	-	90,049	-	90,049
2016				
Financial assets				
Derivative financial instruments	-	140,122	-	140,122
Investments				
- Available-for-sale investments	-	-	14,340	14,340
	-	140,122	14,340	154,462
Financial liabilities				
Derivative financial instruments	-	411,945	-	411,945

There have been no transfers between Level 1, Level 2 and Level 3 for the Group and Company in 2017 and 2016.

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

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
At 1 January	**351,463**	311,988	**14,340**	-
Purchases	**22,522**	56,200	**-**	-
Sales	**(8,265)**	(53,629)	**-**	-
Impairment loss	**-**	(183)	**-**	-
Fair value gain recognised in other comprehensive income	**17,062**	30,955	**672**	14,340
Fair value gain recognised in profit or loss	**24,199**	5,962	**-**	-
Exchange differences	**(288)**	170	**-**	-
At 31 December	**406,693**	351,463	**15,012**	14,340

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

	Group	
	2017 $'000	2016 $'000
At 1 January	**3,550,290**	3,272,112
Development expenditure	**181,522**	257,865
Fair value gain	**182,753**	70,418
Subsidiary disposed	**(405,604)**	(74,062)
Reclassification		
- Stocks and work-in-progress	**-**	89,131
- Fixed assets	**1,376**	50,040
Exchange differences	**(49,729)**	(115,214)
At 31 December	**3,460,608**	3,550,290

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

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

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

Description	**Fair value as at 31 December 2017 $'000**	**Valuation Techniques**	**Unobservable Inputs**	**Range of Unobservable Inputs**
Investments	269,493	Net asset value and/or discounted cash flow	Net asset value* Discount rate	Not applicable 11%
Call option	137,200	Direct comparison method and investment method	Transacted price of comparable properties (psf) Capitalisation rate	$2,600 to $3,200 3.5% to 3.75%
Investment Properties				
- Commercial and residential, completed	1,404,294	Direct comparison method, investment method, cost replacement method and/or discounted cash flow method	Discount rate Terminal yield Capitalisation rate Price of comparable land plots (psm) Transacted price of comparable properties (psf)	11.50% to 13.00% 7.00% 2.80% to 12.50% $7,627 to $12,463 $1,321 to $2,500
- Commercial, under construction	2,056,314	Direct comparison method, and/or residual method	Price of comparable land plots (psm) Gross development value ($'million)	$7,627 to $12,463 $588 to $1,866

Description	**Fair value as at 31 December 2016 $'000**	**Valuation Techniques**	**Unobservable Inputs**	**Range of Unobservable Inputs**
Investments	230,863	Net asset value and/or discounted cash flow	Net asset value* Discount rate	Not applicable 11%
Call option	120,600	Direct comparison method and investment method	Transacted price of comparable properties (psf) Capitalisation rate	$3,000 to $3,400 3.5% to 3.75%
Investment Properties				
- Commercial and residential, completed	1,639,368	Direct comparison method, investment method, income capitalisation method, cost replacement method and/or discounted cash flow method	Discount rate Occupancy rate Terminal yield Capitalisation rate Price of comparable land plots (psm) Transacted price of comparable properties (psf)	7.50% to 13.70% 95% 7.25% to 7.70% 2.80% to 12.50% $9,513 to $13,213 $1,296 to $2,100
- Commercial, under construction	1,910,922	Direct comparison method, and/or residual method	Price of comparable land plots (psm) Gross development value ($'million)	$9,513 to $13,213 $629 to $1,699

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

Notes to the Financial Statements

32. Financial risk management (continued)

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

The Group's finance team assessed the fair value of available-for-sale investments on a quarterly basis.

Valuation process of investment properties is described in Note 7.

33. Segment analysis

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

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

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

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

(iv) Investments
The Investments Division consists mainly of the Group's investments in fund management, KrisEnergy Limited, M1 Limited, k1 Ventures Ltd, Sino-Singapore Tianjin Eco-City Investment and Development Co., Limited and equities.

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

	Offshore & Marine $'000	Property $'000	Infrastructure $'000	Investments $'000	Elimination $'000	Total $'000
2017						
Revenue						
External sales	1,801,347	1,782,343	2,207,162	172,921	-	5,963,773
Inter-segment sales	584	6,217	20,031	62,795	(89,627)	-
Total	1,801,931	1,788,560	2,227,193	235,716	(89,627)	5,963,773
Segment Results						
Operating (loss)/profit	(176,407)	656,200	122,309	173,477	99	775,678
One-off financial penalty & related costs	(618,722)	-	-	-	-	(618,722)
Investment income	2,112	12,377	-	5,382	-	19,871
Interest income	50,897	40,413	47,801	263,754	(264,937)	137,928
Interest expenses	(127,080)	(67,053)	(16,009)	(243,923)	264,838	(189,227)
Share of results of associated companies	6,692	225,562	12,590	145,195	-	390,039
(Loss)/Profit before tax	(862,508)	867,499	166,691	343,885	-	515,567
Taxation	4,838	(187,180)	(27,800)	(88,246)	-	(298,388)
(Loss)/Profit for the year	(857,670)	680,319	138,891	255,639	-	217,179
Attributable to:						
Shareholders of Company	(835,433)	684,858	131,730	235,513	-	216,668
Non-controlling interests	(22,237)	(4,539)	7,161	20,126	-	511
	(857,670)	680,319	138,891	255,639	-	217,179
Other information						
Segment assets	9,542,565	14,949,530	3,417,867	11,096,071	(10,893,244)	28,112,789
Segment liabilities	8,353,177	6,892,999	1,867,633	9,931,790	(10,893,244)	16,152,355
Net assets	1,189,388	8,056,531	1,550,234	1,164,281	-	11,960,434
Investment in associated companies	690,086	2,918,425	1,032,008	1,260,733	-	5,901,252
Additions to non-current assets	183,879	342,337	224,996	173,216	-	924,428
Depreciation and amortisation	129,527	36,869	43,953	2,031	-	212,380
Impairment loss/(write-back of impairment loss)	109,800	8,499	2,554	(45,808)	-	75,045

Geographical information

	Singapore $'000	China $'000	Brazil $'000	Other Far East & ASEAN countries $'000	Other countries $'000	Elimination $'000	Total $'000
External sales	3,969,057	807,780	456,727	436,187	294,022	-	5,963,773
Non-current assets	5,925,269	3,367,171	267,965	1,473,070	893,942	-	11,927,417

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2017.

Information about a major customer
No single external customer accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2017.

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

Notes to the Financial Statements

33. Segment analysis (continued)

	Offshore & Marine $'000	Property $'000	Infrastructure $'000	Investments $'000	Elimination $'000	Total $'000
2016						
Revenue						
External sales	2,853,509	2,035,435	1,744,075	134,245	-	6,767,264
Inter-segment sales	405	6,445	24,537	67,188	(98,575)	-
Total	2,853,914	2,041,880	1,768,612	201,433	(98,575)	6,767,264
Segment Results						
Operating profit	134,972	504,744	93,766	48,429	13,302	795,213
Investment income	940	12,031	(6)	2,214	-	15,179
Interest income	58,180	26,845	45,729	251,312	(257,973)	124,093
Interest expenses	(151,718)	(62,036)	(18,347)	(237,119)	244,671	(224,549)
Share of results of associated companies	47,384	277,277	1,900	18,425	-	344,986
Profit before tax	89,758	758,861	123,042	83,261	-	1,054,922
Taxation	(40,911)	(132,631)	(23,005)	(36,600)	-	(233,147)
Profit for the year	48,847	626,230	100,037	46,661	-	821,775
Attributable to:						
Shareholders of Company	28,491	620,281	98,856	36,300	-	783,928
Non-controlling interests	20,356	5,949	1,181	10,361	-	37,847
	48,847	626,230	100,037	46,661	-	821,775
Other information						
Segment assets	10,321,883	16,043,419	3,338,699	6,873,596	(7,343,443)	29,234,154
Segment liabilities	8,418,854	6,901,118	1,833,488	7,090,497	(7,343,443)	16,900,514
Net assets	1,903,029	9,142,301	1,505,211	(216,901)	-	12,333,640
Investment in associated companies	587,366	2,806,570	993,847	1,024,798	-	5,412,581
Additions to non-current assets	93,434	412,073	311,650	1,283	-	818,440
Depreciation and amortisation	164,775	27,888	42,076	1,736	-	236,475
Impairment loss/(write-back of impairment loss)	278,643	(50,398)	34,548	46,000	-	308,793

Geographical information

	Singapore $'000	China $'000	Brazil $'000	Other Far East & ASEAN countries $'000	Other countries $'000	Elimination $'000	Total $'000
External sales	4,405,789	1,101,948	390,663	478,099	390,765	-	6,767,264
Non-current assets	6,089,036	3,076,821	316,728	1,501,665	764,746	-	11,748,996

Other than Singapore and China, no single country accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2016.

Information about a major customer
No single external customer accounted for 10% or more of the Group's revenue for the financial year ended 31 December 2016.

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

34. New accounting standards and interpretations

Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

Singapore-incorporated companies listed on the Singapore Exchange are required to apply a new financial reporting framework identical to the IFRS, Singapore Financial Reporting Standards (International) (SFRS(I)s), for annual periods beginning on or after 1 January 2018.

The Group has adopted SFRS(I)s on 1 January 2018 and as a result, the Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I)s.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International).* The Group expects that the adoption of SFRS(I)s will have no material impact on the financial statements in the year of initial application, other than the election of optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition at 1 January 2017. As a result, the Group expects to reclassify cumulative translation losses of $280,787,000 from foreign exchange translation account to revenue reserves as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

In addition to the adoption of SFRS(I)s, the following SFRS(I)s, and amendments and interpretations of SFRS(I)s that are relevant to the Group and the Company are effective on or after the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 16 *Leases*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The management anticipates that the adoption of the above standards and interpretations in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

SFRS(I) 15 *Revenue from Contracts with Customers*
SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

SFRS(I) 15 will take effect from financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively. The Group is currently finalising the transition adjustments.

SFRS(I) 9 *Financial Instruments*
SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation. The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

SFRS(I) 9 will take effect from financial years beginning on or after 1 January 2018. The Group plans to elect to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. The Group is currently finalising the transition adjustments.

Notes to the Financial Statements

34. New accounting standards and interpretations (continued)

SFRS(I) 16 *Leases*
SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under SFRS(I) 16.

The standard also introduces expanded disclosure requirements and changes in presentation.

SFRS(I) 16 will take effect from financial years beginning on or after 1 January 2019.

The standard will affect primarily the accounting for the Group's operating leases. The future minimum rental expense payable under significant non-cancellable leases is disclosed in Note 29. The Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

35. Subsquent event

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

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

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

36. Significant subsidiaries and associated companies

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