

KEPPEL CORPORATION LIMITED

Co. Reg. No. 196800351N
(Incorporated in the Republic of Singapore)

FULL YEAR 2005 FINANCIAL STATEMENT & DIVIDEND ANNOUNCEMENT**TABLE OF CONTENTS**

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ADDRESS BY KEPPEL CORPORATION EXECUTIVE CHAIRMAN
MR LIM CHEE ONN, AT THE 2005 ANNUAL RESULTS PRESENTATION
TO PRESS & ANALYSTS ON THU 26 JAN 2006

Fine Tuning As We Grow

In 2005, we grew PATMI (Profit After Tax and Minority Interest) by 21% to \$564m. This translates into an EPS of 72.1 cents. During the same period EVA increased by \$164m to reach \$199m at year end. We achieved a ROE of 16.4%, while Free Cash Flow remained strong at \$694m. For shareholders, Directors shall be recommending a total distribution of 46 cts/share. This is an increase of 15% over last year's. During the year we also delivered a Total Shareholders' Return of 32.5%.

Let me now describe the prospects going forward.

Our aim over the next 2-3 years is to continue strengthening our capabilities to seize the opportunities that this window of Asian economic growth and development will continue to present us. We have commenced several initiatives the last few years to increase the robustness in our businesses. We shall continue to strengthen our core competencies by forging strategic partnerships that will further enhance our capabilities, shorten our time-to-market, increase our value proposition to customers and continue moving up the value chain.

We continuously seek to expand into new markets and growth areas. Our established global footprint, experienced staff on the ground, extensive regional business network and favourable brand equity are invaluable assets that will support us as we seek out new prospects. During the year we made inroads into more Chinese cities, India, the Middle East, and ASEAN. We shall grow our presence in these locations.

In Offshore & Marine we shall continue to leverage on the current multi-year cycle and build up our order book. We are also taking this opportunity to strengthen our growth platforms.

As an example we did this last year by tying up with J Ray McDermott as well as augmenting our internal R&D efforts. We invested in a new shipyard in Nantong, China, and shall continue with our efforts to increase our existing yards' throughputs in Singapore and overseas.

Looked at in another way, we are constantly working our assets harder. We have been able to generate more capacity out of our existing yard facilities by improving work methods, providing even more training to our workers, and focusing on higher value work.

Current macro indicators augur well for the group's continued growth. After an exceptional year in 2005, O&M expects to receive a reasonable amount of contract flows amidst an active stream of enquiries this year. The need to replace depleting global reserves is pressing. Despite the upswing in E & P activities, global oil reserve replacement ratios are still falling. Oil companies, flushed with cash from higher oil prices, have the balance sheet to step up capex. In exploiting energy sources in more challenging environment, new rigs need to be built and old rigs upgraded where possible. Going by charter rates, the supply of offshore rigs appears to be still tight even with the increase in new rig construction.

In the refining sector, owing to the lead-time needed for new refinery capacity to come onstream refining margins remain firm. SPC is seeking more acquisitions to grow its exploration and production reserves. Our goal is to translate these efforts into meaningful upstream earnings over time. For a start, the Oyong field is expected to commence production second quarter this year.

Our property business will benefit from the relatively robust economies in the region. We are accelerating the execution and monetization of our strong property development pipeline to tap the rising affluence, rapid urbanization and favourable demographics in Asia. KLL's township developments in Chengdu, Wuxi, Ho Chi Minh City and Jakarta are aimed at tapping the fast growing middle-income population in Asia. In Singapore, a second plot of the Keppel Bay waterfront enclave is targeted for launch in 2H 06. In the office sector, limited new supply over the next few years will underpin improving rentals and occupancy rates for our prime office portfolio.

In Infrastructure, Keppel Integrated Engineering has returned to profitability after its restructuring in 2004. With the NEWater and 5th IP providing the strategic platforms, expanding overseas will be Keppel Seghers' key thrust this year. Keppel Energy's cogen plant is under construction and targeted to be completed end 2006.

In summary, over the past 2-3 years we have put together the basic blocks for growth in our businesses and we shall continue to do so. This effort includes further increasing our efforts in human resource development, succession planning and risk management. I am modestly confident of our growth prospects and we shall continue to direct our efforts at achieving sustainable earnings growth and delivering consistent returns to our shareholders.

Let me end by wishing all of you a Happy Lunar New Year.

KEPPEL CORPORATION LIMITED

Full Year 2005 Financial Statement and Dividend Announcement

UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

The Directors of **Keppel Corporation Limited** advise the following unaudited results of the Group for the year ended 31 December 2005.

1. GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December

	2005 \$'000	Restated 2004 \$'000	+ / (-) %
Revenue	5,688,369	3,963,233	+43.5
Materials & subcontract costs	(4,138,185)	(2,551,761)	+62.2
Staff costs	(802,912)	(695,471)	+15.4
Depreciation & amortisation	(132,329)	(180,140)	-26.5
Other operating expenses	(148,199)	(126,849)	+16.8
Operating profit	466,744	409,012	+14.1
Investment income	1,220	576	+111.8
Interest income	58,871	22,786	+158.4
Interest expenses	(22,175)	(40,855)	-45.7
Share of results of associated companies	321,509	253,358	+26.9
Profit before tax & exceptional items	826,169	644,877	+28.1
Exceptional items	1,924	(592)	NM
Profit before taxation	828,093	644,285	+28.5
Taxation	(153,311)	(90,888)	+68.7
Profit for the year	674,782	553,397	+21.9
Attributable to:			
Shareholders of the Company			
Profit before exceptional items	563,685	464,728	+21.3
Exceptional items	(16)	(346)	-95.4
	563,669	464,382	+21.4
Minority interests	111,113	89,015	+24.8
	674,782	553,397	+21.9
Earnings per ordinary share			
Before exceptional items			
- basic	72.1 cts	59.9 cts	+20.4
- diluted	70.0 cts	57.7 cts	+21.3
After exceptional items			
- basic	72.1 cts	59.8 cts	+20.6
- diluted	70.0 cts	57.7 cts	+21.3
Return on equity	16.4%	15.5%	+5.8
Economic value added	199,000	35,000	+468.6

NM - Not Meaningful

Financial statement for 2004 has been restated to take into account the requirements of the new and revised Financial Reporting Standards which the Group adopted in 2005 (refer to paragraph 8).

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

1a. Pre-tax profit of the Group is arrived at after charging/(crediting) the following:

	2005 \$'000	Restated 2004 \$'000	+ / (-) %
Share-based payment expenses	11,203	5,416	+106.9
Profit on sale of fixed assets	(10,278)	(2,848)	+260.9
Profit on sale of investments	(1,903)	(3,550)	-46.4
Provision/(write-back)			
- stocks & work-in-progress	(17,159)	(14,083)	+21.8
- investments	-	(14,248)	NM
- doubtful debts	19,975	934	+2038.7
Bad debts written off	264	3,869	-93.2
Stocks written off	1,393	1,993	-30.1
Fair value loss/(gain)			
- Assets at fair value through P&L	1,607	-	NM
- Forward contracts	12,152	-	NM
- Financial derivatives	(17,226)	-	NM
Foreign exchange gain	(4,157)	(4,684)	-11.3

1b. Taxation expense for the year included over-provision of tax in respect of prior years of \$6 million. Taxation expense for the previous year included write-back of deferred tax of \$15 million (attributable \$13.3 million) arising from the reduction in Singapore corporate tax rate from 22% to 20%.

1c. Exceptional items for the year comprise the following:

	2005 \$'000	Restated 2004 \$'000
Gain on disposal of subsidiaries, associated companies and investments	51,681	25,761
Gain on disposal of ships	-	37,739
Share of associated company's gain on disposal of properties	30,191	-
Impairment of assets	(35,047)	(20,661)
Impairment of investments and provision for claims	(4,495)	(26,500)
Costs associated with restructuring of operations	(237)	(6,449)
Revaluation deficit of properties	(40,169)	(10,482)
	<u>1,924</u>	<u>(592)</u>
Minority share of exceptional items	(1,940)	246
Net exceptional items	<u>(16)</u>	<u>(346)</u>

NOTES TO GROUP PROFIT AND LOSS ACCOUNT

1d. Earnings per ordinary share

	2005	Restated 2004	+ / (-) %
Earnings per ordinary share of the Group based on net profit attributable to shareholders:-			
(i) Based on weighted average number of shares	72.1 cts	59.8 cts	+20.6
- Weighted average number of shares ('000)	781,756	776,224	+0.7
(ii) On a fully diluted basis	70.0 cts	57.7 cts	+21.3
- Adjusted weighted average number of shares ('000)	788,091	782,706	+0.7

1e. Breakdown of sales

	2005 \$'000	Restated 2004 \$'000	+ / (-) %
<u>First Half</u>			
Sales reported for first half year	2,294,517	1,818,283	+26.2
Operating profit after tax and exceptional items before deducting minority interests reported for first half year	340,596	275,792	+23.5
<u>Second Half</u>			
Sales reported for second half year	3,393,852	2,144,950	+58.2
Operating profit after tax and exceptional items before deducting minority interests reported for second half year	334,186	277,605	+20.4

1f. There was no extraordinary item during the year.

2. BALANCE SHEETS as at 31 December

	Group		Company	
	2005 \$'000	Restated 2004 \$'000	2005 \$'000	Restated 2004 \$'000
Share capital	391,903	389,386	391,903	389,386
Reserves	3,254,173	2,700,417	2,490,141	2,472,960
Share capital & reserves	3,646,076	3,089,803	2,882,044	2,862,346
Minority interests	1,288,566	1,165,971	-	-
Capital employed	4,934,642	4,255,774	2,882,044	2,862,346
Represented by:				
Fixed assets	1,653,195	1,398,795	5,620	6,890
Investment properties	2,025,501	1,880,565	-	-
Development properties	228,022	202,682	-	-
Subsidiaries	-	-	3,149,511	2,861,455
Associated companies	2,174,200	1,518,623	3,074	3,074
Investments	84,341	71,902	-	-
Long term receivables	152,769	85,035	599	771
Intangibles	145,248	125,198	-	-
	6,463,276	5,282,800	3,158,804	2,872,190
Current assets				
Stocks & work-in-progress in excess of related billings	2,762,328	2,602,250	-	-
Amounts due from:				
- subsidiaries	-	-	963,926	1,362,785
- associated companies	280,109	265,996	99	323
Debtors	1,267,211	1,133,254	2,519	1,684
Short term investments	405,638	247,842	-	-
Bank balances, deposits & cash	1,410,851	972,961	570	23,390
	6,126,137	5,222,303	967,114	1,388,182
Current liabilities				
Creditors	1,859,083	1,776,154	80,304	21,739
Billings on work-in-progress in excess of related costs	1,487,246	438,971	-	-
Provisions	17,604	20,531	-	5,000
Amounts due to:				
- subsidiaries	-	-	56,420	28,542
- associated companies	200,183	27,432	8	3
Term loans	1,321,982	1,986,177	781,848	1,318,439
Taxation	185,738	138,831	5,155	4,164
Bank overdrafts	16,817	1,137	-	-
	5,088,653	4,389,233	923,735	1,377,887
Net current assets	1,037,484	833,070	43,379	10,295
Non-current liabilities				
Term loans	2,392,042	1,712,130	300,000	-
Deferred taxation	174,076	147,966	20,139	20,139
	2,566,118	1,860,096	320,139	20,139
Net assets	4,934,642	4,255,774	2,882,044	2,862,346
<i>Group net borrowings</i>	2,319,990	2,726,483	<i>n.a.</i>	<i>n.a.</i>
<i>Group net gearing (times)</i>	0.47x	0.64x	<i>n.a.</i>	<i>n.a.</i>

NOTES TO BALANCE SHEETS

2a. Group's borrowings and debt securities

(i) Amount repayable in one year or less, or on demand

As at 31.12.2005		As at 31.12.2004	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
98,939	1,239,860	110,495	1,876,819

(ii) Amount repayable after one year

As at 31.12.2005		As at 31.12.2004	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
1,385,642	1,006,400	881,288	830,842

(iii) Details of any collateral

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The net book value of properties and other assets pledged/mortgaged to financial institutions amounted to \$1,070,904,000 (31 December 2004: \$1,159,374,000).

2b. Net asset value

	Group			Company		
	2005	Restated 2004	+/(-)%	2005	Restated 2004	+/(-)%
Net asset value per ordinary share *	\$4.65	\$3.97	+17.1	\$3.68	\$3.68	-
Net tangible asset per ordinary share *	\$4.47	\$3.81	+17.3	\$3.68	\$3.68	-

* Based on share capital of 783,805,424 (2004: 778,772,591) ordinary shares as at the end of the financial year.

2c. Balance sheet analysis

Group shareholders' funds increased from \$3.09 billion at 31 December 2004 to \$3.65 billion at 31 December 2005. The increase was mainly attributable to retained profits for the year and fair value adjustment for financial assets as required by new accounting standard FRS 39 – Financial Instruments: Recognition and Measurement. This was partly offset by payment of final dividend and capital distribution in respect of the year ended 31 December 2004 and interim dividend in respect of the first half year ended 30 June 2005.

2c. Balance sheet analysis (cont'd)

Group total assets of \$12.59 billion at 31 December 2005 were \$2.08 billion or 20% higher than the previous year-end. Fixed assets and investment properties were higher because of expenditure on Keppel Merlimau's co-gen plant and acquisition of Bugis Junction Towers. Increase in associated companies were attributable to equity accounting for share of profits, in particular SPC, M1 and k1 Ventures and initial investment in the Business and Financial Centre. Investments increased as a result of fair value adjustment. Debtors were higher due to the increased activities in Offshore & Marine and Property Divisions. Higher stocks and work-in-progress were due to development expenditure incurred for residential projects in Singapore and overseas.

Group total liabilities of \$7.65 billion at 31 December 2005 were \$1.41 billion or 22% higher than the previous year. Creditors were higher because of the higher level of activities in Offshore & Marine and Property Divisions. Negative work-in-progress increased significantly because of progress billings received from Offshore & Marine contracts. Higher provision for taxation and deferred taxation were made on account of the increased profit of the Group.

Group net borrowings at \$2.32 billion were a reduction of \$406 million from \$2.73 billion in the previous year-end because of strong operational cash flow.

3. CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 December

	Note	2005 \$'000	Restated 2004 \$'000
OPERATING ACTIVITIES			
Operating profit		466,744	409,012
Adjustments:			
Depreciation and amortisation		132,329	180,140
Share-based payment expenses		11,203	5,416
Profit on sale of fixed assets		(10,278)	(2,848)
Others		5,555	5,963
Operational cash flow before changes in working capital		605,553	597,683
Working capital changes:			
Stocks & work-in-progress		974,766	557,811
Debtors		(262,190)	(331,266)
Creditors		109,305	151,699
Settlement of balances arising from sale of future residential receivables		-	(302,000)
Investments in bonds and shares		(57,251)	(5,804)
Advances to associated companies		158,638	(116,487)
Translation of foreign subsidiaries		(19,411)	18,078
		1,509,410	569,714
Interest received		59,427	23,739
Interest paid		(15,689)	(49,609)
Income taxes paid		(83,543)	(13,692)
Net cash from operating activities		1,469,605	530,152
INVESTING ACTIVITIES			
Acquisition of subsidiaries	3a	(47,534)	-
Acquisition of additional shares in subsidiaries		-	(39,352)
Disposal of subsidiaries	3b	15,266	2,250
Acquisition and further investment in associated companies		(520,187)	(59,130)
Acquisition of fixed assets and investment properties		(456,178)	(119,753)
Expenditure on development properties		(1,024)	(613)
Proceeds from disposal of associated companies		17,867	49,346
Proceeds from disposal of fixed assets		55,997	161,675
Dividend received from investments and associated companies		159,893	58,272
Net cash from/(used in) investing activities		(775,900)	52,695
FINANCING ACTIVITIES			
Proceeds from share issues		17,544	10,306
Proceeds from minority shareholders of subsidiaries		28,787	6,367
Proceeds from term loans		1,018,786	253,869
Capital distribution		(156,391)	(139,744)
Repayment of term loans		(1,012,717)	(334,136)
Dividend paid to shareholders of the Company		(131,388)	(124,216)
Dividend paid to minority shareholders of subsidiaries		(36,116)	(21,599)
Net cash used in financing activities		(271,495)	(349,153)
Net increase in cash and cash equivalents		422,210	233,694
Cash and cash equivalents as at 1 January		971,824	738,130
Cash and cash equivalents as at 31 December	3c	1,394,034	971,824
<i>Free cashflow</i>		693,705	582,847

NOTES TO CONSOLIDATED CASHFLOW STATEMENT

3a. Acquisition of subsidiaries

During the financial year, the fair values of net assets of subsidiaries acquired were as follows:

	2005 \$'000	Restated 2004 \$'000
Fixed assets and investment properties	168,774	-
Development properties	20,561	-
Associated companies	23,551	-
Investments	53	-
Stocks & work-in-progress	52,175	-
Debtors	9,122	-
Bank balances and cash	35,627	-
Creditors	(144,619)	-
Loans	(9,648)	-
Minority interests	(41,092)	-
	<u>114,504</u>	-
Amount previously accounted for as associated companies	(31,259)	-
Purchase consideration	83,245	-
Less: Bank balances and cash acquired	(35,711)	-
Cash flow on acquisition net of cash acquired	<u>47,534</u>	-

3b. Disposal of subsidiaries

During the financial year, the fair values of net assets of subsidiaries disposed were as follows:

	2005 \$'000	Restated 2004 \$'000
Fixed assets	(3,415)	(148)
Investments	(98,132)	-
Stocks & work-in-progress	(113)	-
Debtors	(75,633)	(302)
Bank balances and cash	(29,001)	(8,287)
Creditors	195,905	303
Minority interests	928	-
	<u>(9,461)</u>	(8,434)
Net profit on disposal	(34,806)	(2,103)
Sale proceeds	(44,267)	(10,537)
Add: Bank balances and cash disposed	29,001	8,287
Cash flow on disposal net of cash disposed	<u>(15,266)</u>	(2,250)

NOTES TO CONSOLIDATED CASHFLOW STATEMENT

3c. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents in the consolidated cashflow statement comprise the following balance sheet amounts:

	2005	Restated
	\$'000	2004
		\$'000
Bank balances, deposits and cash	1,410,851	972,961
Bank overdrafts	(16,817)	(1,137)
	<u>1,394,034</u>	<u>971,824</u>

3d. Cashflow analysis

Net cash from operating activities was \$1,470 million compared to \$530 million in the previous year. This was mainly contributed by positive operational cashflow and progress payments received from Offshore & Marine contracts and sale of residential properties.

Net cash used in investing activities was \$776 million. The Group spent \$1.02 billion on investing activities. This comprised principally capital expenditure on the Business and Financial Centre, Keppel Merlimau co-gen plant and operational capex of Offshore & Marine Division. Divestment which included sale of Keppel Bank Philippines and dividend received amounted to \$249 million.

As a result, free cashflow increased from \$583 million in the previous year to \$694 million.

4. STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December

4a. Statement of changes in equity of the Group

	Attributable to equity holders of the Company							
	Share Capital \$'000	Share Premium Account \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Foreign Exchange Translation Account \$'000	Share Capital & Reserves \$'000	Minority Interests \$'000	Capital Employed \$'000
2005								
As at 1 January								
As previously reported	389,386	861,593	79,391	1,792,171	(38,464)	3,084,077	1,165,319	4,249,396
Effect of FRS 21	-	-	-	(1,382)	-	(1,382)	(961)	(2,343)
Effect of FRS 102	-	-	7,299	(7,268)	-	31	(31)	-
Change in accounting policy for equity accounting of an associated company	-	-	-	6,691	386	7,077	1,644	8,721
As restated	389,386	861,593	86,690	1,790,212	(38,078)	3,089,803	1,165,971	4,255,774
Effect of FRS 39	-	-	150,060	(20,518)	-	129,542	(7,364)	122,178
	389,386	861,593	236,750	1,769,694	(38,078)	3,219,345	1,158,607	4,377,952
Surplus on revaluation of investment properties	-	-	7,268	-	-	7,268	10,640	17,908
Fair value changes on available-for-sale assets	-	-	110,092	-	-	110,092	828	110,920
Fair value changes on cashflow hedges	-	-	(22,607)	-	-	(22,607)	190	(22,417)
Currency translation gain	-	-	-	-	29,408	29,408	9,018	38,426
Gain not recognised in profit & loss account	-	-	94,753	-	29,408	124,161	20,676	144,837
Net profit for the year	-	-	-	563,669	-	563,669	111,113	674,782
Dividend paid	-	-	-	(131,388)	-	(131,388)	-	(131,388)
Share-based payment	-	-	12,199	-	-	12,199	376	12,575
Transfer of statutory, capital and other reserves from revenue reserves	-	-	10,521	(9,834)	(687)	-	-	-
Fair value gain realised and transferred to profit & loss account	-	-	(2,290)	-	-	(2,290)	-	(2,290)
Revaluation deficit realised and transferred to profit & loss account on disposal of property	-	-	-	-	-	-	(32,185)	(32,185)
Currency translation loss realised and transferred to profit & loss account on disposal of subsidiaries	-	-	-	-	5,423	5,423	-	5,423
Share of capital reserves of an associated company	-	-	(6,616)	-	-	(6,616)	-	(6,616)
Dividend paid to minority shareholders	-	-	-	-	-	-	(36,116)	(36,116)
Cash subscribed by minority shareholders	-	-	-	-	-	-	28,787	28,787
Acquisition of subsidiaries	-	-	-	-	-	-	41,092	41,092
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	(2,329)	(2,329)
Disposal of subsidiaries	-	-	-	-	-	-	(928)	(928)
Other adjustments	-	-	444	(24)	-	420	(527)	(107)
Shares issued	2,517	15,027	-	-	-	17,544	-	17,544
Capital distribution	-	(156,391)	-	-	-	(156,391)	-	(156,391)
As at 31 December	391,903	720,229	345,761	2,192,117	(3,934)	3,646,076	1,288,566	4,934,642

4a. Statement of changes in equity of the Group (cont'd)

	Attributable to equity holders of the Company							
	Share Capital	Share Premium Account	Capital Reserves	Revenue Reserves	Foreign Exchange Translation Account	Share Capital & Reserves	Minority Interests	Capital Employed
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2004								
As at 1 January								
As previously reported	387,533	882,767	182,155	1,447,726	(10,664)	2,889,517	1,069,518	3,959,035
Effect of FRS 21	-	-	-	(1,382)	-	(1,382)	(961)	(2,343)
Effect of FRS 102	-	-	1,757	(1,754)	-	3	(3)	-
Change in accounting policy for equity accounting of an associated company	-	-	-	4,303	974	5,277	1,225	6,502
As restated	387,533	882,767	183,912	1,448,893	(9,690)	2,893,415	1,069,779	3,963,194
Surplus on revaluation of investment properties	-	-	4,603	-	-	4,603	6,984	11,587
Currency translation loss	-	-	-	-	(16,458)	(16,458)	36,178	19,720
Loss not recognised in profit & loss account	-	-	4,603	-	(16,458)	(11,855)	43,162	31,307
Net profit for the year	-	-	-	464,382	-	464,382	89,015	553,397
Dividend paid	-	-	-	(124,216)	-	(124,216)	-	(124,216)
Share-based payment	-	-	5,542	-	-	5,542	322	5,864
Transfer of statutory, capital and other reserves to revenue reserves	-	-	(1,123)	1,153	(30)	-	-	-
Revaluation deficit realised and transferred to profit & loss account on disposal of property	-	-	(4,417)	-	-	(4,417)	(12,544)	(16,961)
Currency translation gain realised and transferred to profit & loss account on disposal of subsidiaries	-	-	-	-	(11,268)	(11,268)	-	(11,268)
Share of capital reserves of an associated company	-	-	8,256	-	-	8,256	-	8,256
Dividend paid to minority shareholders	-	-	-	-	-	-	(21,599)	(21,599)
Cash subscribed by minority shareholders	-	-	-	-	-	-	6,367	6,367
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	(7,418)	(7,418)
Other adjustments	-	-	34	-	(632)	(598)	(1,113)	(1,711)
Shares issued	1,853	8,453	-	-	-	10,306	-	10,306
Capital distribution	-	(29,627)	(110,117)	-	-	(139,744)	-	(139,744)
As at 31 December	389,386	861,593	86,690	1,790,212	(38,078)	3,089,803	1,165,971	4,255,774

4b. Statement of changes in equity of the Company

	Share Capital \$'000	Share Premium Account \$'000	Capital Reserves \$'000	Revenue Reserves \$'000	Total \$'000
2005					
As at 1 January					
As previously reported	389,386	861,593	22,764	1,584,287	2,858,030
Effect of FRS 102	-	-	6,191	(1,875)	4,316
As restated	389,386	861,593	28,955	1,582,412	2,862,346
Effect of FRS 39	-	-	-	(6,576)	(6,576)
	389,386	861,593	28,955	1,575,836	2,855,770
Net profit for the year	-	-	-	288,407	288,407
Dividend paid	-	-	-	(131,388)	(131,388)
Share-based payment	-	-	8,102	-	8,102
Shares issued	2,517	15,027	-	-	17,544
Capital distribution	-	(156,391)	-	-	(156,391)
As at 31 December	391,903	720,229	37,057	1,732,855	2,882,044
2004					
As at 1 January					
As previously reported	387,533	882,767	132,881	1,553,118	2,956,299
Effect of FRS 102	-	-	1,515	(497)	1,018
As restated	387,533	882,767	134,396	1,552,621	2,957,317
Net profit for the year	-	-	-	154,007	154,007
Dividend paid	-	-	-	(124,216)	(124,216)
Share-based payment	-	-	4,676	-	4,676
Shares issued	1,853	8,453	-	-	10,306
Capital distribution	-	(29,627)	(110,117)	-	(139,744)
As at 31 December	389,386	861,593	28,955	1,582,412	2,862,346

4c. Share capital

During the financial year, the Company issued 5,032,833 ordinary shares of \$0.50 each upon the exercise of options granted under the KCL Share Options Scheme to employees. The share capital of the Company as at the end of the financial year was 783,805,424 ordinary shares of \$0.50 each.

As at 31 December 2005, there were unexercised options for 14,247,166 (2004: 13,698,666) of unissued ordinary shares of \$0.50 each under the KCL Share Options Scheme.

5. **AUDIT**

The financial statements have not been audited nor reviewed by our auditors.

6. **AUDITORS' REPORT**

Not applicable

7. ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year compared with those of the audited financial statements as at 31 December 2004 except as disclosed in paragraph 8.

8. CHANGES IN THE ACCOUNTING POLICIES

(a) With effect from 1 January 2005, the Group adopted the following new and revised Financial Reporting Standards (FRS) which were issued by the Council on Corporate Disclosure and Governance:

FRS 1 (Revised)	Presentation of Financial Statements
FRS 2 (Revised)	Inventories
FRS 8 (Revised)	Accounting Policies, Changes in Accounting Estimates & Errors
FRS 10 (Revised)	Events after the Balance Sheet Date
FRS 16 (Revised)	Property, Plant and Equipment
FRS 17 (Revised)	Leases
FRS 21 (Revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (Revised)	Related Party Disclosures
FRS 27 (Revised)	Consolidated and Separate Financial Statements
FRS 28 (Revised)	Investments in Associates
FRS 32 (Revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (Revised)	Earnings per Share
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 103	Business Combinations
FRS 105	Non-current Assets Held for Sale & Discontinued Operations

In particular, the financial effect of adopting FRS 21, 39, 102 and 103 are summarized as follows:

FRS 21

Under FRS 21, exchange differences resulting from a severe devaluation or depreciation of a currency against which there is no means of hedging are recognised in the profit and loss account. Prior to the adoption of FRS 21, such exchange differences were included in the carrying amount of the related asset. This change in accounting policy has been accounted for retrospectively in accordance with FRS 8, Accounting Policies, Changes in Accounting Estimates & Errors. The adoption of FRS 21 has resulted in a decrease of \$3,406,000 in fixed assets, a decrease in deferred taxation of \$1,062,000, a decrease of \$1,382,000 in revenue reserves and a decrease of \$961,000 in minority interests for 2004 and 2005.

FRS 39

Financial assets and liabilities, including derivative financial instruments are classified and measured in accordance with the requirements under FRS 39. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions. The adoption of FRS 39 has resulted in an increase of \$150,060,000 in capital reserves, a decrease of \$20,518,000 in revenue reserves and a decrease of \$7,364,000 in minority interests as at 1 January 2005.

FRS 102

Under FRS 102, share options to employees are measured at fair value at the date of grant and recognised as expense over the vesting period. Prior to the adoption of FRS 102, share options to employees were not charged to the profit and loss account. This change in accounting policy has been accounted for retrospectively in accordance with the transitional provisions and has resulted in:

	2005 \$'000	2004 \$'000
Decrease in profit after taxation	(11,203)	(5,416)
Increase in capital reserves	7,299	1,757
Decrease in revenue reserves	(7,268)	(1,754)
Decrease in minority interests	(31)	(3)
Decrease in basic EPS before exceptional items	(1.4) cts	(0.7) cts
Decrease in diluted EPS before exceptional items	(1.4) cts	(0.7) cts

FRS 103

Under FRS 103, amortisation of goodwill is discontinued from 1 January 2005. Goodwill is tested for impairment annually and carried at cost less accumulated impairment losses. Negative goodwill is recognised immediately in the profit and loss account. Prior to the adoption of FRS 103, goodwill was amortised on a straight-line basis over a maximum of 20 years. This change in accounting policy has been accounted for prospectively in accordance with the transitional provisions. The adoption of FRS 103 has resulted in the elimination of accumulated amortisation of \$32,252,000 against the carrying amount of goodwill as at 1 January 2005. No amortisation has been charged to profit and loss account in 2005. Amortisation charge for 2004 was \$27,594,000.

- (b) With effect from 1 January 2005, Keppel Telecommunications & Transportation Ltd (KTT), a subsidiary of the Company, changed its accounting policy for the treatment of its 10% interest in Asia Airfreight Terminal Company Limited ("AAT"). AAT is now accounted for using the equity method in accordance with FRS 28, Investments in Associates. Previously, AAT was accounted for as a long term investment and carried at cost. The application of equity method is more appropriate in view of the growing emphasis by KTT on the logistics business and the exercise of significant influence by KTT. This change in accounting policy has been accounted for retrospectively in accordance with FRS 28 and has resulted in:

	2005 \$'000	2004 \$'000
Decrease in investment income	(2,465)	(1,930)
Increase in share of results of associated company	6,281	6,142
Increase in taxation	(1,100)	(1,269)
Increase in profit after taxation	<u>2,716</u>	<u>2,943</u>
Increase in revenue reserves	6,691	4,303
Increase in foreign exchange translation account	386	974
Increase in minority interests	1,644	1,225
Increase in associated companies	18,680	15,342
Decrease in investments	(6,621)	(6,621)
Increase in basic EPS before exceptional items	0.3 cts	0.3 cts
Increase in diluted EPS before exceptional items	0.3 cts	0.3 cts

9. REVIEW OF GROUP PERFORMANCE

The Group performed well in the year and achieved record attributable profits, earnings per share, return on equity and economic value added.

Group revenue of \$5,688 million for the year was \$1,725 million or 44% higher than that of the previous year. Revenue from Offshore & Marine Division of \$4,112 million was 69% higher and contributed 72% of Group revenue. The net orderbook carried over from the previous year and the record new orders secured in the year contributed to the increased revenue of Offshore & Marine Division. Revenue from Property Division of \$848 million was \$137 million or 19% higher than the previous year. The increased revenue was due to the strong performance of the Group's trading projects both in Singapore and overseas. The increased revenue from Offshore & Marine Division and Property Division was partially offset by lower revenue from Infrastructure Division following the cessation of the power barges contract in Brazil at the end of the previous year.

Group pre-tax profit of \$826 million was 28% higher than the previous year with increased contributions from Offshore & Marine Division, Property Division and SPC. Offshore & Marine benefited from profit recognition of completed jobs arising from its large orderbook. Keppel Land's earnings rose by 31% from the healthy sales of its residential developments. However, this was partially offset by lower earnings from Caribbean at Keppel Bay. Losses were incurred by the Infrastructure Division because of the redeployment cost of the power barges and losses in electricity trading. KIE returned to profitability after the restructuring efforts from the previous year. The continuing tight refining capacity and strong growth in demand for refined products led to significantly higher earnings at SPC.

Taking into consideration taxation and minority share of profits, the resultant profit attributable to shareholders of \$564 million was 21% higher than the previous year. Keppel Offshore & Marine remains the largest contributor to attributable earnings with 42%, followed by SPC with 33%, Property Division with 21% and the rest from Keppel T&T and Investments net of the losses of Infrastructure Division.

Earnings per share for the current year increased to 72.1 cents from 59.9 cents in the previous year. Return on equity grew to 16.4% from 15.5% in 2004. Economic value added for the current year increased by \$164 million to \$199 million.

In the opinion of the Directors, no factor has arisen between 31 December 2005 and the date of this report which would materially affect the results of the Group and the Company for the year just ended.

10. VARIANCE FROM PROSPECT STATEMENT

No variance from previous statement.

11. PROSPECTS

The compounded annual growth rate of the Group earnings for the past five years of around 20% has been exceptional. Looking ahead, we may not achieve the same rate of growth as our record earnings are at a higher base.

The Group expects earnings growth to continue in 2006 and 2007. Against the backdrop of a higher base of earnings, a more modest double-digit average annual growth rate is expected for the next two years.

Offshore & Marine Division secured a record \$6.5 billion of new orders in 2005. The net order book at the end of the year of \$7.2 billion is expected to boost earnings of this division in 2006 and beyond. The rig order cycle is not over and job enquiries remain healthy with potential for more contracts to be secured.

The world refining capacity is not expected to increase significantly in the near term and the current refining margins are expected to remain healthy. This together with the positive global outlook will underpin SPC's good performance.

The recovery of the Singapore private residential market is expected to gather momentum with home prices rising steadily. Regional residential markets are still supported by sound fundamentals. Singapore office market strengthened significantly last year and is expected to further improve amidst positive market sentiments and the limited new supply of office buildings in the next few years. These factors are expected to support the growth of Property Division.

Infrastructure Division will continue to strengthen its core competencies and maximise the return of its existing and new assets.

12. DIVIDEND/CAPITAL DISTRIBUTION

12a. Current Financial Period Reported On

Any dividend recommended for the current financial year reported on?

Yes

Dividend

Directors are pleased to recommend a final dividend of 26% or 13 cents per share less tax (2004: final dividend of 22% or 11 cents per share less tax) in respect of the financial year ended 31 December 2005 for approval by shareholders at the next Annual General Meeting to be convened.

Together with the interim dividend of 20% or 10 cents per share less tax, total dividend paid and proposed in respect of the financial year ended 31 December 2005 will be 46% or 23 cents per share less tax (2004: 40% or 20 cents per share less tax).

Name of Dividend	Final
Dividend type	Cash
Dividend amount per share (in cents)	13 cents
Dividend rate (in %)	26%
Par value of shares	\$0.50
Tax rate	20% or applicable rate

Capital Distribution

With the increased profitability and the strong operational cash flow, Directors are also proposing a capital distribution of 23 cents per share (2004: 20 cents per share) without deduction for tax out of the Company's share premium account. The capital distribution will be subject to the approval of shareholders and made pursuant to relevant sections of the Companies Act (Chapter 50).

12b. Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes

Name of Dividend	Final
Dividend type	Cash
Dividend amount per share (in cents)	11 cents
Dividend rate (in %)	22%
Par value of shares	\$0.50
Tax rate	20%

12c. Date Payable

The proposed final dividend, if approved at the Annual General Meeting to be held on 28 April 2006, will be paid on 18 May 2006.

12d. Books Closure Date

Notice is hereby given that the Transfer Books and the Register of Members of the Company will be closed on 6 May 2006, for the preparation of dividend warrants. Duly completed transfers received by the Company's registrar, B.A.C.S. Pte Ltd, 63 Cantonment Road, Singapore 089758 up to the close of business at 5.00 p.m. on 5 May 2006 will be registered to determine shareholders' entitlement to the proposed final dividend.

12e. Total Annual Dividend / Capital Distribution

	2005	2004
	\$'000	\$'000
Ordinary – Interim dividend	62,595	55,908
Ordinary – Final dividend *	81,516	68,793
Total annual dividend	144,111	124,701
Capital distribution *	180,275	156,391
Total distribution	324,386	281,092

* 2005 final dividend and capital distribution are estimated based on share capital of 783,805,424 at the end of the financial year

13. SEGMENT ANALYSIS

2005

BUSINESS SEGMENT

	Offshore & Marine \$'000	Property \$'000	Infra- structure \$'000	Invest- ments \$'000	Elimina- tion \$'000	Total \$'000
Revenue						
External sales	4,111,658	847,506	610,282	118,923	-	5,688,369
Inter-segment sales	79	7,461	52,474	48,857	(108,871)	-
Total	4,111,737	854,967	662,756	167,780	(108,871)	5,688,369
Results						
Operating profit	318,449	194,652	(59,970)	7,172	6,441	466,744
Net investment income & interest income	24,525	1,176	3,583	15,073	(6,441)	37,916
Share of results of associated companies	7,636	26,095	26,266	261,512	-	321,509
Profit before tax & exceptional items	350,610	221,923	(30,121)	283,757	-	826,169
Exceptional items	(3,138)	(38,981)	(4,397)	48,440	-	1,924
Profit before taxation	347,472	182,942	(34,518)	332,197	-	828,093
Taxation	(74,729)	(40,347)	(950)	(37,285)	-	(153,311)
Profit for the year	272,743	142,595	(35,468)	294,912	-	674,782
Attributable to:						
Shareholders of Company						
Profit before exceptional items	238,810	117,706	(34,405)	241,574	-	563,685
Exceptional items	(3,138)	(39,539)	(4,496)	47,157	-	(16)
	235,672	78,167	(38,901)	288,731	-	563,669
Minority interests	37,071	64,428	3,433	6,181	-	111,113
	272,743	142,595	(35,468)	294,912	-	674,782
Other information						
Segment assets	3,893,052	6,367,185	843,010	4,063,205	(4,751,239)	10,415,213
Investment in associated companies	55,878	1,076,263	65,608	976,451	-	2,174,200
Total	3,948,930	7,443,448	908,618	5,039,656	(4,751,239)	12,589,413
Segment liabilities	3,000,233	5,263,613	517,114	3,265,236	(4,751,239)	7,294,957
Net tax provision & deferred taxation	191,767	131,365	4,433	32,249	-	359,814
Total	3,192,000	5,394,978	521,547	3,297,485	(4,751,239)	7,654,771
Net assets	756,930	2,048,470	387,071	1,742,171	-	4,934,642
Capital expenditure	149,037	7,506	295,376	4,259	-	456,178
Depreciation and amortisation	58,419	20,285	44,557	9,068	-	132,329

GEOGRAPHICAL SEGMENT

	Singapore \$'000	Far East & Other ASEAN Countries \$'000	America \$'000	Other Countries \$'000	Elimination \$'000	Total \$'000
External sales	3,048,282	731,891	1,543,129	365,067	-	5,688,369
Segment assets	7,345,032	2,569,475	1,599,257	155,243	(1,253,794)	10,415,213
Capital expenditure	380,833	23,686	43,134	8,525	-	456,178

2004

BUSINESS SEGMENT

	<u>Offshore & Marine</u> \$'000	<u>Property</u> \$'000	<u>Infra- structure</u> \$'000	<u>Invest- ments</u> \$'000	<u>Elimina- tion</u> \$'000	<u>Total</u> \$'000
Revenue						
External sales	2,428,168	710,407	729,341	95,317	-	3,963,233
Inter-segment sales	1,885	2,039	33,463	51,669	(89,056)	-
Total	2,430,053	712,446	762,804	146,986	(89,056)	3,963,233
Results						
Operating profit	246,215	178,692	3,855	(27,386)	7,636	409,012
Net investment income & interest income	(4,388)	(12,141)	152	6,520	(7,636)	(17,493)
Share of results of associated companies	5,701	26,997	22,144	198,516	-	253,358
Profit before tax & exceptional items	247,528	193,548	26,151	177,650	-	644,877
Exceptional items	-	(11,612)	(22,818)	33,838	-	(592)
Profit before taxation	247,528	181,936	3,333	211,488	-	644,285
Taxation	(41,593)	(8,509)	(5,474)	(35,312)	-	(90,888)
Profit for the year	205,935	173,427	(2,141)	176,176	-	553,397
Attributable to:						
Shareholders of Company						
Profit before exceptional items	190,986	117,460	20,262	136,020	-	464,728
Exceptional items	-	(11,612)	(19,494)	30,760	-	(346)
	190,986	105,848	768	166,780	-	464,382
Minority interests	14,949	67,579	(2,909)	9,396	-	89,015
	205,935	173,427	(2,141)	176,176	-	553,397
Other Information						
Segment assets	2,618,402	5,762,954	631,197	3,515,899	(3,541,972)	8,986,480
Investment in associated companies	66,326	700,071	61,371	690,855	-	1,518,623
Total	2,684,728	6,463,025	692,568	4,206,754	(3,541,972)	10,505,103
Segment liabilities	1,829,318	4,502,716	265,768	2,906,702	(3,541,972)	5,962,532
Net tax provision & deferred taxation	171,676	93,965	(740)	21,896	-	286,797
Total	2,000,994	4,596,681	265,028	2,928,598	(3,541,972)	6,249,329
Net assets	683,734	1,866,344	427,540	1,278,156	-	4,255,774
Capital expenditure	91,534	2,160	19,701	6,358	-	119,753
Depreciation and amortisation	59,534	15,537	68,240	36,829	-	180,140

GEOGRAPHICAL SEGMENT

	<u>Singapore</u> \$'000	<u>Far East & Other ASEAN Countries</u> \$'000	<u>America</u> \$'000	<u>Other Countries</u> \$'000	<u>Elimination</u> \$'000	<u>Total</u> \$'000
External sales	2,453,867	480,118	796,072	233,176	-	3,963,233
Segment assets	7,756,646	1,803,672	476,437	144,924	(1,195,199)	8,986,480
Capital expenditure	66,028	11,257	38,512	3,956	-	119,753

NOTES TO SEGMENT ANALYSIS

13a. Business segment

The Group's businesses are grouped into four divisions: Offshore & Marine, Property, Infrastructure and Investments. The Investments division consists mainly of the Group's investments in SPC, Logistics, k1 Ventures Ltd and MobileOne Ltd. These four divisions are the basis on which the Group reports its primary segment information. Pricing of inter-segment goods and services is at fair market value. Segment assets and liabilities are those used in the operation of each division.

13b. Geographical segment

The Group operates in about 27 countries. Secondary segment information is provided by geographical segment in accordance to the above table.

14. REVIEW OF SEGMENT PERFORMANCE

14a. Revenue by Segments

Group revenue of \$5.7 billion were up 44% from 2004, due to the significantly higher revenue from Offshore & Marine Division, which reported a strong 69% growth in its revenue from its large orderbook. Revenue from Property Division increased by \$137 million from increased sale of residential properties, both in the domestic and regional markets. Revenue from Infrastructure Division fell because of the cessation of the Brazil power barge contract at the end of last year.

14b. PATMI (before exceptional items) by Segments

Strong PATMI growth in Offshore & Marine Division and Investments drove the Group PATMI to a record high of \$564 million, 21 % above 2004.

Offshore & Marine Division's contribution of \$239 million made up about 40% of total earnings and was an improvement of 25% from previous year, from increased activities for existing and new contracts.

Keppel Land's earnings were 16% above 2004 with higher contribution from overseas. However earnings from Caribbean at Keppel Bay were lower in 2005 after the relaunch in 2004. As a result, Property Division's PATMI at \$118 million were at the same level as 2004.

Infrastructure suffered losses of \$34 million mainly because of cost for the redeployment of the power barges to Ecuador. Earnings from Keppel Integrated Engineering were modest.

Investments' contribution grew significantly by 77%, largely attributed to the sterling performance of SPC and improved profitability of M1 and k1.

15. INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual. (excluding transactions less than \$100,000)	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Transaction for the Sale of Goods and Services				
National University Hospital	-	-	3,877	-
PSA Corporation Group	-	-	92	76,750
SembCorp Marine Group	-	-	165	1,781
SembCorp Industries Group	-	-	-	400
Singapore Airlines Group	-	-	8	14,897
Singapore Telecommunications Group	-	-	-	4,900
Transaction for the Purchase of Goods and Services				
Mapletree Investments Pte Ltd	-	-	362	467
PowerGas Limited	-	-	9,500	-
Transaction for the Acquisition of Companies				
Hong Lim Investments Pte Ltd	8,533	-	-	-
Total Interested Person Transactions	8,533	-	14,004	99,195

BY ORDER OF THE BOARD

CAROLINE CHANG
Company Secretary

26 January 2006