



**SIA Engineering Company Limited
and its Subsidiary Companies
Registration Number: 198201025C**

Annual Report
Year ended 31 March 2023

SIA Engineering Company Limited and its Subsidiary Companies

Directors' statement

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2023.

In our opinion:

- (a) the financial statements set out on pages 19 to 107 are drawn up so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Company as at 31 March 2023, and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date in accordance with the provisions of the Companies Act 1967, Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS"); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

1. DIRECTORS OF THE COMPANY

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

Tang Kin Fei	Chairman (Independent)
Goh Choon Phong	(Non-independent)
Ng Chin Hwee	(Non-independent, Chief Executive Officer)
Raj Thampuran	(Independent)
Wee Siew Kim	(Independent)
Mak Swee Wah	(Non-independent)
Chin Yau Seng	(Non-independent)
Chua Bin Hwee	(Independent)
Lim Kong Puay	(Independent)
Chong Chuan Neo	(Independent, from 1 October 2022)
Tan Tze Gay	(Independent, from 28 October 2022)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangements to which the Company was a party, whereby Directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed under "Directors' Interests in Ordinary Shares and Debentures" and "Equity Compensation Plans of the Company" in this statement. Directors of the Company who are employees of the Company's immediate holding company, Singapore Airlines Limited ("SIA"), or its subsidiaries, also participate in SIA's Equity Compensation Plans, as disclosed in this statement.

SIA Engineering Company Limited and its Subsidiary Companies

Directors' statement

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES

The following Directors who held office at the end of the financial year had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Companies Act 1967 (the "Act"), interests (direct and deemed) in the following ordinary shares, awards and debentures of the Company and of related corporations:

Name of Director	Direct interest		Deemed interest	
	1.4.2022/date of appointment	31.3.2023	1.4.2022/date of appointment	31.3.2023
Interest in Singapore Airlines Limited				
<u>Ordinary shares</u>				
Goh Choon Phong	3,408,955	3,806,779	–	–
Ng Chin Hwee	957,642	999,234	–	–
Mak Swee Wah	1,001,974	1,184,798	–	–
Chin Yau Seng	232,360	346,907	–	–
Chua Bin Hwee	–	–	30,000	30,000
Chong Chuan Neo	–	–	18,000	18,000
Tan Tze Gay	23,000	23,000	–	–
<u>Conditional award of Restricted Share Plan ("RSP") shares⁽¹⁾</u>				
Goh Choon Phong				
– Base Awards	102,850	93,494	–	–
– Final Awards (Pending Release)	77,792	121,978	–	–
Ng Chin Hwee				
– Final Awards (Pending Release)	6,472	–	–	–
Mak Swee Wah				
– Base Awards	51,425	46,747	–	–
– Final Awards (Pending Release)	37,412	60,383	–	–
Chin Yau Seng				
– Base Awards	38,160	34,689	–	–
– Final Awards (Pending Release)	20,389	41,182	–	–
<u>Conditional award of Performance Share Plan ("PSP") shares⁽²⁾</u>				
Goh Choon Phong				
– Base Awards	424,110	429,517	–	–
Ng Chin Hwee				
– Base Awards	56,772	–	–	–
Mak Swee Wah				
– Base Awards	176,625	176,988	–	–
Chin Yau Seng				
– Base Awards	79,208	79,204	–	–
<u>Conditional award of transformation restricted shares⁽³⁾</u>				
Ng Chin Hwee				
– Final Awards (Pending Release)	13,500	–	–	–

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Directors' statement

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

Name of Director	Direct interest		Deemed interest	
	1.4.2022/date of appointment	31.3.2023	1.4.2022/date of appointment	31.3.2023
Interest in Singapore Airlines Limited				
<u>Conditional award of Strategic restricted shares⁽⁴⁾</u>				
Goh Choon Phong				
– Final Awards (Pending Release)	123,225	122,125	–	–
Mak Swee Wah				
– Final Awards (Pending Release)	57,475	56,650	–	–
Chin Yau Seng				
– Final Awards (Pending Release)	32,850	41,650	–	–
<u>\$600 million 3.16% Notes due 2023</u>				
Tang Kin Fei	\$250,000	\$250,000	–	–
<u>2020 \$3.496 billion Mandatory Convertible Bonds due 2030</u>				
Ng Chin Hwee	\$80,000	–	–	–
Tan Tze Gay	\$26,110	–	–	–
<u>2021 \$6.197 billion Mandatory Convertible Bonds due 2030</u>				
Goh Choon Phong	\$500,000	\$500,000	–	–
Tan Tze Gay	\$48,070	\$48,070	–	–
Interest in SIA Engineering Company Limited				
<u>Ordinary shares</u>				
Tang Kin Fei	–	–	20,000	20,000
Ng Chin Hwee	65,400 ⁽⁵⁾	229,800	–	–
Tan Tze Gay	5,000	5,000	–	–
<u>Conditional award of RSP shares⁽¹⁾</u>				
Ng Chin Hwee				
– Initial Awards	142,800	143,300	–	–
– Final Awards (Pending Release)	110,660	159,940	–	–
<u>Conditional award of PSP shares⁽²⁾</u>				
Ng Chin Hwee				
– Initial Awards	354,800	530,000	–	–
<u>Conditional award of deferred restricted shares⁽⁶⁾</u>				
Ng Chin Hwee				
– Initial Awards	122,970 ⁽⁶⁾	122,970 ⁽⁶⁾	–	–
– Final Awards (Pending Release)	–	113,162 ⁽⁷⁾	–	–
Interest in Astrea IV Pte. Ltd.				
<u>\$242 million 4.35% Class A-1 Secured Fixed Rate Bonds due 2028</u>				
Chin Yau Seng	\$133,000	\$133,000	–	–
Tan Tze Gay	\$8,000	\$8,000	–	–

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Directors' statement

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

Name of Director	Direct interest		Deemed interest	
	1.4.2022/date of appointment	31.3.2023	1.4.2022/date of appointment	31.3.2023
Interest in Astrea V Pte. Ltd.				
<u>\$315 million 3.85% Class A-1 Secured Fixed Rate Bonds due 2029</u>				
Ng Chin Hwee	\$5,000	\$5,000	–	–
Tan Tze Gay	\$5,000	\$5,000	–	–
<u>US\$140 million Class B 5.75% Secured Fixed Rate Bonds due 2029</u>				
Ng Chin Hwee	US\$200,000	US\$200,000	–	–
Interest in Astrea VI Pte. Ltd.				
<u>US\$130 million Class B 4.35% Secured Fixed Rate Bonds due 2031</u>				
Ng Chin Hwee	US\$200,000	US\$200,000	–	–
Interest in Astrea 7 Pte. Ltd.				
<u>US\$200 million 6% Class B Secured Fixed Rate Bonds due 2032</u>				
Chin Yau Seng	–	US\$298,000	–	–
<u>\$526 million 4.125% Class A-1 Secured Fixed Rate Bonds due 2032</u>				
Tan Tze Gay	\$100,000	\$100,000	–	–
Interest in CapitaLand Ascendas REIT				
<u>Units</u>				
Tan Tze Gay	10,000	10,000	–	–
<u>\$208 million 3.468% Green Fixed Rate Notes due 2029</u>				
Tan Tze Gay	\$250,000	\$250,000	–	–
Interest in CapitaLand Ascott Trust				
<u>Units</u>				
Tan Tze Gay	12,310	12,310	–	–
Interest in CapitaLand China Trust				
<u>Units</u>				
Ng Chin Hwee	77,300	77,300	–	–
Tan Tze Gay	5,786	5,786	–	–
Interest in CapitaLand Integrated Commercial Trust				
<u>Units</u>				
Goh Choon Phong	10,237	10,237	–	–
Ng Chin Hwee	1,082	1,082	–	–
Chua Bin Hwee	62,250 ⁽⁸⁾	71,470 ⁽⁸⁾	–	–
Tan Tze Gay	17,995	17,995	21,550	21,550
Interest in CapitaLand Investment Limited				
<u>Ordinary shares</u>				
Goh Choon Phong	35,000	35,000	–	–
Ng Chin Hwee	7,000	7,000	–	–
Tan Tze Gay	38,605	38,605	139,336	139,336

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Directors' statement

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

Name of Director	Direct interest		Deemed interest	
	1.4.2022/date of appointment	31.3.2023	1.4.2022/date of appointment	31.3.2023
Interest in CapitaLand Investment Limited				
<u>S\$400 million 3.33% Fixed Rate Senior Notes due 2027</u>				
Goh Choon Phong	–	\$250,000	–	–
Interest in Mapletree Australia Commercial Private Trust				
<u>Units in Stapled Securities</u>				
<u>Mapletree QL Trust</u>				
Chua Bin Hwee	75,000	75,000	–	–
<u>Mapletree ROA Trust</u>				
Chua Bin Hwee	375,000	375,000	–	–
Interest in Mapletree Europe Income Trust				
<u>Units</u>				
Ng Chin Hwee	591	591	–	–
Interest in Mapletree Global Student Accommodation Private Trust				
<u>Units</u>				
<u>Class A (USD)</u>				
Goh Choon Phong	4,823	4,823	–	–
Ng Chin Hwee	1,600	1,600	–	–
<u>Class B (GBP)</u>				
Goh Choon Phong	4,823	4,823	–	–
Ng Chin Hwee	1,600	1,600	–	–
Interest in Mapletree Industrial Trust				
<u>Units</u>				
Tang Kin Fei	50,000	50,000	–	–
Wee Siew Kim	74,400	169,101	–	–
Ng Chin Hwee	70,200	70,200	–	–
Tan Tze Gay	3,118	3,118	–	–
Interest in Mapletree Logistics Trust				
<u>Units</u>				
Tang Kin Fei	40,000	40,000	–	–
Ng Chin Hwee	7,500	7,500	–	–
Tan Tze Gay	23,500	23,500	114,900	114,900
Interest in Mapletree North Asia Commercial Trust⁽⁹⁾				
<u>Units</u>				
Lim Kong Puay	20,000	–	–	–
Interest in Mapletree Pan Asia Commercial Trust (formerly known as Mapletree Commercial Trust)⁽⁹⁾				
<u>Units</u>				
Ng Chin Hwee	48,800	48,800	–	–
Wee Siew Kim	45,312	45,312	–	–
Tan Tze Gay	36,192	36,192	115,000	115,000

SIA Engineering Company Limited and its Subsidiary Companies

Directors' statement

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

Name of Director	Direct interest		Deemed interest	
	1.4.2022/date of appointment	31.3.2023	1.4.2022/date of appointment	31.3.2023
Interest in Mapletree Treasury Services Limited				
<u>\$700 million 3.95% Perpetual Securities</u>				
Tang Kin Fei	\$500,000	\$500,000	–	–
Tan Tze Gay	\$250,000	\$250,000	–	–
Interest in Mapletree US & EU Logistics Private Trust				
<u>Units</u>				
<u>(USD)</u>				
Ng Chin Hwee	185	185	–	–
Wee Siew Kim	300	300	–	–
Chua Bin Hwee	200	200	–	–
<u>(EUR)</u>				
Ng Chin Hwee	185	185	–	–
Wee Siew Kim	300	300	–	–
Chua Bin Hwee	200	200	–	–
Interest in Mapletree US Income Commercial Trust				
<u>Units</u>				
Chua Bin Hwee	150	150	–	–
Interest in Mapletree US Logistics Private Trust				
<u>Units</u>				
Chua Bin Hwee	100	100	–	–
Interest in Olam International Limited				
<u>Ordinary shares</u>				
Ng Chin Hwee	2,000	2,000	–	–
<u>\$250 million 5.375% Perpetual Securities</u>				
Tan Tze Gay	\$250,000	\$250,000	–	–
Interest in Paragon REIT				
<u>Units</u>				
Tan Tze Gay	2,782	2,782	210,000	210,000
Interest in Sembcorp Marine Ltd⁽¹⁰⁾				
<u>Ordinary shares</u>				
Tang Kin Fei	43,820,281	–	–	–
Ng Chin Hwee	87,723	–	–	–
Lim Kong Puay	429,712	–	–	–
Interest in Singapore Technologies Engineering Limited				
<u>Ordinary shares</u>				
Tang Kin Fei	100,000	100,000	50,000	50,000
Goh Choon Phong	6,000	6,000	–	–
Tan Tze Gay	30,011	30,011	120,046	120,046

SIA Engineering Company Limited and its Subsidiary Companies

Directors' statement

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

Name of Director	Direct interest		Deemed interest	
	1.4.2022/date of appointment	31.3.2023	1.4.2022/date of appointment	31.3.2023
Interest in Singapore Technologies Telemedia Pte Ltd				
<u>\$500 million 4.2% Perpetual Securities</u>				
Tan Tze Gay	\$500,000	\$500,000	–	–
Interest in Singapore Telecommunications Limited				
<u>Ordinary shares</u>				
Tang Kin Fei	30,190	30,190	190	190
Goh Choon Phong	1,610	1,610	–	–
Ng Chin Hwee	2,840	2,840	1,360	1,360
Raj Thampuran	600	600	–	–
Wee Siew Kim	501,838	501,838	190	190
Mak Swee Wah	1,550	1,550	1,180	1,180
Chin Yau Seng	100,000	100,000	–	–
Lim Kong Puay	15,000	15,000	–	–
Tan Tze Gay	13,755	13,755	61,360	61,360
Interest in StarHub Ltd				
<u>Ordinary shares</u>				
Wee Siew Kim	72,600	72,600	–	–
Interest in Temasek Financial (IV) Private Limited				
<u>\$500 million 2.7% Notes due 2023</u>				
Lim Kong Puay	\$7,000	\$7,000	–	–
<u>\$500 million 1.8% Bonds due 2026</u>				
Tan Tze Gay	\$66,000	\$66,000	–	–
Interest in Vertex Venture Holdings Ltd				
<u>\$450 million 3.3% Notes due 2028</u>				
Tan Tze Gay	\$250,000	\$250,000	–	–
Interest in Vertex Technology Acquisition Corporation Ltd				
<u>Ordinary shares</u>				
Tan Tze Gay	–	–	10,000	10,000
<u>Options</u>				
Tan Tze Gay	–	–	3,000	3,000

Notes:

- The actual number of RSP Final Awards of fully paid ordinary shares will range from 0% to 150% of the Base Awards or Initial Awards and is contingent on the achievements against targets over the one-year performance period relating to the relevant awards.
- The actual number of PSP Final Awards of fully paid ordinary shares will range from 0% to 200% of the Base Awards or Initial Awards and is contingent on the achievements against targets over the three-year performance periods relating to the relevant awards.
- The Transformation Share Award of fully-paid ordinary shares will partially vest after a one-year performance period commencing from the date of grant of the award. The actual number of Final Awards will range from 0% to 200% of the Base Awards and will vest over three years with 50% vesting after the end of the first year, and the balance at 25% over the next two years. On the vesting date, an additional kicker equivalent to 20% of the Final Awards will be settled with the participants.
- The Final Strategic Award of fully-paid ordinary shares will vest over two years with 50% vesting immediately upon the date of grant, and the balance at 25% over the next 2 years. On the final vesting date, an additional equity kicker equivalent to 20% of the Final Award will be settled with the participants.
- 10,000 ordinary shares are held in the name of DBS Nominees (Private) Limited.

Directors' statement

3. DIRECTORS' INTERESTS IN ORDINARY SHARES, SHARE OPTIONS AND DEBENTURES (continued)

Notes (continued):

6. The Deferred Share Award of fully-paid ordinary shares granted in Year 2021 will vest at the end of three years from the date of the grant of the award. At the end of the vesting period, the final award will include the sum of SIAEC share dividend yields declared during the vesting period.
7. The Deferred Share Award of fully-paid ordinary shares were granted in Year 2022. Based on the relevant share settlement of the FY2021/22 Strategic Transformational Incentive Plan ("STIP"), the Initial Award will vest with 1/3rd vesting immediately upon the date of grant, and the balance at 1/3rd over the next 2 years. On the final Vesting Date, there will be an additional equity kicker (Final Award) equivalent to 20% of the Initial Award.
8. Held in the name of Citibank Nominees Singapore Pte Ltd.
9. Following the merger of Mapletree Commercial Trust ("MCT") and Mapletree North Asia Commercial Trust ("MNACT"), MNACT has been delisted from the SGX-ST and MCT has been renamed Mapletree Pan Asia Commercial Trust ("MPACT") with effect from 3 August 2022.
10. Sembcorp Marine Ltd ceased to be a related corporation during the financial year.

Except as disclosed in this statement, no Director who held office at the end of the financial year had interests in ordinary shares or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2023.

4. EQUITY COMPENSATION PLANS OF THE COMPANY

The Company has in place, the Restricted Share Plan ("RSP") and Performance Share Plan ("PSP").

At the date of this statement, the Compensation & HR Committee administering the RSP and PSP comprises the following directors:

Tang Kin Fei – Chairman
Goh Choon Phong
Wee Siew Kim

Restricted Share Plan ("RSP") and Performance Share Plan ("PSP")

Details of the RSP and PSP are disclosed in Note 11 to the financial statements.

At the Extraordinary General Meeting of the Company held on 21 July 2014, shareholders approved the adoption of the SIAEC RSP 2014 and SIAEC PSP 2014.

Under the RSP and PSP, a base number of conditional share awards ("Base Award") is granted to eligible participants annually, dependent on position level and individual performance. Depending on the achievement of pre-determined targets over a one-year performance period for the RSP and a three-year performance period for the PSP, the Compensation & HR Committee will determine an achievement factor which will then be applied to the Base Award to determine the final number of RSP shares and PSP shares to be awarded at the end of the respective performance periods ("Final Award"). The achievement factor could range from 0% to 150% for the RSP and from 0% to 200% for the PSP.

One-third of the RSP Final Awards of fully paid ordinary shares will be released to the participants upon vesting. The balance will be released equally over the subsequent two years with fulfilment of service requirements. All the PSP Final Awards of fully paid ordinary shares will be released to the participants at the end of the three-year performance period.

No awards have been granted to controlling shareholders or their associates, or parent group directors or employees under the RSP and PSP.

4. EQUITY COMPENSATION PLANS OF THE COMPANY (continued)

Deferred Share Awards (“DSA”)

As part of the Strategic Transformational Incentive Plan (“STIP”), the DSA is a share award established with the objective of rewarding, motivating and retaining Key Executives who are responsible for strategic and transformational initiatives. The DSA is granted as a contingent share award under the RSP 2014. The final award, which includes the accumulated dividend yield (based on the sum of SIAEC share dividend yields declared with ex-dividend dates occurring during the vesting period), will cliff vest at the end of three years after the grant date, subject to meeting a service-based condition, and provided that individual performance remains satisfactory.

For DSA shares granted in 2022, the Initial Award will vest with 1/3 vesting immediately upon the date of grant, and the balance at 1/3 over the next two years. Balance will vest equally over the subsequent two years with fulfilment of service requirements and additional dividend kicker upon final vesting.

5. AUDIT COMMITTEE

At the date of this statement, the Audit Committee comprises the following six non-executive directors, five of whom are independent directors:

Quek Bin Hwee – Chairman
Raj Thampuran
Chin Yau Seng
Lim Kong Puay
Chong Chuan Neo (appointed on 1 November 2022)
Tan Tze Gay (appointed on 1 November 2022)

The Audit Committee performed its functions in accordance with Section 201B(5) of the Companies Act 1967, the SGX-ST Listing Manual and the Code of Corporate Governance which include inter alia the review of the following:

- (i) quarterly and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- (ii) audit scopes, plans and reports (including Key Audit Matters) of the external and internal auditors;
- (iii) adequacy and effectiveness of material controls, including financial, operational, compliance and information technology controls;
- (iv) adequacy and effectiveness of the internal audit function, and the effectiveness, independence and objectivity of the external auditors;
- (v) interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual);
- (vi) whistle-blowing programme instituted by the Company; and
- (vii) any material loss of funds.

The Audit Committee has held 4 meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system. The Audit Committee also reviewed Management's internal control adequacy representations that is based on the Control Self-Assessment (“CSA”) System developed. In the review of the audited financial statements of the Group and the Company, the Audit Committee had discussed with Management and the external auditors the accounting principles that were applied and their judgement on the items that might affect the financial statements. Based on the review and discussions with Management and the external auditors, the Audit Committee is of the view that the financial statements are fairly presented in conformity with generally accepted accounting principles in all material aspects.

Directors' statement

5. AUDIT COMMITTEE (continued)

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

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 716 of the SGX-ST Listing Manual.

6. AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board,



TANG KIN FEI
Chairman



NG CHIN HWEE
Chief Executive Officer

8 May 2023



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Independent auditors' report

Members of the Company
SIA Engineering Company Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SIA Engineering Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows of the Group, and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 107.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act"), Singapore Financial Reporting Standards (International) ("SFRS(I)") and International Financial Reporting Standards ("IFRS") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2023 and the consolidated financial performance, consolidated changes in equity of the Group, changes in equity of the Company and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Impairment risk on property, plant and equipment and right-of-use assets (collectively "PPE") and intangible assets

Refer to 2(l) 'Impairment of non-financial assets' and Note 3 'Significant accounting estimates and critical judgements' together with the relevant accounting policies.

Risk

Our response

During the financial year, the economic performance of airframe maintenance, repair and component overhaul ("MRO") and other related businesses saw steady improvement as the industry gradually emerged from the COVID-19 pandemic. Nonetheless, the market conditions post-pandemic remained highly uncertain amidst significant headwinds such as supply chain disruptions, labour shortages and inflationary pressures. Accordingly, there were indications that the PPE deployed across the Airframe Maintenance, Component Service units, and intangible assets from the Group's participative right in Engine Development Programme (collectively, the "Cash-generating units" or "CGUs") may be impaired.

We assessed the appropriateness of the identified CGUs and related non-financial assets deployed therein.

We reviewed the basis and methodology used to derive the recoverable amounts of the CGUs.

We held discussions with senior management to understand the assumptions used in the assessment of the recoverable amounts of the CGUs. These assumptions include revenue growth and work volume of MRO activities in future periods, operating costs and discount rates, as well as productivity gains and cost synergies from the transformation programmes.

There is inherent uncertainty involved in forecasting and discounting future cash flows for the value-in-use assessments. The market challenges brought about by rising costs and supply chain disruptions create additional estimation uncertainty in determining the recoverable amounts for the CGUs.

We evaluated these assumptions by comparing them to past historical performance, revised service agreements with customers, and tracking the key performance indicators of the productivity and cost initiatives implemented. We also challenged management's judgement by assessing the growth trajectory against industry forecast and trends based on publicly available industry reports.

Airframe Maintenance

Airframe Maintenance – Management's value-in-use computation assumed gradual recovery of base maintenance work volumes at the hangars and improved operational and financial performance through revision of service agreements with their customers and the productivity gains and cost synergies from transformation initiatives implemented by the Group.

We stress-tested Management's key assumptions by including additional scenarios more severe than those projected by Management.

We considered the appropriateness of disclosures in the financial statements.

Impairment risk on property, plant and equipment and right-of-use assets (collectively, the "PPE") and intangible assets (continued)

Risk

Our response

The estimated recoverable amount is in excess of the carrying value of the PPE, net of accumulated impairment loss (as brought forward from the previous year). Management has considered sensitivity analysis for recoverable amount from risk of forecasting errors with the prevailing market conditions remaining highly uncertain, neither additional impairment loss nor reversal of previously recognised impairment loss was considered necessary for the current year.

Component Services – No impairment loss on PPE was considered necessary following a review of individual customer contracts, factoring in the contractual revenues secured and the financial performance of existing contracts.

Intangible assets - Engine development costs

The Group has a participative right in an Engine Development Programme with Pratt and Whitney under the PurePower PW1000G Risk Revenue Sharing Programmes.

Management reviewed the performance and outlook of the programme, alongside prevailing market conditions affecting the supply chain in the foreseeable future, including the percentage of achievement of engine delivery against forecasted, to assess for impairment indicators at year end. During the financial year, the actual engine deliveries lagged behind the forecast slightly owing to global supply chain disruptions. Nonetheless, Management expects engine delivery to catch up with Pratt and Whitney's announced plans to accelerate engine production in the near-term, no impairment loss was considered necessary by Management.

Findings

The Group has a process of identifying and reviewing the CGUs for impairment testing. We found the key assumptions applied by Management in the cash flow forecasts, in particular, the revenue growth, work volume of MRO activities and discount rates to be reasonable and consistent with corroborative market evidence. Our independent stress-test outcomes were not contradictory with the overall conclusion reached by Management. We also found disclosures in the financial statements to be appropriate.

Impairment risk on investments in subsidiaries, associated and joint venture companies

Refer to Note 2(l) 'Impairment of non-financial assets', Note 3 'Significant accounting estimates and critical judgements', Notes 18 and 20 - Investments in Subsidiaries and Associated companies, together with the relevant accounting policies.

Risk

The Company holds significant strategic investments with original equipment manufacturers and airlines through joint formation as subsidiaries, associated or joint venture companies.

The Company closely monitors the economic performance of its investments and evaluates the individual investments for impairment (reversal) if an indicator is identified. The assessment takes into consideration the financial positions, operational performances and other qualitative indicators, such as discontinued lines of business and changes in business plans. Such an assessment involves a high degree of judgement and use of estimates.

During the year, the Group recorded reversal of impairment losses of \$2005,000 (Company level: \$3,634,000) for an associate based on the projected recoverable amount upon liquidation.

At the Company level, \$2,700,000 impairment loss was recognised for a subsidiary due to its continued loss-making position since incorporation.

Findings

We found Management's appraisal of the recoverability of the Company's equity investments in subsidiaries, associated and joint venture companies to be appropriate. We also found disclosures in the financial statements to be appropriate.

Our response

We reviewed Management's process for the evaluation of the valuation of its strategic investments.

We held discussions with senior management to review the investees' business strategies, operating models, and their economic performance.

We evaluated Management assumptions supporting the valuation of investments by comparing them to the historical trends, recent performances, industry outlook and Management's expectations of future business developments.

We considered the appropriateness of disclosures in the financial statements.

Recognition of revenue on customer contracts

Refer to Note 2(r) 'Revenue' and Note 3 'Significant accounting estimates and critical judgements' together with the relevant accounting policies.

Risk

The Group's contract revenues are derived mainly from airframe maintenance, line maintenance, inventory technical management and component overhaul and engine repair services (the "MRO Services").

The MRO Services, embedding materials and labour, represent one single performance obligation. Such performance obligation is continuously transferred to customers over time. Revenue is measured using the input method.

The input method involves cost and man-hour estimates. Actual man-hours incurred representing revenue may however be subject to negotiation with customers.

Our response

We tested the controls designed and implemented by the Group over contract evaluation and authorisation, review and approval of project costing, and verification of the input method used to measure revenue.

We reviewed the contractual terms of customer contracts to identify performance obligations and assessed how the fair value of revenue has been recognised and measured, including any revenue-constraint applied by Management.

We challenged the cost and man-hour estimates used by Management and tested them by reference to historical cost experience of comparable contracts. We also reviewed Management's consistent application of the input method to recognise revenue over time.

We verified the data used in the input method and any variable consideration to relevant supporting documents.

We assessed the Group's disclosure of the nature, timing and fulfilment of performance obligations, for revenue recognition.

Findings

We found Management's assumptions applied towards estimating revenue to be appropriate.

Other information

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

We have obtained all other information prior to the date of this auditors' report except for *FY2022/23 At a Glance, Corporate Profile, Chairman's Statement, Corporate Calendar, Board of Directors, Key Executives, The Year in Review, Business Segments, Corporate Governance, Share Price and Turnover, and Shareholding Statistics* ("the Reports"), which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditors' report is Ong Li Qin.

A handwritten signature in blue ink that reads 'KPMG LLP'.

KPMG LLP
*Public Accountants and
Chartered Accountants*

Singapore
8 May 2023

SIA Engineering Company Limited and its Subsidiary Companies

CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 31 March 2023 (in thousands of \$)

	Notes	The Group	
		2022/23	2021/22
REVENUE	4	795,970	566,086
EXPENDITURE			
Staff costs	5	426,408	282,145
Material costs		118,828	80,792
Depreciation	15,16	59,270	59,844
Amortisation of intangible assets	17	4,682	3,490
Company accommodation		18,919	14,523
Subcontract costs		93,020	54,034
Other operating expenses		101,094	93,128
		<u>822,221</u>	<u>587,956</u>
OPERATING LOSS	6	(26,251)	(21,870)
Interest income	7	12,271	1,816
Finance charges		(1,949)	(2,633)
(Loss)/Surplus on disposal of property, plant and equipment and intangible assets		(19)	687
Impairment loss reversal/(allowance) of non-financial assets	15	1,678	(8,405)
Impairment loss reversal/(allowance) of associated companies	20	2,005	(2,145)
Surplus on disposal of associated companies	20	–	2,618
Share of profits of associated companies, net of tax		48,545	49,695
Share of profits of a joint venture company, net of tax		29,269	29,397
PROFIT BEFORE TAXATION		<u>65,549</u>	<u>49,160</u>
Taxation	8	996	18,611
PROFIT FOR THE FINANCIAL YEAR		<u>66,545</u>	<u>67,771</u>
PROFIT ATTRIBUTABLE TO: OWNERS OF THE PARENT		66,389	67,608
Non-controlling interests		156	163
		<u>66,545</u>	<u>67,771</u>
BASIC EARNINGS PER SHARE (CENTS)	9	<u>5.91</u>	<u>6.02</u>
DILUTED EARNINGS PER SHARE (CENTS)	9	<u>5.89</u>	<u>6.00</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SIA Engineering Company Limited and its Subsidiary Companies

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Financial Year Ended 31 March 2023 (in thousands of \$)

	The Group	
	2022/23	2021/22
PROFIT FOR THE FINANCIAL YEAR	66,545	67,771
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		
<u>Item that will not be reclassified to profit or loss:</u>		
Actuarial gain on remeasurement of defined benefit plan	630	73
<u>Items that may be reclassified subsequently to profit or loss:</u>		
Foreign currency translation of foreign operations	(15,025)	4,064
Net fair value adjustment on cash flow hedges	(611)	456
Share of other comprehensive income of associated/joint venture companies	4,261	1,893
	<u>(11,375)</u>	<u>6,413</u>
Other comprehensive (loss)/income, net of tax	<u>(10,745)</u>	<u>6,486</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	<u>55,800</u>	<u>74,257</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
OWNERS OF THE PARENT	55,861	74,039
Non-controlling interests	(61)	218
	<u>55,800</u>	<u>74,257</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SIA Engineering Company Limited and its Subsidiary Companies

BALANCE SHEETS

As at 31 March 2023 (in thousands of \$)

	Notes	The Group		The Company	
		2023	2022	2023	2022
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital	11	420,044	420,044	420,044	420,044
Treasury shares	12	(4,971)	(5,776)	(4,971)	(5,776)
Capital reserve	13	(482)	1,506	(482)	1,506
Share-based compensation reserve	13	5,805	5,110	5,805	5,110
Foreign currency translation reserve	13	(35,351)	(19,843)	–	–
Fair value reserve	13	4,442	92	514	1,125
Equity transaction reserve	13	(2,173)	(2,173)	–	–
General reserve	13	1,278,845	1,211,826	830,720	796,767
		1,666,159	1,610,786	1,251,630	1,218,776
NON-CONTROLLING INTERESTS		10,579	10,620	–	–
TOTAL EQUITY		1,676,738	1,621,406	1,251,630	1,218,776
NON-CURRENT LIABILITIES					
Deferred tax liabilities	14	539	545	–	–
Lease liabilities	31	90,134	38,424	83,256	32,721
Long-term bank loan	32	462	–	–	–
		91,135	38,969	83,256	32,721
		1,767,873	1,660,375	1,334,886	1,251,497
Represented by:					
PROPERTY, PLANT AND EQUIPMENT	15	175,143	156,901	138,829	120,457
RIGHT-OF-USE ASSETS	16	112,382	63,005	104,464	56,841
INTANGIBLE ASSETS	17	40,778	32,786	19,564	11,931
SUBSIDIARY COMPANIES	18	–	–	143,245	135,090
ASSOCIATED COMPANIES	20	452,740	448,469	178,910	175,275
JOINT VENTURE COMPANY	21	232,564	202,756	61,867	61,867
DEFERRED TAX ASSETS	14	17,539	17,603	16,688	16,598
PREPAYMENTS	24	–	3,891	–	–
CURRENT ASSETS					
Trade debtors	22	34,151	35,351	23,785	24,290
Contract assets	23	160,304	124,562	149,100	118,770
Prepayments and other debtors	24	17,756	36,870	6,932	27,320
Amounts owing by immediate holding company	25	43,715	36,465	43,271	36,130
Amounts owing by related parties	26	18,442	20,703	24,760	26,790
Inventories	27	43,359	32,994	25,915	21,140
Short-term deposits	28	603,539	584,007	589,128	570,081
Cash and bank balances	29	29,450	41,470	12,271	13,486
		950,716	912,422	875,162	838,007
Assets held for sale	15	1,516	360	1,516	360
		952,232	912,782	876,678	838,367
Less:					
CURRENT LIABILITIES					
Trade and other creditors	30	162,025	127,897	140,175	108,896
Contract liabilities	23	21,510	12,703	20,760	12,648
Lease liabilities	31	22,570	28,507	20,569	27,254
Amounts owing to related parties	26	1,239	1,456	17,170	11,670
Bank loans	32	2,029	2,801	–	–
Tax payable		6,132	4,454	6,685	4,461
		215,505	177,818	205,359	164,929
NET CURRENT ASSETS		736,727	734,964	671,319	673,438
		1,767,873	1,660,375	1,334,886	1,251,497

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SIA Engineering Company Limited and its Subsidiary Companies

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 March 2023 (in thousands of \$)

	Notes	Attributable to Owners of the Parent							Total	Non-controlling interests	Total equity	
		Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Foreign currency translation reserve	Fair value reserve	Equity transaction reserve				General reserve
The Group												
Balance at 1 April 2022		420,044	(5,776)	1,506	5,110	(19,843)	92	(2,173)	1,211,826	1,610,786	10,620	1,621,406
Profit for the year		–	–	–	–	–	–	–	66,389	66,389	156	66,545
Actuarial gain on remeasurement of defined benefit plan		–	–	–	–	–	–	–	630	630	–	630
Foreign currency translation of foreign operations		–	–	–	–	(14,808)	–	–	–	(14,808)	(217)	(15,025)
Net fair value adjustment on cash flow hedges		–	–	–	–	–	(611)	–	–	(611)	–	(611)
Share of other comprehensive income of associated/joint venture companies	13	–	–	–	–	(700)	4,961	–	–	4,261	–	4,261
Other comprehensive income for the year, net of tax		–	–	–	–	(15,508)	4,350	–	630	(10,528)	(217)	(10,745)
Total comprehensive income for the financial year		–	–	–	–	(15,508)	4,350	–	67,019	55,861	(61)	55,800
Share-based compensation expense	13	–	–	–	4,525	–	–	–	–	4,525	–	4,525
Share awards released	12,13	–	3,830	–	(3,830)	–	–	–	–	–	–	–
Purchase of treasury shares	12	–	(5,013)	–	–	–	–	–	–	(5,013)	–	(5,013)
Treasury shares reissued pursuant to equity compensation plans	12	–	1,988	(1,988)	–	–	–	–	–	–	–	–
Dividends		–	–	–	–	–	–	–	–	–	(1,150)	(1,150)
Total contributions by and distributions to owners		–	805	(1,988)	695	–	–	–	–	(488)	(1,150)	(1,638)
Acquisition of a subsidiary with non-controlling interests	19	–	–	–	–	–	–	–	–	–	1,170	1,170
Total changes in ownerships interests in subsidiary		–	–	–	–	–	–	–	–	–	1,170	1,170
Balance at 31 March 2023		420,044	(4,971)	(482)	5,805	(35,351)	4,442	(2,173)	1,278,845	1,666,159	10,579	1,676,738

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SIA Engineering Company Limited and its Subsidiary Companies

STATEMENTS OF CHANGES IN EQUITY (continued)
For the Financial Year Ended 31 March 2023 (in thousands of \$)

	Notes	Attributable to Owners of the Parent							Total	Non-controlling interests	Total equity	
		Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Foreign currency translation reserve	Fair value reserve	Equity transaction reserve				General reserve
The Group												
Balance at 1 April 2021		420,044	(9,769)	2,772	4,783	(23,809)	(2,300)	(2,173)	1,144,145	1,533,693	10,593	1,544,286
Profit for the year		–	–	–	–	–	–	–	67,608	67,608	163	67,771
Actuarial gain on remeasurement of defined benefit plan		–	–	–	–	–	–	–	73	73	–	73
Foreign currency translation of foreign operations		–	–	–	–	4,009	–	–	–	4,009	55	4,064
Net fair value adjustment on cash flow hedges		–	–	–	–	–	456	–	–	456	–	456
Share of other comprehensive income of associated/joint venture companies	13	–	–	–	–	(43)	1,936	–	–	1,893	–	1,893
Other comprehensive income for the year, net of tax		–	–	–	–	3,966	2,392	–	73	6,431	55	6,486
Total comprehensive income for the financial year		–	–	–	–	3,966	2,392	–	67,681	74,039	218	74,257
Capital contribution		–	–	–	–	–	–	–	–	–	200	200
Share-based compensation expense	13	–	–	–	3,054	–	–	–	–	3,054	–	3,054
Share awards released	12,13	–	2,727	–	(2,727)	–	–	–	–	–	–	–
Treasury shares reissued pursuant to equity compensation plans	12	–	1,266	(1,266)	–	–	–	–	–	–	–	–
Dividends		–	–	–	–	–	–	–	–	–	(391)	(391)
Total contributions by and distributions to owners		–	3,993	(1,266)	327	–	–	–	–	3,054	(191)	2,863
Balance at 31 March 2022		420,044	(5,776)	1,506	5,110	(19,843)	92	(2,173)	1,211,826	1,610,786	10,620	1,621,406

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SIA Engineering Company Limited and its Subsidiary Companies

STATEMENTS OF CHANGES IN EQUITY For the Financial Year Ended 31 March 2023 (in thousands of \$)

	Notes	Share capital	Treasury shares	Capital reserve	Share-based compensation reserve	Fair value reserve	General reserve	Total
The Company								
Balance at 1 April 2022		420,044	(5,776)	1,506	5,110	1,125	796,767	1,218,776
Profit for the year		–	–	–	–	–	33,325	33,325
Other comprehensive income for the year, net of tax:								
Actuarial gain on remeasurement of defined benefit plan		–	–	–	–	–	628	628
Net fair value adjustment on cash flow hedges		–	–	–	–	(611)	–	(611)
Total comprehensive income for the financial year		–	–	–	–	(611)	33,953	33,342
Share-based compensation expense	13	–	–	–	4,525	–	–	4,525
Share awards released	12,13	–	3,830	–	(3,830)	–	–	–
Purchase of treasury shares	12	–	(5,013)	–	–	–	–	(5,013)
Treasury shares reissued pursuant to equity compensation plans	12	–	1,988	(1,988)	–	–	–	–
Total contributions by and distributions to owners		–	805	(1,988)	695	–	–	(488)
Balance at 31 March 2023		420,044	(4,971)	(482)	5,805	514	830,720	1,251,630
Balance at 1 April 2021		420,044	(9,769)	2,772	4,783	669	786,180	1,204,679
Profit for the year		–	–	–	–	–	10,587	10,587
Other comprehensive income for the year, net of tax:								
Net fair value adjustment on cash flow hedges		–	–	–	–	456	–	456
Total comprehensive income for the financial year		–	–	–	–	456	10,587	11,043
Share-based compensation expense	13	–	–	–	3,054	–	–	3,054
Share awards released	12,13	–	2,727	–	(2,727)	–	–	–
Treasury shares reissued pursuant to equity compensation plans	12	–	1,266	(1,266)	–	–	–	–
Total contributions by and distributions to owners		–	3,993	(1,266)	327	–	–	3,054
Balance at 31 March 2022		420,044	(5,776)	1,506	5,110	1,125	796,767	1,218,776

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SIA Engineering Company Limited and its Subsidiary Companies

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Financial Year Ended 31 March 2023 (in thousands of \$)

	Notes	The Group	
		2022/23	2021/22
NET CASH PROVIDED BY OPERATING ACTIVITIES	33	64,609	29,200
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure	15	(48,599)	(18,428)
Purchase of intangible assets	17	(11,034)	(4,861)
Proceeds from disposal of property, plant and equipment and intangible assets		559	1,572
Proceeds from disposal of an associated company, net of cash disposed of		–	3,814
Acquisition of subsidiary, net of cash acquired	19	(4,657)	–
Dividends received from associated companies		36,734	31,881
Interest received from deposits		7,537	1,771
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		(19,460)	15,749
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid by subsidiary companies to non-controlling interests		(1,150)	(391)
Proceeds from issuance of share capital by a subsidiary company to non-controlling interests		–	200
Finance charges paid	33	(61)	(270)
Repayment of lease liabilities	31,33	(30,443)	(28,147)
Proceeds from borrowings	33	3,207	–
Repayment of borrowings	33	(3,645)	(7,135)
Purchase of treasury shares	12	(5,013)	–
NET CASH USED IN FINANCING ACTIVITIES		(37,105)	(35,743)
NET CASH INFLOW		8,044	9,206
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		625,477	615,964
Effect of exchange rate changes		(532)	307
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		632,989	625,477
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Short-term deposits	28	603,539	584,007
Cash and bank balances	29	29,450	41,470
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR		632,989	625,477

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SIA Engineering Company Limited and its Subsidiary Companies

1. GENERAL

SIA Engineering Company Limited (the “Company”) is a limited liability company incorporated in the Republic of Singapore which is also the place of domicile. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Company is a subsidiary company of Singapore Airlines Limited and its ultimate holding company is Temasek Holdings (Private) Limited. Both holding companies are incorporated in the Republic of Singapore.

The registered office of the Company is at 31 Airline Road, Singapore 819831.

The financial statements of the Group as at 31 March 2023 and for the year then ended comprise the Company and its subsidiary companies (together referred to as the ‘Group’ and individually as ‘Group entities’) and the Group’s interest in equity-accounted investees.

The principal activities of the Company are the provision of airframe maintenance, component overhaul services and inventory technical management, the provision of line maintenance and technical ground handling services and investment holdings. The principal activities of the subsidiary companies are disclosed in Note 18 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements for the financial year ended 31 March 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 8 May 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group and the Company are consistent to all periods presented in the financial statements and in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) and International Financial Reporting Standards (“IFRS”), except as explained in Note 2(b) which addresses changes in accounting policies -

(a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with SFRS(I) and IFRS.

All references to SFRS(I)s and IFRSs are subsequently referred to as IFRSs in these financial statements unless otherwise specified.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“SGD”), which is the Company’s functional currency and all financial information presented in SGD have been rounded to the nearest thousand (\$’000), unless otherwise stated.

(b) Changes in accounting policies

New standards and amendments

The Group has applied the following IFRSs, amendments to and interpretations of IFRSs for the first time for the annual period beginning on 1 April 2022:

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)*
- *Reference to the Conceptual Framework (Amendments to IFRS 3)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
- *Annual improvements to IFRSs 2018-2020*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

New standards and amendments (continued)

Other than the amendments relating to *IAS 37: Onerous Contracts – Cost of Fulfilling a Contract*, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

Adoption of *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*

The Group has adopted Amendments to *IAS 37: Onerous Contracts – Cost of Fulfilling a Contract* from 1 April 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group has analysed all contracts existing at 1 April 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at 1 April 2022 as a result of the change.

(c) **New standards and interpretations not adopted**

New standards and amendments to standards that are effective from the Group's financial year ending 31 March 2024 are as follows:

Description	Effective from
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 April 2023
IFRS 17 Insurance Contracts	1 April 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 April 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 April 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 April 2023

The Group and the Company are in the process of assessing the impact of the new IFRSs, interpretations and amendments to new IFRSs on its financial statements. The application of these amendments to standards and interpretations is not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

(d) **Basis of consolidation**

Business combinations are accounted for by applying the acquisition method when the acquired set of activities and assets meets the definition of business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset of group of similar identifiable assets. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are recognised as expenses as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2(f). When the amount is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

Any contingent consideration will be recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settled within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Changes in the Company's ownership interest in a subsidiary company that do not result in a loss of control are accounted for as equity transactions and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. In such circumstances, adjustments are based on a proportionate amount of the net assets of the subsidiary companies.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in the consolidated financial statements. Unrealised gains arising from transactions with associated and joint venture companies are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Subsidiary, associated and joint venture companies

In the Company's separate financial statements, investments in subsidiary, associated and joint venture companies are accounted for at cost less accumulated impairment losses.

A subsidiary company is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiary companies are included in the consolidated financial statements from the date the control commences until the date the control ceases.

The accounting policies of subsidiary companies have been changed when necessary to align them with policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Subsidiary, associated and joint venture companies (continued)

An associated company is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies of the entity. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

A joint venture company is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group accounts for its investments in associated and joint venture companies using the equity method, initially at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of associated and joint venture companies, until the date on which significant influence or joint control ceases. Dividends reduce the carrying amounts of the investments.

When the Group's share of losses in an associated or joint venture company equals or exceeds its interest in the associated or joint venture company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated or joint venture company.

The most recently available audited financial statements of the associated and joint venture companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Otherwise, an estimate is made for the balances to the end of the accounting period based on historical experience and adjusting for the effects of known significant transactions. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures the retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

(f) Intangible assets

Computer software

Acquired computer software is stated at cost less accumulated amortisation and accumulated impairment losses.

Engine development costs

This relates to the Group's share of engine programme assets including development costs made in connection with its participation in aircraft engine development projects with other companies. This is measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangible assets (continued)

Goodwill (continued)

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

In the Group's balance sheet, the investments in associates include goodwill on acquisition identified on acquisitions completed on or after 1 April 2001. Goodwill arising from business combinations before 1 April 2001 was previously written-off directly to reserves in the year of acquisition.

Subsequent expenditure

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

Others

Licences acquired in business combinations are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss account on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

- Computer software 3 – 5 years
- Licences 3 years

For engine programme assets including development costs, amortisation begins only when assets are available for use. These engine programme assets including development costs are amortised on a straight-line basis over a maximum of 39 years, the expected project life from the start of aircraft engine sales through post-sales maintenance service periods.

Assets under construction are not amortised. Amortisation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted, if appropriate.

(g) Foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into SGD at rates prevailing at the dates of those transactions.

All foreign currency monetary assets and liabilities are translated into SGD using year-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Foreign currencies (continued)

Foreign currency transactions (continued)

The foreign currency gain or loss on monetary assets and liabilities is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency re-translated at the exchange rate at the end of the year.

Foreign currency differences are recognised in profit or loss, except for qualifying cash flow hedges which are recognised in other comprehensive income and deferred to equity.

Foreign operations

For the purpose of the consolidated financial statements, the net assets of the foreign subsidiary, associated and joint venture companies are translated into SGD at the rates prevailing at the reporting date. The financial results of foreign subsidiary, associated and joint venture companies are translated monthly into SGD at the prevailing exchange rates. The resulting gains or losses on exchange are recognised in other comprehensive income and accumulated under foreign currency translation reserve.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, and translated into SGD at the closing rate at the end of the reporting period.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity, except to the extent that the foreign currency differences are allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary company while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associated or a joint venture company while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(h) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When parts of a property, plant and equipment have different useful lives, they are accounted for as separate components. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment are also capitalised. The accounting policy for borrowing costs is set out in Note 2(t).

When assets are sold or retired, their costs, accumulated depreciation and accumulated impairment loss, if any, are removed from the financial statements and any gain or loss resulting from their disposal is included in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

(ii) Depreciation of property, plant and equipment

Depreciation is based on the cost of an asset less its residual value. Operational lives, residual values and depreciation method are reviewed annually, and adjusted prospectively, if appropriate. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised from the date the property, plant and equipment are installed and ready for use.

Assets under construction are not depreciated as they are not yet available for use.

Fully depreciated assets are retained in the financial statements until they are no longer in use. No depreciation is charged after assets are depreciated to their residual values.

Property, plant and equipment type	Useful lives	Residual values
Leasehold land and buildings	Shorter of lease period or 30 years	Nil
Plant, equipment and engine overhaul tooling	1– 15 years	Nil
Aircraft rotatable spares	3 – 15 years	Nil
Office furniture, computer equipment and motor vehicles	1 – 7 years	Nil

(i) Leases

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

(i) As a lessee

The Group recognises a right-of-use (“ROU”) asset and lease liability at the lease commencement date.

ROU asset

ROU asset is initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimated cost to restore the underlying asset, less any lease incentive received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

(i) As a lessee (continued)

ROU asset (continued)

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

Lease liability

The initial measurement of lease liability is measured at the present value of the unpaid lease payments discounted using the implicit rate in the lease, or if the rate cannot be easily determined, the Group shall use its incremental borrowing rate. The Group determines its incremental borrowing rate by obtaining interest rate from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments comprise the following:

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Group's estimate of the residual value guarantees, extension or termination options, or there is a revision to an in-substance fixed payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected not to separate lease and non-lease components for property leases and has elected to account for these as one single lease component.

Interest expense arising from lease liabilities are included in repayment of leases under cash flow from financing activities in the consolidated statement of cash flows.

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

(i) As a lessee (continued)

Short-term leases and leases of low-value assets

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

COVID-19 related rent concessions

The Group has applied *COVID-19-Related Rent Concessions* (Amendments to IFRS 16). The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assess whether there is a lease modification.

(ii) As a lessor

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

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

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

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

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease (see Note 2(l)).

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

(i) Recognition and initial measurement

A financial asset or financial liability (except for trade receivable without a significant financing component) is initially measured at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

For equity investments that are not held for trading, the Group may irrevocably elect on initial recognition to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

(i) Amortised cost: A non-equity financial asset can be measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) FVOCI: A non-equity financial asset can be measured at FVOCI only if it meets both of the following conditions:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) FVTPL: All other financial assets are classified as measured at FVTPL. Financial assets that are held for trading and whose performance is evaluated on a fair value basis, are measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset, that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Business model assessment (continued)

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

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

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

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

Reclassifications

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

Financial liabilities

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

(iii) Derecognition

Financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iii) Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of the (i) consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income, in respect of equity investment securities designated as at FVOCI, is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition, that is created or retained by the Group, is recognised as a separate asset or liability.

Financial liabilities

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

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(v) Impairment

Expected credit loss ("ECL")

The Group recognises loss allowances for ECL on financial assets measured at amortised cost and contract assets.

Simplified approach

The Group applies the simplified approach to provide for loss allowances for trade debtors, contract assets and amounts owing by related parties to be always measured at an amount equal to lifetime ECL.

General approach

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

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(v) Impairment (continued)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

12-month ECL is the portion of lifetime ECL that results from the default events on a financial instrument that are possible within the 12 months after the reporting date. The lifetime ECL is the expected credit loss over the term of the financial instrument, and is the shortfall of the probability weighted net present value of cash flows as compared to the carrying value of the non-equity financial asset.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

Credit-impaired financial assets

At each reporting date, the Group assesses whether non-equity financial assets that are carried at amortised cost and non-equity financial assets that are carried at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECLs in the balance sheet

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

Write-off

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

(vi) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are remeasured at their fair values.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(vi) Derivative financial instruments and hedge accounting (continued)

Designation of hedges

The Group designates certain derivatives as well as non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedge, the economic relationship between the hedge instrument and the hedged item, the effects of credit risk on the hedge, the hedge ratio and the hedge type (cash flow or fair value)-

Designation of a risk component of a hedged item, is permitted provided that it is a separable identifiable component of the item, and the changes in the cash flows or the fair value of the item attributable to changes in the risk component is reliably measurable.

At the inception of the hedge relationship, the Group makes an assessment of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value, or cash flows of the respective hedged item during the period for which the hedge is designated. For a cash flow hedge of a forecast transaction, the Group also assesses whether the forecast transaction is highly probable to occur and if it presents an exposure to variations in cash flows that could ultimately affect profit or loss.

The hedge effectiveness assessment is an assessment of the economic relationship between the hedged item and the hedging instrument, and is therefore only forward looking. There is no prescribed quantitative hedge effectiveness threshold. Hedge effectiveness is the extent to which the fair value of the hedging instrument offset changes in the fair value of the hedged item.

The time value of an option is excluded from the designation of a financial instrument and is accounted for as a cost of hedging. The fair value changes related to time value are recognised in other comprehensive income and depending on the nature of the hedged item, will either be transferred to profit or loss in the same period that the underlying transaction affects profit or loss, or be capitalised into the initial carrying value of a hedged item.

Cash flow hedges

When a derivative is designated in a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the fair value reserve. Any ineffective portion of changes in the fair value of the derivative (i.e. the extent to which changes in the fair value of the hedge instrument are greater than the changes in fair value of the hedged item) is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and depending on the nature of the hedged item, will either be transferred to profit or loss in the same period that the underlying transaction affects profit or loss or be capitalised in the initial carrying amount of a hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the fair value reserve remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Where the carrying amount of an asset or its related CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For non-financial assets excluding goodwill and those with indefinite lives, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for warranty claims is made for airframe maintenance and component overhaul services based on past experience of the level of repairs.

(n) Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital, net of any tax effect.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Treasury shares

When shares are reacquired by the Company, the amount of consideration paid which includes directly attributable costs, net of any tax effect, 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 pursuant to equity compensation plans, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised in the capital reserve. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

(p) Assets held for sale

Non-current assets that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets classified as held for sale (held for distribution) are generally measured at the lower of their carrying amount and fair value less costs to sell (fair value less costs to distribute).

Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

(q) Taxation

(i) Current income tax

Tax recoverable and tax liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to, respectively, the tax authorities using tax rates enacted or substantively enacted at balance sheet date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax is provided, using the balance sheet method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are not recognised for:

- Temporary differences on the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- Temporary differences associated with investments in subsidiary and joint venture companies, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Taxation (continued)

(ii) Deferred tax

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

(iii) Indirect taxes

Revenues, expenses and assets are recognised net of the amount of indirect tax except:

- Where the indirect tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the indirect tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of indirect tax included.

The net amount of indirect tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheets.

(r) Revenue

Revenue from services rendered in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised services. The transaction price may be fixed or variable. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue (continued)

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

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

Airframe and line maintenance

Revenue from airframe and line maintenance includes airframe maintenance, line maintenance and inventory technical management.

Revenue from airframe maintenance is recognised over time using input method to reflect the progress of the projects completed to date. The progress of the projects is determined based on the number of man-hours incurred to-date against the estimated man-hours needed to complete the projects. Billing for airframe services are either on a fixed price or “as incurred basis”. The fixed price charges are generally due prior to aircraft redelivery. For services that are charged on “as incurred” basis, they are payable within 30 – 90 days.

Revenue from line maintenance includes aircraft certification and technical ground handling and is recognised over the duration of the services rendered. Invoices are issued bi-monthly or monthly or upon rendering of services. The invoices are payable within 30 – 90 days.

For inventory technical management, billings to customers are based on flying hours and/or fixed contractual prices and revenue is recognised over time when services are being performed. The charges are billed in advance using estimated flying hour or billed in arrears using actual flying hours or upon rendering of services. The invoices are payable within 30 – 90 days.

Engine and component

Revenue from engine and component includes engine and component overhaul and is recognised over time using input method as to reflect the progress of repair services completed to date. Invoices are issued upon rendering of services and are payable within 30 – 90 days.

The Group and Company exercised judgement in applying the estimated variable consideration based on experience with customers. A general provision for expected claims by customers is made based on historical experience. Additionally, the Group and Company make specific provisions at each reporting period for failure to adhere to specific conditions under each customer contract. The Group and Company review their estimates of expected claims at each reporting date and update the amounts of the provisions accordingly.

(s) Income from investments

Dividend income from investments is recognised when the Group’s right to receive the payment is established.

Interest income from fixed deposits is recognised using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(u) Government grants

Government grants that compensate the Group for expenses incurred are recognised in profit or loss, net of these expenses on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

(v) Employee benefits

Equity compensation plans

Employees of the Group receive remuneration in the form of share awards as consideration for services rendered.

The Company has implemented the Restricted Share Plan, Performance Share Plan and Deferred Share Awards for the award of fully paid ordinary shares to key senior management and senior executives, after pre-determined performance or service conditions are accomplished.

Details of the plans are disclosed in Note 11 to the financial statements.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share awards are granted. In valuing the share awards, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company and non-vesting performance conditions.

This cost is recognised in profit or loss as share-based compensation expense, with a corresponding increase in the share-based compensation reserve, over the vesting period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

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

The share-based compensation reserve is transferred to general reserve upon cancellation or expiry of the vested awards. When the awards are released, the share-based compensation reserve is transferred to share capital when new shares are issued, or to treasury shares if the awards are satisfied by the reissuance of treasury shares.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee benefits (continued)

Defined benefit plans

The Group contributes to several defined benefit pension and post employment benefit plans for some of the regular employees. The cost of providing benefits includes the Group's contribution for the year plus any unfunded liabilities under the plans, which is determined separately for each plan. Contributions to the plans over the expected average remaining working lives of the employees participating in the plans are recognised as expense in profit or loss.

Remeasurements comprising actuarial gains and losses, and the return on plan assets are recognised immediately in other comprehensive income in the period in which they arise. All expenses related to the defined benefit plans are recognised as an expense in profit or loss. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Defined contribution plans

As required by law, companies in Singapore make contributions to the Central Provident Fund scheme ("CPF") in Singapore, a defined contribution scheme. Certain of the Group's subsidiary companies outside Singapore make contributions to their respective country's defined contribution pension schemes. Such contributions are recognised as expenses in the period in which the related services are performed.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(w) Segmental reporting

For management purposes, the Group is organised into operating segments based on the nature of the services provided which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to Management of the Company that regularly reviews the segments' results in order to allocate resources to the segments and to assess the segments' performance.

Where the equity method investment is a reportable segment, the segment information reviewed by Management is the full financial information of the investee (e.g. total revenue, total profit or loss). Accordingly, the segment disclosures are based on the full financial information of the equity-accounted investees. Relevant elimination of the investees' revenue and results are made to reconcile to the Group consolidated results.

The Company and its subsidiaries operate in Singapore, Philippines, Japan, Malaysia and United States of America. The significant operating segments of the Group are airframe and line maintenance, and engine and component. Additional disclosures on each of these segments are shown in Note 37 including the factors used to identify the reportable segments and the measurement basis of segment information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held and mandatory convertible bonds. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible bonds and share awards granted to employees.

(y) Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGEMENTS

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

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

(a) ECL provision for trade receivables, contract assets and amounts owing by related parties

The Group uses an allowance matrix by age bracket to measure the ECL of trade receivables, contract assets and amounts owing by related parties. The provision rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on common credit risk characteristics.

The Group also assesses at the end of each reporting period whether there is any objective evidence that the receivables and contract balances from individual customers is credit-impaired based on factors such as insolvency, financial difficulties of the customer or significant delays in repayments.

The aggregated carrying amounts of the Group's and Company's trade receivables, contract assets and amounts owing by related parties as at 31 March 2023 were approximately \$212,897,000 (2022: \$180,616,000) and \$197,645,000 (2022: \$169,850,000), respectively.

(b) Depreciation of plant, equipment and engine overhaul tooling, and aircraft rotatable spares

The costs of plant, equipment and engine overhaul tooling, and aircraft rotatable spares are depreciated on a straight-line basis over the expected useful lives. Management estimates the useful lives of these assets to be within 1 to 15 years. The carrying amount of the Group's and Company's plant, equipment and tooling and aircraft rotatable spares as at 31 March 2023 was approximately \$83,823,000 (2022: \$58,460,000) and \$79,184,000 (2022: \$54,112,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

(c) Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND CRITICAL JUDGEMENTS (continued)

(c) Income taxes (continued)

The carrying amounts of the Group's current tax payable and deferred tax liabilities as at 31 March 2023 were approximately \$6,132,000 (2022: \$4,454,000) and \$539,000 (2022: \$545,000) respectively.

The carrying amounts of the Company's current tax payable as at 31 March 2023 was approximately \$6,685,000 (2022: \$4,461,000).

(d) Contract assets

Contract assets refer to services rendered which have not been billed and are stated at cost plus estimated profit earned, according to the estimated progress of the projects completed and total estimated budgeted cost. Management made reference to labour hours incurred and the physical stage of maintenance, repair and overhaul in estimating the progress of the projects completed and budgeted cost. The carrying amounts of the Group's and Company's contract assets as at 31 March 2023 were approximately \$160,304,000 (2022: \$124,562,000) and \$149,100,000 (2022: \$118,770,000) respectively.

(e) Measurement of right-of-use assets and related lease liabilities

The Group and the Company have entered into lease agreements for certain plant and equipment, office furniture and computer equipment and land and buildings. These non-cancellable leases have lease terms of between 1 and 48 years, with some leases containing renewal options. The Group assesses at each lease commencement date whether it is reasonably certain to exercise the extension options. Where the Group assesses it is likely to exercise the extension options available to it, the extensions were included in the measurement of lease liabilities. The carrying amounts of the Group's and Company's right-of-use assets as at 31 March 2023 were approximately \$112,382,000 (2022: \$63,005,000) and \$104,464,000 (2022: \$56,841,000), respectively. The carrying amounts of the Group's and Company's lease liabilities as at 31 March 2023 were approximately \$112,704,000 (2022: \$66,931,000) and \$103,825,000 (2022: \$59,975,000), respectively.

(f) Impairment of non-financial assets

Management performs impairment testing for the following items:

- Property, plant and equipment (refer to Note 15);
- Right-of-use assets;
- Intangible assets, relating to engine development costs (refer to Note 17); and
- Investments in subsidiary, associated and joint venture companies.

Impairment is recognised when events and circumstances indicate that the non-financial assets may be impaired and the carrying amounts of the non-financial assets exceed the recoverable amounts. Recoverable amount is defined as the higher of the non-financial assets' fair value less costs to sell and its value-in-use. In the case of aircraft rotatable spares, the current fair market value is determined based on the disposal value following sale confirmation of the highest bidder from a request-for-bid ("RFB") exercise carried out during the year.

When value-in-use calculations are undertaken, Management estimates the recoverable amount based on a discounted cash flow model. The cash flows are derived from the forecast approved by Management. These cash flow assumptions are premised on Management's assessment of market conditions and outlook relevant to the cash-generating units, and therefore subject to risk of estimation uncertainties.

SIA Engineering Company Limited and its Subsidiary Companies

4. REVENUE (in thousands of \$)

	The Group	
	2022/23	2021/22
Airframe overhaul and line maintenance	644,898	465,770
Engine and component	151,072	100,316
	<u>795,970</u>	<u>566,086</u>

With effect from 1 April 2022, component shop and inventory technical management units previously presented as part of Airframe and line maintenance were integrated into the newly set-up Component Services Division to position the Group for recovery and growth in demand for component MRO business. The new division is presented as part of the engine and component segment. Accordingly, the comparative figures for the financial year ended 31 March 2022 have been restated.

SIA Engineering Company Limited and its Subsidiary Companies

4. REVENUE (in thousands of \$) (continued)

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major service line and timing of revenue recognition.

	Airframe overhaul and line maintenance		Engine and component		Total	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
Primary geographical markets						
East Asia	487,012	369,752	105,617	79,337	592,629	449,089
Europe	67,829	52,078	21,439	4,520	89,268	56,598
South West Pacific	15,971	3,182	2,585	1,666	18,556	4,848
Americas	44,554	22,114	18,033	12,843	62,587	34,957
West Asia and Africa	29,532	18,644	3,398	1,950	32,930	20,594
	644,898	465,770	151,072	100,316	795,970	566,086
Major service line						
Services rendered	644,898	465,770	151,072	100,316	795,970	566,086
Timing of revenue recognition						
Transferred over time	644,898	465,770	151,072	100,316	795,970	566,086

SIA Engineering Company Limited and its Subsidiary Companies

4. REVENUE (in thousands of \$) (continued)

(b) Transaction price allocated to the remaining performance obligations

As at 31 March 2023, the revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date for inventory technical management amounts to approximately \$151,000,000 (2021/22: \$111,000,000) for financial periods 2023/24 to 2025/26 (2021/22: 2022/23 to 2024/25).

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

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

5. STAFF COSTS (in thousands of \$)

	The Group	
	2022/23	2021/22
Salary, bonuses and other costs	377,238	238,263
CPF and other defined contributions	44,444	40,072
Share-based compensation expense	4,726	3,810
	<u>426,408</u>	<u>282,145</u>

The Group contributes to unfunded, non-contributory, defined benefit plans for some of the regular employees. Defined benefit expenses for the Group were approximately \$160,000 (2021/22: \$708,000). As the financial effects of the defined benefit plan are not material to the overall financial statements, no further disclosures of the plan are provided. Disclosures relating to share-based compensation expense are in Note 11.

During the year, staff costs were offset by the following items:

- (a) \$11,894,000 (2021/22: \$71,929,000) of wage support grants extended by the Singapore Government, measured at 10-50% of the qualifying wages recorded by group entities in Singapore; and
- (b) \$Nil (2021/22: \$5,249,000) of wage subsidy under the Payroll Support Program and Employee Retention Credit scheme announced by the United States of America ("USA") Government to support business that were significantly affected by COVID-19. Such scheme was extended to a subsidiary incorporated in USA.

SIA Engineering Company Limited and its Subsidiary Companies

6. OPERATING LOSS (in thousands of \$)

Operating loss for the financial year is arrived at after (crediting)/charging:

	The Group	
	2022/23	2021/22
Impairment loss (reversal)/allowance for trade receivables, contract assets and amounts owing by related parties	(2,106)	93
Net exchange loss/(gain) *	1,491	(473)
Provision for obsolete stocks, net	2,448	2,971
Equipment costs	40,046	31,707
Professional fee paid to a firm in which a director is a member	40	136
Assurance fees		
- Auditors of the Company	302	283
- Other auditors	18	17
Non-assurance fees		
- Auditors of the Company #	20	126

* Amount includes a net fair value loss on forward currency contracts used for hedging purposes of approximately \$8,000 (2021/22: net fair value gain of \$64,000), which was realised in the current financial year. Disclosures relating to fair value changes on derivative financial instruments are in Note 13.

In the prior year, amount includes professional fees relating to the establishment of the Group's Euro Medium Term Note Programme (Note 36 (d)) approximately \$95,000.

7. INTEREST INCOME (in thousands of \$)

	The Group	
	2022/23	2021/22
Deposits placed with immediate holding company	11,638	1,701
Deposits placed with banks	633	115
	12,271	1,816

8. TAXATION (in thousands of \$)

The major components of taxation for the years ended 31 March 2023 and 2022 are as follows:

	The Group	
	2022/23	2021/22
<u>Current tax</u>		
Provision for the financial year	197	(1,159)
Over-provision in respect of prior years	874	1,492
	1,071	333
<u>Deferred tax</u>		
Movement in temporary differences	(1,457)	11,956
Over-provision in respect of prior years	1,382	6,322
	(75)	18,278
Taxation recognised in profit or loss	996	18,611

Deferred tax related to other comprehensive income:

	The Group	
	2022/23	2021/22
Net change in the fair value of derivative financial instruments designated as cash flow hedges	(125)	93
Actuarial gain on revaluation of defined benefit plans	129	-

SIA Engineering Company Limited and its Subsidiary Companies

8. TAXATION (in thousands of \$) (continued)

A reconciliation between taxation and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 March is as follows:

	The Group	
	2022/23	2021/22
Profit before taxation	65,549	49,160
<u>Less:</u> share of results of associated and joint venture companies	(77,814)	(79,092)
	<u>(12,265)</u>	<u>(29,932)</u>
Taxation at statutory tax rate of 17.0%	2,085	5,088
<u>Adjustments</u>		
Income not subject to tax	1,188	14,958
Deferred tax assets not recognised	(268)	(5,115)
Expenses not deductible for tax purposes	(5,277)	(5,125)
Effects of difference in tax rates of other countries	721	458
Over-provision in relation to prior years	2,256	7,814
(Provision)/Writeback of withholding tax expense	(108)	37
Tax incentives	(36)	63
Others	435	433
Taxation	<u>996</u>	<u>18,611</u>

9. EARNINGS PER SHARE

	The Group	
	2022/23	2021/22
Profit attributable to owners of the parent (in thousands of \$)	<u>66,389</u>	<u>67,608</u>
Weighted average number of ordinary shares in issue used for computing basic earnings per share*	1,122,872,605	1,122,234,361
Adjustment for dilutive potential ordinary shares	<u>4,355,127</u>	<u>3,954,714</u>
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	<u>1,127,227,732</u>	<u>1,126,189,075</u>
Basic earnings per share (cents)	<u>5.91</u>	<u>6.02</u>
Diluted earnings per share (cents)	<u>5.89</u>	<u>6.00</u>

* The weighted average number of ordinary shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the financial year.

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the effects of dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: performance shares, restricted shares and deferred shares.

SIA Engineering Company Limited and its Subsidiary Companies

10. DIVIDENDS PAID AND PROPOSED (in thousands of \$)

No dividend was paid in 2022/23 and 2021/22.

The directors propose a final tax exempt (one-tier) dividend of 5.5 cents per share amounting to approximately \$61,709,000 to be paid for the financial year ended 31 March 2023. No tax exempt (one-tier) dividends were proposed for the financial year ended 31 March 2022.

11. SHARE CAPITAL (in thousands of \$)

	The Group and Company			
	Number of shares		Amount	
	2023	2022	2023	2022
Issued and fully paid				
Balance at 1 April and 31 March	1,124,116,360	1,124,116,360	420,044	420,044

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

During the financial year, the Company's release of share awards granted under the restricted and performance share plans and deferred share award were settled by way of issuance of 1,628,003 (2021/22: 1,109,033) treasury shares.

Share-based incentive plans

At the Extraordinary General Meeting of the Company held on 21 July 2014, shareholders approved the adoption of the SIAEC RSP 2014 and SIAEC PSP 2014.

The details of the plans are described below:

	Restricted Share Plan	Performance Share Plan	Deferred Share Award
Plan Description	Award of fully-paid ordinary shares of the Company, dependent on position level and individual performance targets set at the start of a one-year performance period based on Group and Company objectives with some degree of stretch.	Award of fully-paid ordinary shares of the Company, conditional on performance targets set at the start of a three-year performance period based on stretched long-term corporate objectives for senior management.	Conditional share award of fully-paid ordinary shares of the Company under the Restricted Share Plan ("RSP"), which is the part-settlement of the Strategic and Transformational Initiatives Incentive Plan ("STIP") for senior management.
Performance Conditions	<p><u>Awards granted prior to 2021/22</u></p> <ul style="list-style-type: none"> Group and Company EBITDA# Margin Group and Company Value Added per \$ Employment Cost <p><u>Awards granted in and after 2021/22</u></p> <ul style="list-style-type: none"> Achievement based on Company Operating Performance Scorecard <p>The above performance conditions are selected as they are the key operational drivers of shareholder value and are aligned to the Group and Company's business objectives.</p>	<ul style="list-style-type: none"> Absolute Total Shareholder Return (TSR) outperform Cost of Equity (COE) Return on Equity (ROE) Successful Transformation from Financial/Business Perspective (for 2018/19 and 2019/20 Award only) <p>The above performance measures are selected as key measurement of value-creation for shareholders.</p>	None

SIA Engineering Company Limited and its Subsidiary Companies

11. SHARE CAPITAL (in thousands of \$) (continued)

Share-based incentive plans (continued)

	Restricted Share Plan	Performance Share Plan	Deferred Share Award
Vesting Condition	Based on meeting stated performance conditions over a one-year performance period, 1/3 of award will vest provided performance conditions are met. Balance will vest equally over the subsequent two years with fulfilment of service requirements.	Vesting based on meeting stated performance conditions over the three-year performance period.	The Initial Award will vest with 1/3 vesting immediately upon the date of grant, and the balance at 1/3 over the next two years. Balance will vest equally over the subsequent two years with fulfilment of service requirements. Additional dividend kicker upon final vesting.
Payout	0% - 150% depending on the achievement of pre-set performance targets over the performance period.	0% - 200% depending on the achievement of pre-set performance targets over the performance period.	100%

EBITDA denotes Earnings before Interest, Taxes, Depreciation and Amortisation.

The movement of the shares awarded during the financial year is as follows:

RSP

Date of grant	Number of Restricted shares				Balance at 31.3.2023
	Balance at 1.4.2022/ date of grant	Adjustments*	Cancelled	Released	
05.07.2019	258,877	–	(1,600)	(257,277)	–
07.07.2020	801,673	–	(14,316)	(434,595)	352,762
04.01.2021	5,005	–	–	–	5,005
07.07.2021	1,242,618	141,910	(54,818)	(509,052)	820,658
05.11.2021	11,000	–	–	–	11,000
07.07.2022	1,258,888	–	(33,913)	–	1,224,975
25.01.2023	4,700	–	–	–	4,700
	<u>3,582,761</u>	<u>141,910</u>	<u>(104,647)</u>	<u>(1,200,924)</u>	<u>2,419,100</u>

* Adjustments at the end of performance period upon meeting stated performance targets and adjustments for number of days in service for retirees.

SIA Engineering Company Limited and its Subsidiary Companies

11. SHARE CAPITAL (in thousands of \$) (continued)

Share-based incentive plans (continued)

PSP

Date of grant	Number of Performance shares				Balance at 31.3.2023
	Balance at 1.4.2022/ date of grant	Adjustments*	Cancelled	Released	
05.07.2019	273,400	(220,424)	–	(52,976)	–
07.07.2020	422,200	–	–	–	422,200
04.01.2021	7,100	–	–	–	7,100
07.07.2021	346,300	–	–	–	346,300
05.11.2021	9,700	–	–	–	9,700
07.07.2022	357,500	–	–	–	357,500
25.01.2023	4,000	–	–	–	4,000
	<u>1,420,200</u>	<u>(220,424)</u>	<u>–</u>	<u>(52,976)</u>	<u>1,146,800</u>

* Adjustments at the end of performance period upon meeting stated performance targets and adjustments for number of days in service for retirees.

DSA

Date of grant	Number of Deferred shares				Balance at 31.3.2023
	Balance at 1.4.2022/ date of grant	Adjustments*	Cancelled	Released	
05.07.2019	173,278	7,925	–	(181,203)	–
07.07.2020	155,616	–	–	–	155,616
07.07.2021	247,947	–	–	–	247,947
07.07.2022	578,564	–	–	(192,900)	385,664
	<u>1,155,405</u>	<u>7,925</u>	<u>–</u>	<u>(374,103)</u>	<u>789,227</u>

* Adjustments at the end of performance period upon meeting stated performance targets and adjustments for number of days in service for retirees.

Measurement of fair values

The fair value of services received in return for shares awarded is measured by reference to the fair value of shares granted each year under the SIAEC RSP, PSP and DSA. The estimate of the fair value of the services received is measured based on a prospective Monte Carlo simulation model, which involves projection of future outcomes using statistical distributions of key random variables including share price and volatility of returns.

The following table lists the key inputs to the model used for the January 2023, July 2022, July 2021 and January 2021 award:

	January 2023 Award		RSP	July 2022 Award		DSA
	RSP	PSP		PSP	DSA	
Expected dividend yield (%)	Management's forecast in line with dividend policy					
Expected volatility (%)	33.88	33.88	33.73	33.73		24.5-28.10
Risk-free interest rate (%)	3.06 – 4.01	3.06	2.52 – 2.61	2.61		2.52-2.55
Expected term (years)	1.00 – 3.00	3.00	1.00 – 3.00	3.00		2.00
Share price at date of grant (\$)	2.48	2.48	2.40	2.40		2.40

SIA Engineering Company Limited and its Subsidiary Companies

11. SHARE CAPITAL (in thousands of \$) (continued)

Share-based incentive plans (continued)

	RSP	July 2021 Award PSP	RSP	January 2021 Award PSP	DSA
Expected dividend yield (%)	Management's forecast in line with dividend policy				
Expected volatility (%)	33.68	33.68	33.68	31.28	31.28
Risk-free interest rate (%)	0.33 – 0.72	0.72	0.72	0.29 – 0.33	0.31
Expected term (years)	1.00 – 3.00	3.00	3.00	0.50 – 2.50	2.50
Share price at date of grant (\$)	2.20	2.20	2.20	1.99	1.99

For non-market conditions, achievement factors have been estimated based on inputs from the Compensation & HR Committee for the purpose of accrual for the RSP, PSP and DSA until the achievement of the targets can be accurately ascertained.

Based on the Monte Carlo simulation model, the estimated fair value at date of grant for each share granted under the RSP ranges from \$2.16 to \$2.33 (2021/22: \$1.93 to \$2.10), the estimated fair value at date of grant for each share granted under the PSP is \$2.53 (2021/22: \$2.22) and the estimated fair value at date of grant for each share granted under the DSA is \$2.25 to \$2.40 (2021/22: \$1.93).

When estimating the fair value of the compensation cost, market-based performance conditions shall be taken into account. Therefore, for performance share grants with market-based performance conditions, the compensation cost shall be charged to profit or loss on a basis that fairly reflects the manner in which the benefits will accrue to the employee under the plan over the remaining service periods from date of grant to which the performance period relates, irrespective of whether this performance condition is satisfied.

For performance share grants with non-market conditions, the Company revises its estimates of the number of share grants expected to vest and corresponding adjustments are made to profit or loss and share-based compensation reserve.

Under the RSP, PSP and DSA, eligible key executives are required to hold a portion of the shares released to them under a share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

The number of contingent shares granted but not released as at 31 March 2023, were 2,419,100 (2022: 2,319,173), 1,146,800 (2022: 1,058,700) and 789,227 (2022: 576,841) for RSP, PSP and DSA respectively. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 3,033,938 (2022: 2,945,982), 2,293,600 (2022: 2,117,400) and 789,227 (2022: 576,841) fully-paid ordinary shares for RSP, PSP and DSA respectively.

For the current financial year, the Group has provided approximately \$4,726,000 (2021/22: \$3,810,000) in respect of the RSP, PSP and DSA based on the fair values determined on grant date and estimation of share grants that will ultimately vest.

The amounts recognised in profit or loss for share-based compensation transactions with employees are as follows:

	The Group and Company	
	2022/23	2021/22
Share-based compensation expense		
- Restricted share plan	2,517	2,453
- Performance share plan	842	899
- Deferred share award	1,367	458
	<u>4,726</u>	<u>3,810</u>

SIA Engineering Company Limited and its Subsidiary Companies

12. TREASURY SHARES (in thousands of \$)

	The Group and Company	
	2023	2022
Balance at 1 April	(5,776)	(9,769)
Purchase of treasury shares	(5,013)	–
Treasury shares reissued pursuant to equity compensation plans:		
- RSP/PSP/DSA awarded	3,830	2,727
- Loss on reissuance of treasury shares	1,988	1,266
	<u>5,818</u>	<u>3,993</u>
Balance at 31 March	<u>(4,971)</u>	<u>(5,776)</u>

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

During the financial year, the Company purchased 2,150,000 (2021/22: Nil) of its ordinary shares by way of on-market purchases at share prices ranging from \$2.12 to \$2.51 (2021/22: Nil). The total amount paid to purchase the shares was approximately \$5,013,000 (2021/22: Nil) and this is presented as a component within equity attributable to owners of the Parent.

The Company transferred 1,628,003 treasury shares to employees on vesting of share-based incentive plans (2021/22: 1,109,033) on vesting of share-based incentive plans. The number of treasury shares as at 31 March 2023 was 2,126,738 (2022: 1,604,741).

13. OTHER RESERVES (in thousands of \$)

(a) Capital reserve

Capital reserve arises from the gains or losses on the reissuance of treasury shares.

(b) Share-based compensation reserve

Share-based compensation reserve represents the equity-settled share awards granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share awards, and is reduced by the release of share awards.

(c) Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of subsidiaries, joint venture and associated companies whose functional currencies are different from that of the Group's presentation currency.

SIA Engineering Company Limited and its Subsidiary Companies

13. OTHER RESERVES (in thousands of \$) (continued)

(d) Fair value reserve

Fair value reserve records the cumulative fair value changes of financial asset measured at fair value through other comprehensive income ("FVOCI") and the portion of the fair value changes (net of tax) on derivative financial instruments designated as hedging instruments in cash flow hedges that is determined to be an effective hedge.

	The Group 31 March	
	2023	2022
Balance at 1 April	92	(2,300)
Net (loss)/gain on fair value adjustment	(619)	520
Recognised in "other operating expenses" in profit or loss on occurrence of forecast transactions	8	(64)
Share of other comprehensive income of a joint venture company	4,961	1,936
Balance at 31 March	4,442	92

	The Company 31 March	
	2023	2022
Balance at 1 April	1,125	669
Net (loss)/gain on fair value adjustment	(619)	520
Recognised in "other operating expenses" in profit or loss on occurrence of forecast transactions	8	(64)
Balance at 31 March	514	1,125

(e) Equity transaction reserve

The reserve represents the effects of changes in ownership interest in subsidiaries when there is no change in control.

(f) General reserve

General reserve comprises mainly retained earnings of the Group and the Company. Movements in the Group's and the Company's reserves are set out in the Statement of Changes in Equity respectively.

SIA Engineering Company Limited and its Subsidiary Companies

14. DEFERRED TAXATION (in thousands of \$)

Deferred tax relates to the following items:

	The Group				The Company	
	Consolidated balance sheet 31 March		Consolidated income statement		Balance sheet 31 March	
	2023	2022	2022/23	2021/22	2023	2022
<u>Deferred tax liabilities</u>						
Differences in depreciation of property, plant and equipment	15,113	14,130	983	(7,152)	14,137	13,536
Revaluation of forward currency contracts to fair value [#]	105	230	–	–	105	230
Undistributed profits of overseas associated companies	282	174	108	(37)	–	–
Other items	22	22	–	–	–	–
<u>Deferred tax assets</u>						
Actuarial loss on revaluation of defined benefit plans ^{##}	(385)	(514)	–	–	(385)	(514)
Provisions	(3,735)	(4,283)	548	1,199	(3,792)	(4,283)
Unabsorbed capital allowances and tax losses	(27,430)	(26,187)	(1,243)	(12,025)	(26,753)	(25,567)
Other items	(972)	(630)	(321)	(263)	–	–
	<u>(17,000)</u>	<u>(17,058)</u>			<u>(16,688)</u>	<u>(16,598)</u>
Deferred income tax expense			<u>75</u>	<u>(18,278)</u>		

[#] As at 31 March 2023, the Group and Company have deferred tax effects of changes in fair value of derivative financial instruments of approximately \$125,000 (2021/22: \$93,000) which were recognised in other comprehensive income (Refer to Note 8).

^{##} As at 31 March 2023, the Group and Company have deferred tax effects of actuarial loss on revaluation of defined benefit plans of approximately \$129,000 (2021/22: \$Nil) which were recognised in other comprehensive income (Refer to Note 8).

Deferred income tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable. The deferred tax assets of \$1,243,000 recognised during the year (2021/22: \$12,025,000) came from benefits of tax losses and unutilised capital allowances that arose during periods of the COVID-19 pandemic. With expectation of a gradual recovery in flight operations, Management has forecasted certain group entities to be generating future taxable profits in the foreseeable future to utilise these carry-forward tax losses.

As at 31 March 2023, the Group has remaining unrecognised tax losses of approximately \$161,796,000 (2022: \$157,627,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax assets are recognised due to uncertainty of their recoverability. The use of tax losses is subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. In Singapore, these tax losses do not expire under current tax legislation.

Except for deferred tax liabilities recorded on unremitted earnings for certain group entities, the Group has determined the undistributed earnings of the remaining overseas subsidiaries will not be distributed in the foreseeable future. As at 31 March 2023, the unremitted earnings aggregated to \$15,389,000 (2022: \$16,663,000), and the deferred tax liability effect is \$4,617,000 (2022: \$4,999,000).

SIA Engineering Company Limited and its Subsidiary Companies

15. PROPERTY, PLANT AND EQUIPMENT (in thousands of \$)

	Leasehold land and buildings	Plant, equipment & engine overhaul tooling	Aircraft rotable spares	Office furniture and computer equipment	Motor vehicles	Assets under construction #	Total
The Group							
Cost							
At 1 April 2021	290,099	295,805	93,421	67,595	8,323	1,050	756,293
Additions	140	3,179	2,561	518	219	11,811	18,428
Transfers	4,179	2,838	273	1,891	–	(9,181)	–
Disposals	–	(6,475)	(781)	(656)	(226)	–	(8,138)
Exchange differences	276	165	33	14	8	–	496
At 31 March 2022	294,694	295,512	95,507	69,362	8,324	3,680	767,079
Acquisitions through business combinations	–	430	–	129	–	–	559
Additions	951	4,168	36,969	670	360	5,481	48,599
Transfers	16	464	8	3,940	–	(4,428)	–
Disposals	(1)	(2,301)	(192)	(939)	(149)	–	(3,582)
Exchange differences	(830)	(654)	(106)	(90)	(38)	(29)	(1,747)
At 31 March 2023	294,830	297,619	132,186	73,072	8,497	4,704	810,908
Accumulated depreciation and impairment losses							
At 1 April 2021	200,817	251,948	69,079	57,726	6,591	–	586,161
Depreciation	7,991	14,375	3,912	4,654	591	–	31,523
Disposals	–	(6,284)	(642)	(654)	(227)	–	(7,807)
Exchange differences	110	145	26	13	7	–	301
At 31 March 2022	208,918	260,184	72,375	61,739	6,962	–	610,178
Depreciation	8,345	11,540	5,005	4,741	572	–	30,203
Disposals	(1)	(2,313)	(124)	(937)	(149)	–	(3,524)
Exchange differences	(334)	(599)	(86)	(47)	(26)	–	(1,092)
At 31 March 2023	216,928	268,812	77,170	65,496	7,359	–	635,765
Net book value							
At 31 March 2022	85,776	35,328	23,132	7,623	1,362	3,680	156,901
At 31 March 2023	77,902	28,807	55,016	7,576	1,138	4,704	175,143
The Company							
Cost							
At 1 April 2021	243,452	254,912	87,973	64,745	6,630	524	658,236
Additions	–	2,089	2,290	274	–	11,611	16,264
Transfers	4,172	2,935	–	1,891	–	(8,998)	–
Disposals	–	(5,979)	(477)	(585)	(226)	–	(7,267)
At 31 March 2022	247,624	253,957	89,786	66,325	6,404	3,137	667,233
Additions	(1)	2,682	36,801	117	40	4,856	44,495
Transfers	16	463	–	3,940	–	(4,419)	–
Disposals	–	(2,089)	(116)	(715)	(149)	–	(3,069)
At 31 March 2023	247,639	255,013	126,471	69,667	6,295	3,574	708,659
Accumulated depreciation and impairment losses							
At 1 April 2021	186,469	214,846	64,643	55,253	5,231	–	526,442
Depreciation	6,204	12,816	3,608	4,379	420	–	27,427
Disposals	–	(5,932)	(350)	(585)	(226)	–	(7,093)
At 31 March 2022	192,673	221,730	67,901	59,047	5,425	–	546,776
Depreciation	6,499	10,111	4,718	4,381	369	–	26,078
Disposals	–	(2,087)	(73)	(715)	(149)	–	(3,024)
At 31 March 2023	199,172	229,754	72,546	62,713	5,645	–	569,830
Net book value							
At 31 March 2022	54,951	32,227	21,885	7,278	979	3,137	120,457
At 31 March 2023	48,467	25,259	53,925	6,954	650	3,574	138,829

Assets under construction comprise mainly plant, equipment and engine overhaul tooling (2022: plant, equipment and engine overhaul tooling).

SIA Engineering Company Limited and its Subsidiary Companies

15. PROPERTY, PLANT AND EQUIPMENT (in thousands of \$) (continued)

Assets held for sale

Assets held for sale consist of aircraft rotables spares for specific aircraft types. During the year, Management approved the sale of these aircraft rotatable spares and recognised a revaluation gain of \$1,678,000 in current year's profit or loss, following sale confirmation from a third-party bidder with a disposal value of approximately \$2,021,000. The committed sale is expected to occur in tranches and be fully realised in the next financial year. The expected disposal value represents the fair value less costs to sell under the Group's accounting policy in Note 3(p).

The fair value of aircraft rotatable spares falls under level 3 of fair value hierarchy.

Movements of Assets Held for Sale for the current and previous years are set out below.

	The Group and Company
Balance as at 1 April 2021	9,026
Write-down	(8,405)
Disposal during the year	(261)
Balance as at 31 March 2022	<u>360</u>
Revaluation gain	1,678
Disposal during the year	(522)
Balance as at 31 March 2023	<u><u>1,516</u></u>

Impairment test

During the year, the aviation and MRO industry saw improvements in flight operations and work volumes owing to the opening of borders and lifting of global travel restrictions. However, the market conditions remained uncertain, driven by post-pandemic challenges such as supply chain disruptions, labour shortages and inflationary pressures. Accordingly, there were indications that the property, plant and equipment and right-of-use assets may be impaired. Management's impairment test included the following CGUs:

Airframe Maintenance Division ("BMD") CGU

The re-estimated recoverable amount of the BMD CGU has been determined based on value-in-use calculations using cash flow projections from financial forecasts approved by Management, covering a five-year period. The approved financial forecasts factored in gradual recovery of work volume at hangars, improved operational and financial performance through revision of service agreements with their customers and progressive implementation of transformation programmes, with gradual improvement in cash flows over the cash flow periods. The Group applied a pre-tax rate of 8.4% (2021/22: 9.0%) to discount the forecast cash flows. The terminal value assumed is premised on Year 5 cash flow through the expiry of the hangar lease period, i.e. at FY2039/40, at zero growth rate. Using these assumptions, the recoverable amount is able to support the carrying value of the non-financial assets deployed in the BMD CGU, net of accumulated impairment loss as brought forward from previous year of \$35,000,000 (2021/22: \$35,000,000). However, as the outlook and timing of recovery for the aviation and MRO industries remain uncertain, there is an inherent risk of forecasting error embedded in the cash flow projections. As a result, the Group considers it necessary to perform sensitivity analysis on discount rate, assuming all things remain constant. Assuming the pre-tax discount rates of 9.6% - 13.0% are applied to reflect the forecasting risk error over the cash flow projections, the reduction in recoverable amount ranges from \$5.8 million to \$19.0 million. Should the range of recoverable amounts be extended to the simulated recoverable amounts at these higher discount rates as described, the net carrying value of the non-financial assets deployed in the BMD CGU continues to fall within this range of possible recoverable amounts.

SIA Engineering Company Limited and its Subsidiary Companies

16. RIGHT-OF-USE ASSETS (in thousands of \$)

The carrying amount of right-of-use assets recognised and the movements during the year are as follows.

	Land and buildings	Plant and equipment	Office furniture and computer equipment	Motor vehicles	Total
The Group					
At 1 April 2021	69,573	1,403	200	141	71,317
Additions	20,220	23	37	83	20,363
Derecognition of right-of-use assets	(219)	–	–	–	(219)
Depreciation	(27,553)	(552)	(100)	(117)	(28,322)
Exchange differences	(136)	1	1	–	(134)
At 31 March 2022	61,885	875	138	107	63,005
Additions	73,635	3,570	38	550	77,793
Acquisitions through business combinations	1,301	–	–	–	1,301
Derecognition of right-of-use assets	(396)	–	–	–	(396)
Depreciation	(28,172)	(640)	(100)	(155)	(29,067)
Exchange differences	(239)	(1)	–	(14)	(254)
At 31 March 2023	108,014	3,804	76	488	112,382
The Company					
At 1 April 2021	62,771	1,256	97	–	64,124
Additions	19,578	–	37	56	19,671
Derecognition of right-of-use assets	(219)	–	–	–	(219)
Depreciation	(26,219)	(471)	(37)	(8)	(26,735)
At 31 March 2022	55,911	785	97	48	56,841
Additions	71,287	3,524	33	52	74,896
Derecognition of right-of-use assets	(396)	–	–	–	(396)
Depreciation	(26,209)	(597)	(48)	(23)	(26,877)
At 31 March 2023	100,593	3,712	82	77	104,464

17. INTANGIBLE ASSETS (in thousands of \$)

	Computer software	Engine development costs	Assets under construction [#]	Goodwill	Total
The Group					
Cost					
At 1 April 2021	48,674	45,523	4,881	–	99,078
Additions	(64)	2	4,923	–	4,861
Transfers	4,414	–	(4,414)	–	–
Disposals	(632)	(479)	–	–	(1,111)
Exchange differences	16	212	–	–	228
At 31 March 2022	52,408	45,258	5,390	–	103,056
Additions	26	–	11,008	–	11,034
Acquisitions through business combinations	–	–	449	1,566	2,015
Transfers	6,916	–	(6,916)	–	–
Disposals	(57)	(34)	–	–	(91)
Exchange differences	(24)	(618)	(25)	–	(667)
At 31 March 2023	59,269	44,606	9,906	1,566	115,347

SIA Engineering Company Limited and its Subsidiary Companies

17. INTANGIBLE ASSETS (in thousands of \$) (continued)

The Group	Computer software	Engine development costs	Assets under construction [#]	Goodwill	Total
Accumulated amortisation and impairment losses					
At 1 April 2021	44,323	23,075	–	–	67,398
Amortisation	2,030	1,460	–	–	3,490
Disposal	(632)	(62)	–	–	(694)
Exchange differences	(9)	85	–	–	76
At 31 March 2022	45,712	24,558	–	–	70,270
Amortisation	3,144	1,538	–	–	4,682
Disposal	(57)	–	–	–	(57)
Exchange differences	(24)	(302)	–	–	(326)
At 31 March 2023	48,775	25,794	–	–	74,569
Net book value					
At 31 March 2022	6,696	20,700	5,390	–	32,786
At 31 March 2023	10,494	18,812	9,906	1,566	40,778

[#] Assets under construction comprise mainly computer software (2022: computer software).

Impairment testing of engine development costs

This relates to the Group's share of engine programme assets including development costs made in connection with its participation in aircraft engine development projects together with other companies (the "Cash-generating unit" or "CGU").

An impairment assessment has been performed on the carrying value of the remaining engine programme, where the Group found no need for any impairment loss. The recoverable amount of the remaining engine programme has been determined based on value-in-use calculations using cash flow projections from business plan provided by the programme manager for the next 35 years (2022: 36 years). The pre-tax discount rate applied to cash flow projections is 8.0% (2022: 8.0%).

The calculations of value-in-use are most sensitive to the following assumptions:

Pre-tax discount rate – Discount rate represents the current market assessment of the risks specific to the engine development programme, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Number and timing of engine sales – Number and timing of engine sales represent the projected number of aircraft engines expected to be sold each year after completing the engine development. Projected engine sales are based on current aircraft orders and expectations of market development.

Impairment testing of goodwill

This relates to the goodwill arising from acquisition of subsidiary in the current financial year. The Company tests goodwill at each financial year end for impairment, or more frequently if there are indications that goodwill is impaired.

The estimated recoverable amounts of the CGU was determined based on value-in-use calculations using cash flow projections from financial forecast approved by Management covering a five-year period. The pre-tax discount rate and forecast long-term growth rate applied to the cash flow projection is 8.0% and 4.0% respectively. Under these assumptions, the estimated recoverable amount of the CGU is in excess of its net carrying value, no impairment loss is considered necessary for the current year.

SIA Engineering Company Limited and its Subsidiary Companies

17. INTANGIBLE ASSETS (in thousands of \$) (continued)

	Computer software	Assets under construction [#]	Total
The Company			
Cost			
At 1 April 2021	46,899	4,881	51,780
Additions	(115)	4,923	4,808
Transfers	4,414	(4,414)	–
Disposals	(605)	–	(605)
At 31 March 2022	50,593	5,390	55,983
Additions	(10)	10,714	10,704
Transfers	6,916	(6,916)	–
Disposals	(17)	–	(17)
At 31 March 2023	57,482	9,188	66,670
Accumulated amortisation			
At 1 April 2021	42,728	–	42,728
Amortisation	1,929	–	1,929
Disposals	(605)	–	(605)
At 31 March 2022	44,052	–	44,052
Amortisation	3,071	–	3,071
Disposals	(17)	–	(17)
At 31 March 2023	47,106	–	47,106
Net book value			
At 31 March 2022	6,541	5,390	11,931
At 31 March 2023	10,376	9,188	19,564

Assets under construction comprise mainly computer software (2022: computer software).

18. SUBSIDIARY COMPANIES (in thousands of \$)

	The Company 31 March	
	2023	2022
Unquoted shares, at cost	161,838	156,157
Loan to a subsidiary company	13,294	8,120
Accumulated impairment loss	(31,887)	(29,187)
	143,245	135,090

(a) Composition of the Group

The subsidiary companies at 31 March are as follows:

Name of Company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2023	2022	2023	2022
NexGen Network (1) Holding Pte. Ltd. ^{** +}	Investment holding	Singapore	12,000	12,000	100	100
NexGen Network (2) Holding Pte. Ltd. [*]	Investment holding	Singapore	56,177	56,177	100	100

SIA Engineering Company Limited and its Subsidiary Companies

18. SUBSIDIARY COMPANIES (in thousands of \$) (continued)

(a) Composition of the Group (continued)

Name of Company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2023	2022	2023	2022
SIA Engineering (USA), Inc. #	Provide aircraft maintenance services, including technical and non-technical handling at the airport	United States of America	1,358	1,358	100	100
SIAEC Global Private Limited *	Investment holding	Singapore	@	@	100	100
SIA Engineering Japan Corporation #	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Japan	5,315	4,711	100	100
Singapore Aero Support Services Pte. Ltd. *	Maintenance, repair and overhaul of aircraft and cabin components/ systems	Singapore	12,445	12,445	100	100
Heavy Maintenance Singapore Services Pte. Ltd. * **	Provide airframe maintenance and component overhaul services	Singapore	17,187	17,187	100	100
SIA Engineering (Philippines) Corporation ^	Provide airframe maintenance and component overhaul services	Philippines	38,645	38,645	100	100
Additive Flight Solutions Pte. Ltd. *	Additive manufacturing of aircraft cabin parts and tooling for the aerospace industry	Singapore	2,700	2,700	60	60
Aerospace Component Engineering Services Pte. Limited *	Repair and overhaul of hydro-mechanical equipment for Boeing and Airbus aircraft	Singapore	10,934	10,934	51	51
Asia Pacific Aircraft Component Services Sdn. Bhd. (f.k.a. SR Technics Malaysia Sdn Bhd) ^	Provide airframe maintenance and component overhaul services	Malaysia	5,077	—	75	—

* Audited by KPMG LLP, Singapore

** Not required to be audited by KPMG LLP, Singapore in current year

^ Audited by member firms of KPMG International in the respective countries

@ Cost of investment and issued and paid-up share capital is \$2

Not required to be audited

+ In process of voluntary wind down

++ Ceased operations and remained dormant at financial year-end

SIA Engineering Company Limited and its Subsidiary Companies

18. SUBSIDIARY COMPANIES (in thousands of \$) (continued)

(a) Composition of the Group (continued)

During the financial year:

1. The Company acquired 75% of the shares and voting interests in Asia Pacific Aircraft Component Services Sdn. Bhd. ("APACS") on 31 May 2022 (See Note 19).
2. The Company invested approximately S\$604,000 in SIA Engineering Japan Corporation ("SIAEJ").
3. During the year, the Company conducted an impairment review on the expected recoverable amount of its investment in a subsidiary company, Additive Flight Solutions Pte. Ltd. ("AFS"). Due to its continued loss-making position since incorporation, a full impairment loss of \$2,700,000 was recognised against the cost of investment at 31 March 2023. Management assumed nil recoverable amount as AFS is in a net liability position with the fair value of net liabilities comprising predominantly monetary assets and liabilities.
4. The loan extended to a subsidiary company bears interest ranging from 2.76% to 7.25% (2021/22: 2.02% to 2.89%) per annum. The loan is non-trade related, unsecured and repayable in tranches till maturity date 31 March 2025.

In the prior year:

1. The Company invested approximately S\$300,000 in Additive Flight Solutions Pte Ltd ("AFS").

Movements in allowance for impairment loss

	The Company 31 March	
	2023	2022
At 1 April	(29,187)	(29,187)
Impairment loss	(2,700)	–
At 31 March	<u>(31,887)</u>	<u>(29,187)</u>

(b) Interest in subsidiary companies with material non-controlling interests ("NCI")

The Group has the following subsidiary companies that have NCI that are material to the Group:

Name	Principal place of business/Country of incorporation	Operating Segment	Ownership interests held by NCI	
			2023 %	2022 %
Aerospace Component Engineering Services Pte. Limited	Singapore	Engine and component	49	49

SIA Engineering Company Limited and its Subsidiary Companies

18. SUBSIDIARY COMPANIES (in thousands of \$) (continued)

(c) Summarised financial information about subsidiary companies with material NCI

Summarised financial information before intercompany eliminations of subsidiary companies with material NCI are as follows:

	Aerospace Component Engineering Services Pte. Limited 31 March	
	2023	2022
Summarised balance sheet		
<u>Current</u>		
Assets	18,819	18,713
Liabilities	(3,548)	(2,333)
Net current assets	15,271	16,380
<u>Non-Current</u>		
Assets	5,583	5,928
Liabilities	(1,306)	(1,478)
Net non-current assets	4,277	4,450
Net assets	19,548	20,830
Summarised statement of comprehensive income		
Revenue	20,854	14,724
Profit before income tax	1,745	1,395
Taxation	(361)	(63)
Profit after tax and total comprehensive income	1,384	1,332
Other summarised information		
Net cash flow from operations	866	1,864
Acquisition of significant property, plant and equipment	(614)	(625)

19. ACQUISITION OF SUBSIDIARY (in thousands of \$)

On 31 May 2022, the Group acquired 75% of the shares and voting interests in Asia Pacific Aircraft Component Services Sdn. Bhd. (formerly known as SR Technics Malaysia Sdn Bhd) ("APACS"). As a result, APACS became a subsidiary of the Group.

The Group aims to create synergies and bring about new capabilities for more than 750 distinct aircraft parts to enhance its existing component repair and overhaul services and inventory technical management programme through the acquisition of APACS.

For the 10 months ended 31 March 2023, APACS contributed revenue of \$10,336,000 and losses of approximately \$1,000 to the Group's results.

SIA Engineering Company Limited and its Subsidiary Companies

19. ACQUISITION OF SUBSIDIARY (in thousands of \$) (continued)

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	2023
Cash	4,979
Deferred consideration	98
Total cash purchase consideration	<u>5,077</u>

Deferred consideration

A retention sum of \$512,000 was initially held by the Group as security as at the date of acquisition in which any breach of obligations committed may be deducted against this amount and will be paid to the selling shareholder six months from acquisition completion. \$414,000 was paid to the selling shareholder during the year. As at 31 March 2023, a retention sum of \$98,000 continued to be withheld by the Group as security for obligations yet to be fulfilled. This amount will be paid to the selling shareholder in the next 12 months should all remaining obligations be fulfilled.

The net cash outflow on acquisition of subsidiary was as follows:

	2023
Purchase consideration in cash	4,979
Less: Cash and cash equivalents acquired	(322)
Net cash outflow on acquisition of subsidiary	<u>4,657</u>

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	As at date of acquisition
Property, plant and equipment	15	559
Right-of-use assets	16	1,301
Intangible assets	17	449
Trade receivables		1,174
Inventories		2,766
Cash and cash equivalents		322
Trade and other payables		(1,890)
Total identifiable net assets		<u>4,681</u>
Less: Non-controlling interests		(1,170)
Goodwill arising from acquisition	17	<u>1,566</u>
Total purchase consideration		<u>5,077</u>

SIA Engineering Company Limited and its Subsidiary Companies

19. ACQUISITION OF SUBSIDIARY (in thousands of \$) (continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset required	Valuation technique
Property, plant and equipment	<i>Market comparison technique and cost technique:</i> The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence
Intangible assets	<i>Cost technique:</i> The valuation model considers replacement cost, adjusted for functional and economic obsolescence when appropriate.

Goodwill

Goodwill arising from the acquisition, attributable to the capabilities, future growth opportunities as well as the potential synergies expected to arise from the acquisition, has been recognised as follows:

	As at date of acquisition
Total consideration transferred	5,077
NCI	1,170
Fair value of identifiable net assets	(4,681)
Goodwill	<u>1,566</u>

20. ASSOCIATED COMPANIES (in thousands of \$)

	The Group		The Company	
	2023	2022	2023	2022
Unquoted shares, at cost	216,379	216,379	216,379	216,379
Share of post-acquisition reserves	347,701	335,890	–	–
Share of other comprehensive income	67	768	–	–
Goodwill written-off to reserves	(24,398)	(24,398)	–	–
Translation adjustment	(86,663)	(77,819)	–	–
Accumulated Impairment loss	(346)	(2,351)	(37,469)	(41,104)
	<u>452,740</u>	<u>448,469</u>	<u>178,910</u>	<u>175,275</u>

SIA Engineering Company Limited and its Subsidiary Companies

20. ASSOCIATED COMPANIES (in thousands of \$) (continued)

The associated companies at 31 March are as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2023	2022	2023	2022
Boeing Asia Pacific Aviation Services Pte. Ltd. ^{^++}	Provide engineering, material management and fleet support solutions	Singapore	50,965	50,965	49.0	49.0
Eagle Services Asia Private Limited ^{#++}	Repair and overhaul of aircraft engines	Singapore	71,588	71,588	49.0	49.0
Fuel Accessory Service Technologies Pte Ltd ^{#+}	Repair and overhaul of engine fuel components and accessories	Singapore	5,071	5,071	49.0	49.0
Moog Aircraft Services Asia Pte. Ltd. ^{**}	Repair and overhaul services for flight control systems	Singapore	6,561	6,561	49.0	49.0
PT Jas Aero-Engineering Services ^{^++}	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Indonesia	3,675	3,675	49.0	49.0
Southern Airports Aircraft Maintenance Services Company Limited ^{****+}	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Vietnam	1,117	1,117	49.0	49.0
Component Aerospace Singapore Pte. Ltd. ^{#+}	Repair and overhaul of aircraft engine combustion chambers, guides, fuel nozzles and related parts	Singapore	2,853	2,853	46.4	46.4
JAMCO Aero Design & Engineering Private Limited ^{*****}	Provide turnkey solutions for aircraft interior modifications	Singapore	767	767	45.0	45.0
Panasonic Avionics Services Singapore Pte. Ltd. [@]	Provide line maintenance and repair services of in-flight entertainment systems	Singapore	2,685	2,685	42.5	42.5
Goodrich Aerostructures Service Center-Asia Pte. Ltd. ^{#++}	Repair and overhaul of aircraft nacelles, thrust reversers and pylons	Singapore	37,220	37,220	40.0	40.0

SIA Engineering Company Limited and its Subsidiary Companies

20. ASSOCIATED COMPANIES (in thousands of \$) (continued)

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2023	2022	2023	2022
Pan Asia Pacific Aviation Services Limited *	Provide aircraft maintenance services, including technical and non-technical handling at the airport	Hong Kong	3,224	3,224	40.0	40.0
Safran Electronics & Defense Services Asia Pte. Ltd. *****	Provide avionics maintenance, repair and overhaul services	Singapore	11,004	11,004	40.0	40.0
Safran Landing Systems Services Singapore Pte. Ltd. *****	Repair and overhaul of Boeing and Airbus series landing gears	Singapore	13,971	13,971	40.0	40.0
Turbine Coating Services Pte Ltd **	Repair and overhaul of aircraft engine turbine airfoils	Singapore	5,671	5,671	24.5	24.5
GE Aviation, Overhaul Services – Singapore Pte. Ltd ###	Repair and servicing of aircraft and spacecraft (including aircraft engines and other parts)	Singapore	7	7	49.0	49.0

@ Audited by KPMG LLP, Singapore

Audited by PriceWaterhouseCoopers, Singapore

Not required to be audited by laws of country of incorporation

* Audited by BDO Limited, Hong Kong

** Audited by Ernst & Young LLP, Singapore

*** Audited by Deloitte & Touche, Vietnam

**** Audited by Mazars LLP, Singapore

***** Audited by Grant Thornton LLP, Singapore

^ Audited by Ernst & Young LLP, Indonesia

^^ Not required to be audited by Deloitte & Touche, Singapore in current financial year in view of ceased operations

+ Financial year end 30 November

++ Financial year end 31 December

During the financial year:

1. Boeing Asia Pacific Aviation Services Pte. Ltd (“BAPAS”) ceased operations amidst challenges arising from the changing business environment. Management has reassessed the recoverable amount of BAPAS based on its available cash balance for distribution to shareholders upon closure. Accordingly, The Group and the Company wrote back impairment losses of \$2,005,000 and \$3,635,000 respectively.

In the prior year:

1. The Company sold the entire 39.2% shareholding in Asian Surface Technologies Pte. Ltd. (“AST”) to PAS Technologies B.V. (“PAS”). The cash consideration was approximately \$3,768,000 and the gain on divestment, net of reversal of impairment loss of \$2,538,000 previously recognised was \$2,618,000.
2. The Group and Company wrote down the carrying value of its investment in Boeing Asia Pacific Aviation Services Pte. Ltd (“BAPAS”) to its expected realisable value of net assets comprising predominantly monetary assets and liabilities and recorded additional impairment losses of \$2,351,000 and \$15,291,000 (2021: \$Nil and \$25,813,000) respectively.

SIA Engineering Company Limited and its Subsidiary Companies

20. ASSOCIATED COMPANIES (in thousands of \$) (continued)

Movements in allowance for impairment loss

	The Group		The Company	
	2023	2022	2023	2022
At 1 April	(2,351)	(2,744)	(41,104)	(28,870)
Impairment loss reversed	2,005	2,744	3,635	3,066
Impairment loss recognised	–	(2,351)	–	(15,300)
At 31 March	<u>(346)</u>	<u>(2,351)</u>	<u>(37,469)</u>	<u>(41,104)</u>

The carrying amount of the material investment is as follows:

	The Group 31 March	
	2023	2022
Eagle Services Asia Private Limited (“ESA”)	265,450	253,523
Other associated companies	187,290	194,946
	<u>452,740</u>	<u>448,469</u>

The activities of ESA complement the Group’s activities.

No dividends were received from ESA in 2022/23 (2021/22: \$Nil).

Summarised financial information in respect of ESA is as follows:

	31 March	
	2023	2022
Summarised balance sheet		
<u>Funds employed:</u>		
Current assets	912,073	703,434
Non-current assets	119,661	134,965
	<u>1,031,734</u>	<u>838,399</u>
Current liabilities	(474,886)	(303,003)
Non-current liabilities	(15,112)	(18,001)
	<u>541,736</u>	<u>517,395</u>

Financed by:

Shareholders’ equity	<u>541,736</u>	<u>517,395</u>
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Summarised statement of comprehensive income

	2022/23	2021/22
Revenue	1,604,001	1,631,391
Profit after taxation from continuing operations	<u>34,546</u>	<u>56,632</u>
Total comprehensive income	<u>34,546</u>	<u>56,632</u>

The summarised financial information presented is extracted from the last audited financial statements available and unaudited management financial statements of ESA, prepared in conformity with the group accounting policies.

SIA Engineering Company Limited and its Subsidiary Companies

20. ASSOCIATED COMPANIES (in thousands of \$) (continued)

A reconciliation of the summarised financial information to the carrying amounts of ESA is as follows:

	The Group 31 March	
	2023	2022
Group's share of 49% of net assets	265,450	253,523

The remaining financial information about the Group's investment in associated companies that are not individually material.

The Group's share of the assets and liabilities comprises:

	The Group 31 March	
	2023	2022
Summarised balance sheet		
<u>Funds employed:</u>		
Current assets	238,159	201,558
Non-current assets	21,316	86,705
	259,475	288,263
Current liabilities	(65,077)	(85,709)
Non-current liabilities	(10,119)	(10,619)
	184,279	191,935
<u>Financed by:</u>		
Shareholders' equity	184,279	191,935

The Group's share of the results is as follows:

	2022/23	2021/22
Summarised statement of comprehensive income		
Profit after tax from continuing operations	31,617	21,946
Other comprehensive income	(700)	(43)
Total comprehensive income	30,917	21,903

21. JOINT VENTURE COMPANY (in thousands of \$)

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Unquoted shares, at cost	61,867	61,867	61,867	61,867
Share of post-acquisition reserves	190,944	161,674	–	–
Share of other comprehensive income	3,928	(1,033)	–	–
Translation adjustment	(24,175)	(19,752)	–	–
	232,564	202,756	61,867	61,867

SIA Engineering Company Limited and its Subsidiary Companies

21. JOINT VENTURE COMPANY (in thousands of \$) (continued)

The joint venture company at 31 March is as follows:

Name of company	Principal activities	Country of incorporation and place of business	Cost		Percentage equity held by the Group	
			2023	2022	2023	2022
Singapore Aero Engine Services Private Limited @	Repair and overhaul of aircraft engines	Singapore	61,867	61,867	50.0	50.0

@ Audited by KPMG LLP, Singapore, financial year end of 31 December

The carrying amount of the material investment is as follows:

	The Group 31 March	
	2023	2022
Singapore Aero Engine Services Private Limited ("SAESL")	232,564	202,756

The Group has 50% (2022: 50%) interest in the ownership and voting rights in SAESL. The activities of SAESL complement the Group's activities. The Group jointly controls SAESL with other partner governed under a contractual agreement that requires unanimous consent for all major decisions over the relevant activities.

No dividends (2021/22: Nil) were received from SAESL.

Summarised financial information in respect of SAESL is as follows:

	31 March	
	2023	2022
Summarised balance sheet		
<u>Funds employed:</u>		
Cash and short-term deposits	314,718	94,645
Other current assets	1,648,881	1,160,175
Total current assets	1,963,599	1,254,820
Non-current assets	238,398	265,815
Total assets	2,201,997	1,520,635
Current liabilities	(1,736,868)	(1,025,211)
Non-current liabilities	–	(89,913)
Total liabilities	(1,736,868)	(1,115,124)
Net assets	465,129	405,511
<u>Financed by:</u>		
Shareholders' equity	465,129	405,511

SIA Engineering Company Limited and its Subsidiary Companies

21. JOINT VENTURE COMPANY (in thousands of \$) (continued)

	2022/23	2021/22
Summarised statement of comprehensive income		
Revenue	3,742,708	2,708,375
Depreciation and amortisation	(35,892)	(37,029)
Interest income	4,454	117
Interest expense	(5,168)	(5,288)
Profit before tax	64,428	57,816
Taxation	(5,889)	979
Profit after taxation	<u>58,539</u>	<u>58,795</u>
Other comprehensive income	9,922	3,871
Total comprehensive income	<u><u>68,461</u></u>	<u><u>62,666</u></u>

The summarised financial information presented is extracted from the last audited financial statements available and unaudited management financial statements of SAESL, prepared in accordance with SFRS(I).

A reconciliation of the summarised financial information to the carrying amounts of SAESL is as follows:

	The Group	
	31 March	
	2023	2022
Group's share of 50% of net assets	<u><u>232,564</u></u>	<u><u>202,756</u></u>

SIA Engineering Company Limited and its Subsidiary Companies

22. TRADE DEBTORS (in thousands of \$)

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Trade debtors, net	34,151	35,351	23,785	24,290

The table below is an analysis of trade debtors as at 31 March:

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Not past due and not impaired	21,691	17,352	14,828	11,219
Past due				
Trade debtors – collectively assessed	13,939	21,308	10,109	15,559
Less: Accumulated impairment losses	(1,479)	(3,309)	(1,152)	(2,488)
	12,460	17,999	8,957	13,071
Credit-impaired trade debtors – individually assessed	543	3,604	427	1,592
Less: Accumulated impairment losses	(543)	(3,604)	(427)	(1,592)
	–	–	–	–
Total trade debtors, net	34,151	35,351	23,785	24,290

Trade debtors are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The carrying amount of trade debtors impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade debtor is ascertained to be uncollectible, it is written off against the allowance account.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade debtor is credit-impaired. Individual trade debt is written off when Management deems the amount not to be collectible.

As at 31 March 2023, trade debtors in currencies other than the Group's functional currencies which were denominated in United States Dollars amounted to 87% (2022: 52%) for the Group and 66% (2022: 75%) for the Company.

SIA Engineering Company Limited and its Subsidiary Companies

23. CONTRACT BALANCES (in thousands of \$)

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

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Contract assets	160,304	124,562	149,100	118,770
Contract liabilities	(21,510)	(12,703)	(20,760)	(12,648)

Contract assets relate to the Group's and Company's rights to consideration for work completed but not billed at the reporting date. Included in contract assets are services rendered to immediate holding company of approximately \$75,302,000 (2022: \$70,406,000) and \$75,142,000 (2022: \$70,291,000) for the Group and Company respectively; and services rendered to fellow subsidiaries of the immediate holding company of approximately \$20,541,000 (2022: \$17,286,000) and \$19,888,000 (2022: \$17,277,000) for the Group and Company respectively. The contract assets are transferred to trade debtors when the rights become unconditional. This usually occurs when the Group and Company invoice the customers.

During the year, the Group made a provision for impairment of \$229,000 (2022: \$141,000) on contract assets that have been assessed as credit-impaired.

The contract liabilities primarily relate to advance consideration received from customers for fixed price package contracts for which revenue is recognised over time over the periods of service performance.

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

	Contract assets 31 March		Contract liabilities 31 March	
	2023	2022	2023	2022
The Group				
(a) Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	12,292	5,829
(b) Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	(21,007)	(7,213)
(c) Contract assets recognised	199,769	143,506	–	–
(d) Transfer from contract assets to trade debtors	(161,293)	(119,282)	–	–

SIA Engineering Company Limited and its Subsidiary Companies

23. CONTRACT BALANCES (in thousands of \$) (continued)

	Contract assets		Contract liabilities	
	2023	2022	2023	2022
The Company				
(a) Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	10,008	5,188
(b) Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	(18,120)	(6,747)
(c) Contract assets recognised	145,981	107,136	–	–
(d) Transfer from contract assets to trade debtors	(112,954)	(80,708)	–	–

24. PREPAYMENTS AND OTHER DEBTORS (in thousands of \$)

	The Group		The Company	
	2023	2022	2023	2022
<u>Current assets</u>				
Prepayments	11,047	9,415	2,133	1,447
Other debtors	6,709	27,455	4,799	25,873
	<u>17,756</u>	<u>36,870</u>	<u>6,932</u>	<u>27,320</u>
<u>Non-current assets</u>				
Prepayments	–	3,891	–	–

As at 31 March 2023, the contract/notional amounts of the forward currency contracts were approximately \$23,323,000 (2022: \$31,169,000) for the Group and Company. These contracts were entered into by the Company's immediate holding company, on behalf of the Group and Company, and the fair value gain of \$803,000 (2022: \$109,000) for the Group and Company were recorded in other debtors.

Other debtors also included wage support grant receivable of approximately \$677,742 (2022: \$22,263,000) and \$Nil (2022: \$21,818,000) for the Group and Company, respectively.

Of the outstanding prepayments, \$3,203,079 (2022: \$7,881,000) is held by a wholly-owned subsidiary company's programme partner to be used for settlement of the Group's share of future net financial obligations to the programme over the remaining period of approximately 1 years (2022: 2 years).

SIA Engineering Company Limited and its Subsidiary Companies

25. AMOUNTS OWING BY IMMEDIATE HOLDING COMPANY (in thousands of \$)

The amounts due from the immediate holding company, which are carried at amortised cost, are unsecured, trade-related, interest-free and are repayable based on agreed trade terms. The Group has an arrangement with its immediate holding company to settle the net amounts due to or from each other in cash, based on the agreed terms.

The Group's receivables and payables from/(to) immediate holding company that are subject to offsetting arrangement are as follows:

	The Group 31 March 2023			The Company 31 March 2023		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Receivables	102,648	(58,933)	43,715	102,204	(58,933)	43,271
Payables	(58,933)	58,933	–	(58,933)	58,933	–
	31 March 2022			31 March 2022		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Receivables	77,479	(41,014)	36,465	77,144	(41,014)	36,130
Payables	(41,014)	41,014	–	(41,014)	41,014	–

26. AMOUNTS OWING BY/(TO) RELATED PARTIES (in thousands of \$)

The amounts owing by/(to) related parties of the Group are unsecured, trade related, interest free and are repayable based on agreed terms.

The Group has an arrangement with its related parties to settle the net amounts due to or from each other in cash, based on the agreed terms.

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Amounts owing by related parties				
- Fellow subsidiaries	16,475	15,073	16,083	14,948
- Subsidiaries	–	–	6,933	6,266
- Joint venture/associated companies	1,906	5,569	1,683	5,515
- Others	61	61	61	61
	18,442	20,703	24,760	26,790
Amounts owing to related parties				
- Subsidiaries	–	–	(15,931)	(10,214)
- Joint venture/associated companies	(1,239)	(1,456)	(1,239)	(1,456)
	(1,239)	(1,456)	(17,170)	(11,670)

SIA Engineering Company Limited and its Subsidiary Companies

27. INVENTORIES (in thousands of \$)

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Aircraft and component spares	33,288	27,354	25,618	20,846
Consumable stores and stocks	10,071	5,640	297	294
Total inventories at lower of cost and net realisable value	<u>43,359</u>	<u>32,994</u>	<u>25,915</u>	<u>21,140</u>

Inventories are stated after deducting provision for stock obsolescence. An analysis of the provision for stock obsolescence is as follows:

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Balance at 1 April	25,002	22,394	23,882	21,735
Charge to profit or loss, net	2,448	2,971	2,920	2,194
Provision utilised during the year	(539)	(363)	(122)	(47)
Balance at 31 March	<u>26,911</u>	<u>25,002</u>	<u>26,680</u>	<u>23,882</u>

28. SHORT-TERM DEPOSITS (in thousands of \$)

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Deposits placed with the immediate holding company	587,579	568,559	587,579	568,559
Fixed deposits placed with banks	15,960	15,448	1,549	1,522
	<u>603,539</u>	<u>584,007</u>	<u>589,128</u>	<u>570,081</u>

The surplus funds of the Group's working capital requirements are placed in short-term deposits with the immediate holding company and external financial institutions for varying periods depending on the immediate cash requirements of the Group. These deposits earn interest ranging from 0.05% to 5.46% (2021/22: 0.05% to 1.42%) per annum and can be withdrawn on demand. The interest rates are repriced at varying periods ranging from 1 to 18 months (2022: 1 to 12 months).

As at 31 March 2023, short-term deposits in currencies other than the Group's functional currencies which were denominated in United States Dollars amounted to 19% (2022: 18%) for the Group and 20% (2022: 18%) for the Company.

29. CASH AND BANK BALANCES

These balances are placed in current accounts earning interest at floating rates based on daily bank deposit rates ranging from 0.0% to 0.45% (2021/22: 0.0% to 0.05) per annum.

As at 31 March 2023, cash and bank balances in currencies other than the Group's functional currencies which were denominated in United States Dollars amounted to 25% (2022: 14%) for the Group and 52% (2022: 44%) for the Company.

SIA Engineering Company Limited and its Subsidiary Companies

30. TRADE AND OTHER CREDITORS (in thousands of \$)

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Trade	59,115	17,044	47,159	10,682
Accruals	100,154	102,250	90,535	90,179
Contingent consideration	967	984	967	984
Deferred income	–	4,716	–	4,611
Provision for warranty claims	1,789	2,903	1,514	2,440
	<u>162,025</u>	<u>127,897</u>	<u>140,175</u>	<u>108,896</u>

These amounts are non-interest bearing.

As at 31 March 2023, trade and other creditors in currencies other than the Group's functional currencies which were denominated in United States Dollars amounted to 3% (2022: 7%) for the Group and 3% (2022: 9%) for the Company.

Contingent consideration

The Group and the Company had previously entered into an agreement related to the sales and acquisition of its subsidiary companies whereby the selling shareholder would be compensated for any recovery of bad debts and insurance claims after the acquisition. The Group and the Company has included approximately \$967,000 as contingent consideration related to the additional consideration.

The fair value of contingent consideration falls under level 3 of fair value hierarchy.

Provision for warranty claims

An analysis of the provision for warranty claims is as follows:

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Balance at 1 April	2,903	1,468	2,440	1,089
(Reversed)/Charge to profit or loss, net	(421)	2,200	(926)	1,351
Provision utilised during the year	(693)	(765)	–	–
Balance at 31 March	<u>1,789</u>	<u>2,903</u>	<u>1,514</u>	<u>2,440</u>

31. LEASES (in thousands of \$)

(a) As lessee

The Group and the Company have entered into lease agreements for certain plant and equipment, office furniture and computer equipment and land and buildings. These non-cancellable leases have lease terms of between 1 and 48 years (2022: 1 and 48 years). There are no restrictions placed upon the Group or the Company under these arrangements.

SIA Engineering Company Limited and its Subsidiary Companies

31. LEASES (in thousands of \$) (continued)

(a) As lessee (continued)

Amounts recognised in consolidated income statement

	The Group	
	2022/23	2021/22
Leases under IFRS 16		
Finance charges	1,887	2,362
Income from sub-leasing right-of-use assets	(87)	(90)
Expenses relating to variable lease payments not included in the measurement of lease liabilities	807	807
Expenses relating to short-term leases	789	783
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	78	268
	<u>78</u>	<u>268</u>

Amounts recognised in statement of cash flows

	The Group	
	2022/23	2021/22
Total cash outflow for leases	<u>30,443</u>	<u>28,147</u>

Extension options

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

The Group has estimated that the potential future lease payments, should it exercise the extension options, would not be material.

Rent concessions

The Group negotiated rent concessions with its landlords for the majority of its property leases as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its property leases.

The rent concessions recognised in profit or loss for the reporting period to which the Group has applied the practical expedient for COVID-19-related rent concessions is \$588,000 (2021/22: \$1,471,000).

SIA Engineering Company Limited and its Subsidiary Companies

31. LEASES (in thousands of \$) (continued)

(b) As lessor

Operating lease

As at 31 March 2023, the Company leased its properties to another subsidiary for a lease term of 15 months and 3 years. Another subsidiary also leased out its property to a third party for a period of 6 months (2022: 9 months).

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

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Within one year	22	79	170	152
After one year but less than 5 years	–	–	–	140
	<u>22</u>	<u>79</u>	<u>170</u>	<u>292</u>

32. BANK LOANS (in thousands of \$)

	The Group 31 March	
	2023	2022
<u>Current liabilities</u>		
Revolving credit facilities	<u>2,029</u>	<u>2,801</u>
<u>Non-current liability</u>		
Long-term bank loan	<u>462</u>	<u>–</u>

The revolving credit facilities denominated in United States dollars taken by a subsidiary company are unsecured and bear interest at an average floating rate of 6.21% (2021/22: 2.38%) per annum. The current revolving credit facilities shall be repayable within 12 months after the reporting date

The long-term bank loan denominated in United States dollars drawn down by a subsidiary company is unsecured and bears interest at a floating rate of 6.96% per annum, to be re-priced after half a year. This draw down is repayable by 15 March 2028.

SIA Engineering Company Limited and its Subsidiary Companies

33. CASH FLOW FROM OPERATING ACTIVITIES (in thousands of \$)

	The Group	
	2022/23	2021/22
Profit before taxation	65,549	49,160
Adjustments for:		
Depreciation	59,270	59,844
Amortisation of intangible assets	4,682	3,490
Impairment loss (reversal)/allowance for trade receivables, contract assets and amounts owing by related parties	(2,106)	93
Share-based compensation expense	4,525	3,810
Rent concessions	(588)	(1,471)
Unrealised exchange differences	582	(940)
Interest income	(12,271)	(1,816)
Finance charges	1,949	2,633
Loss/(Surplus) on disposal of property, plant and equipment and intangible assets	19	(687)
Surplus on disposal of associated companies	–	(2,618)
Impairment loss (reversal)/allowance of associated companies	(2,005)	2,145
Impairment loss (reversal)/allowance of non-financial assets	(1,678)	8,405
Share of profits of associated and joint venture companies, net of tax	(77,814)	(79,092)
Operating profit before working capital changes	40,114	42,956
Decrease in debtors	26,668	10,070
Increase in contract assets	(35,587)	(22,890)
(Increase)/Decrease in inventories	(7,599)	2,118
Increase/(Decrease) in creditors	33,205	(28,062)
Increase in contract liabilities	8,807	1,398
(Increase)/Decrease in amounts owing by immediate holding company	(6,040)	31,388
Decrease/(Increase) in amounts owing by related parties, net	2,054	(3,068)
Cash generated from operations	61,622	33,910
Income taxes received/(paid)	2,987	(4,710)
Net cash provided by operating activities	64,609	29,200

SIA Engineering Company Limited and its Subsidiary Companies

33. CASH FLOW FROM OPERATING ACTIVITIES (in thousands of \$) (continued)

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

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Long-term lease liabilities	Lease liabilities	Long-term bank loan	Bank loans	Total
Balance at 1 April 2022	38,424	28,507	–	2,801	69,732
Changes from financing cash flows					
Finance charges paid	–	–	(1)	(60)	(61)
Proceeds from borrowings	–	–	462	2,745	3,207
Repayment of lease liabilities	–	(30,443)	–	–	(30,443)
Repayment of borrowings	–	–	–	(3,645)	(3,645)
Total changes from financing cash flows	–	(30,443)	461	(960)	(30,942)
Non-cash changes					
Interest expense	–	1,888	1	60	1,949
Additions	58,414	16,814	–	–	75,228
Reclassification	(6,440)	6,440	–	–	–
Rent concessions	–	(588)	–	–	(588)
Foreign exchange movement	(264)	(48)	–	128	(184)
	51,710	24,506	1	188	76,405
Balance at 31 March 2023	90,134	22,570	462	2,029	115,195
Balance at 1 April 2021	52,433	21,731	2,785	7,130	84,079
Changes from financing cash flows					
Finance charges paid*	–	–	(102)	(17)	(119)
Repayment of lease liabilities	–	(28,147)	–	–	(28,147)
Repayment of borrowings	–	–	–	(7,135)	(7,135)
Total changes from financing cash flows	–	(28,147)	(102)	(7,152)	(35,401)
Non-cash changes					
Interest expense	–	2,362	102	17	2,481
Additions	15,378	4,775	–	–	20,153
Reclassification	(29,272)	29,272	(2,801)	2,801	–
Rent concessions	–	(1,471)	–	–	(1,471)
Foreign exchange movement	(115)	(15)	16	5	(109)
	(14,009)	34,923	(2,683)	2,823	21,054
Balance at 31 March 2022	38,424	28,507	–	2,801	69,732

* Excluding fair value changes in contingent consideration recognised in profit or loss

SIA Engineering Company Limited and its Subsidiary Companies

34. CAPITAL EXPENDITURE COMMITMENTS (in thousands of \$)

The Group and the Company have commitments for capital expenditure, with an aggregate value of approximately \$55,455,000 (2022: \$51,022,000) and \$51,848,595 (2022: \$49,994,000) respectively.

In addition, the Group's share of a joint venture company's commitments for capital expenditure is approximately \$2,812,000 (2022: \$2,091,000).

35. FINANCIAL INSTRUMENTS (in thousands of \$)

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and financial liabilities in the balance sheet by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

	Financial assets at amortised cost	Derivatives used for hedging at fair value	Financial liabilities at amortised cost	Mandatorily at FVTPL – others	Total
The Group					
31 March 2023					
<u>Assets</u>					
Trade debtors	34,151	–	–	–	34,151
Other debtors	5,906	803	–	–	6,709
Amount due from immediate holding company	43,715	–	–	–	43,715
Amounts owing by related parties	18,442	–	–	–	18,442
Short-term deposits	603,539	–	–	–	603,539
Cash and bank balances	29,450	–	–	–	29,450
Total financial assets	<u>735,203</u>	<u>803</u>	<u>–</u>	<u>–</u>	<u>736,006</u>
Assets held for sale					1,516
Total non-financial assets					<u>1,245,856</u>
Total assets					<u><u>1,983,378</u></u>
<u>Liabilities</u>					
Trade and other creditors*	–	–	161,058	–	161,058
Contingent consideration	–	–	–	967	967
Amounts owing to related parties	–	–	1,239	–	1,239
Bank loans	–	–	2,029	–	2,029
Long-term bank loans	–	–	462	–	462
Total financial liabilities	<u>–</u>	<u>–</u>	<u>164,788</u>	<u>967</u>	<u>165,755</u>
Total non-financial liabilities					<u>140,885</u>
Total liabilities					<u><u>306,640</u></u>

* Excluding deferred income and contingent consideration

SIA Engineering Company Limited and its Subsidiary Companies

35. FINANCIAL INSTRUMENTS (in thousands of \$) (continued)

(a) Classification of financial instruments (continued)

	Financial assets at amortised cost	Derivatives used for hedging at fair value	Financial liabilities at amortised cost	Mandatorily at FVTPL – others	Total
The Group					
31 March 2022					
<u>Assets</u>					
Trade debtors	35,351	–	–	–	35,351
Other debtors	27,346	109	–	–	27,455
Amount due from immediate holding company	36,465	–	–	–	36,465
Amounts owing by related parties	20,703	–	–	–	20,703
Short-term deposits	584,007	–	–	–	584,007
Cash and bank balances	41,470	–	–	–	41,470
Total financial assets	745,342	109	–	–	745,451
Assets held for sale					360
Total non-financial assets					1,092,382
Total assets					1,838,193
<u>Liabilities</u>					
Trade and other creditors*	–	–	122,197	–	122,197
Contingent consideration	–	–	–	984	984
Amounts owing to related parties	–	–	1,456	–	1,456
Bank loans	–	–	2,801	–	2,801
Total financial liabilities	–	–	126,454	984	127,438
Total non-financial liabilities					89,350
Total liabilities					216,788
The Company					
31 March 2023					
<u>Assets</u>					
Trade debtors	23,785	–	–	–	23,785
Other debtors	3,996	803	–	–	4,799
Immediate holding company	43,271	–	–	–	43,271
Loan to a subsidiary company	13,294	–	–	–	13,294
Amounts owing by related parties	24,760	–	–	–	24,760
Short-term deposits	589,128	–	–	–	589,128
Cash and bank balances	12,271	–	–	–	12,271
Total financial assets	710,505	803	–	–	711,308
Assets held for sale					1,516
Total non-financial assets					827,421
Total assets					1,540,245
<u>Liabilities</u>					
Trade and other creditors*	–	–	139,208	–	139,208
Contingent consideration	–	–	–	967	967
Amounts owing to related parties	–	–	17,170	–	17,170
Total financial liabilities	–	–	156,378	967	157,345
Total non-financial liabilities					131,270
Total liabilities					288,615

* Excluding deferred income and contingent consideration

SIA Engineering Company Limited and its Subsidiary Companies

35. FINANCIAL INSTRUMENTS (in thousands of \$) (continued)

(a) Classification of financial instruments (continued)

	Financial assets at amortised cost	Derivatives used for hedging at fair value	Financial liabilities at amortised cost	Mandatorily at FVTPL – others	Total
The Company					
31 March 2022					
Assets					
Trade debtors	24,290	–	–	–	24,290
Other debtors	25,764	109	–	–	25,873
Immediate holding company	36,130	–	–	–	36,130
Loan to a subsidiary company	8,120	–	–	–	8,120
Amounts owing by related parties	26,790	–	–	–	26,790
Short-term deposits	570,081	–	–	–	570,081
Cash and bank balances	13,486	–	–	–	13,486
Total financial assets	704,661	109	–	–	704,770
Assets held for sale					360
Total non-financial assets					711,296
Total assets					1,416,426
Liabilities					
Trade and other creditors*	–	–	103,301	–	103,301
Contingent consideration	–	–	–	984	984
Amounts owing to related parties	–	–	11,670	–	11,670
Total financial liabilities	–	–	114,971	984	115,955
Total non-financial liabilities					81,695
Total liabilities					197,650

* Excluding deferred income and contingent consideration

(b) Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- 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).

SIA Engineering Company Limited and its Subsidiary Companies

35. FINANCIAL INSTRUMENTS (in thousands of \$) (continued)

(b) Fair values (continued)

Financial instruments carried at fair value

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	The Group and Company 31 March 2023			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs, other than quoted price (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements				
<u>Financial Asset</u>				
Currency hedging contracts	–	803	–	803
<u>Financial liability</u>				
Contingent consideration	–	–	(967)	(967)
	–	803	(967)	(164)

	The Group and Company 31 March 2022			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs, other than quoted price (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurements				
<u>Financial Asset</u>				
Currency hedging contracts	–	109	–	109
<u>Financial liability</u>				
Contingent consideration	–	–	(984)	(984)
	–	109	(984)	(875)

Level 2 fair value measurements

The Group and Company have carried all derivative instruments at their fair values.

The fair value of forward currency contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles.

SIA Engineering Company Limited and its Subsidiary Companies

35. FINANCIAL INSTRUMENTS (in thousands of \$) (continued)

(b) Fair values (continued)

Financial instruments whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the following financial assets and financial liabilities are reasonable approximations of their fair values due to their short-term nature: cash and bank balances, short-term deposits, amounts owing by/to related parties, immediate holding company, loans, contract assets and liabilities, trade and other debtors and creditors.

The carrying amount of the loan to a subsidiary company is reasonable approximation of fair value as the loan is a floating rate loan that re-price to market interest rate quarterly.

Level 3 fair value measurements

The fair value of the contingent consideration is determined by reference to specific debts provisioning and insurance claims to be settled post-acquisition.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of \$)

The Group operates principally in Singapore and generates revenue mainly in Singapore dollars. The Group also has investments in subsidiaries, associated and joint venture companies that operate in seven countries. The Group's operations carry certain financial risks, including the effects of changes in foreign exchange rates and interest rates. The Group's risk management approach is to moderate the effects of such volatility on its financial performance. The Group's policy permits the use of derivatives to hedge specific exposures.

As derivatives are used for the purpose of risk management, they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, and expected future cash flows being hedged. Moreover, counterparty credit risk is generally restricted to any hedging gain from time to time, and not the principal amount hedged. Therefore the possibility of material loss arising in the event of non-performance by a counterparty is considered to be unlikely.

The Audit Committee provides oversight to the work of the Group Risk Management Committee in respect of financial risks.

(a) Foreign currency risk

The Group has transactional currency exposures arising from operating revenues and expenses that are denominated in a currency other than the respective functional currencies of Group entities, primarily, Singapore dollars ("SGD"), Philippine Pesos ("PHP"), Japanese Yen ("JPY"), Malaysian Ringgit ("MYR") and United States dollars ("USD"). The foreign currencies in which these transactions are denominated are mainly United States dollars. For the financial year ended 31 March 2023, these accounted for 21% of total revenue (2021/22: 19%) and 9% of total operating expenses (2021/22: 8%). The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group and Company also hold cash and cash equivalents in foreign currencies other than the functional currencies of the Group, denominated mainly in USD, for working capital purposes. At the end of the reporting period, such USD balances amounted to approximately \$123,671,000 (2022: \$109,166,000) and \$122,701,000 (2022: \$108,744,000) for the Group and the Company respectively.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of \$) (continued)

(a) Foreign currency risk (continued)

The Group manages its foreign exchange exposure by a policy of matching, as far as possible, receipts and payments in each individual currency. Surpluses of convertible currencies are sold, as soon as practicable, for Singapore dollars. The Group also uses forward foreign currency contracts to hedge a portion of its future foreign exchange exposure. Such contracts provide for the Group to sell United States dollars at predetermined forward rates, depending on forecast requirements, with settlement dates that range up to one year for the Company and up to 3 years for a joint venture. The Group uses forward contracts purely as a hedging tool. It does not take positions in currencies with a view to make speculative gains from currency movements.

Cash flow hedges

The Company enters into forward currency contracts to hedge against foreign currency risk for a portion of the forecast net cash generation of USD in the next 12 months. The Company also sets aside USD in short-term deposits (non-derivative instrument) to hedge against foreign currency risk on highly probable forecast transactions. These transactions pertain to USD capital injections in an associated company.

The cash flow hedges of the expected inflows and outflows in USD in the next 12 months and the highly probable USD capital injections in an associated company were assessed to be highly effective and at 31 March 2023, a net fair value gain before tax of \$619,000 (2021/22: \$1,355,000) with a related deferred tax asset \$105,000 (2022: deferred tax asset of \$230,000), were included in fair value reserve in respect of these contracts.

Foreign currency sensitivity analysis

The foreign currency risk sensitivity analysis is based on the assumption that all cash flow hedges are highly effective; hence there will be no impact on profit before taxation from the cash flow hedges.

The following table details the sensitivity to a 1% weakening or strengthening of SGD exchange rate against the USD with all other variables held constant. The sensitivity analysis includes only the USD currency denominated monetary items and adjusts their translation at the period end for a 1% change in foreign currency rate.

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
<u>Effect of weakening of SGD against USD</u>				
Profit before taxation ^{R1}	1,203	1,130	1,209	1,125
Equity ^{R2}	(199)	(311)	(199)	(311)
<u>Effect of strengthening of SGD against USD</u>				
Profit before taxation ^{R1}	(1,203)	(1,130)	(1,209)	(1,125)
Equity ^{R2}	199	311	199	311

R1 Sensitivity analysis on significant outstanding USD denominated monetary items.

R2 Sensitivity analysis on outstanding USD hedging contracts.

SIA Engineering Company Limited and its Subsidiary Companies

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of \$) (continued)

(a) Foreign currency risk (continued)

Foreign currency hedging effectiveness

The effectiveness of the foreign currency hedges has been determined based on forecast foreign currency receipts using projections approved by Management covering a 12-month period, and forecast timing of capital injections in an associated company. All hedges were effective in FY2022/23.

The calculation of foreign currency hedging effectiveness is sensitive to and is derived from forecasted foreign currency receipts and capital investments that have high probability to occur.

(b) Interest rate risk

The Group's exposure to market risk for changes in the interest rates relates primarily to the Group's short-term deposits with the immediate holding company and banks and other interest-bearing financial assets and financial liabilities.

As at 31 March 2023, other than those short-term deposits and borrowings, the Group has a floating rate long-term bank loan.

Interest rate sensitivity analysis

At the end of the reporting period, if the floating rates had been 100 basis points (2021/22: 100 basis points) lower/higher with all other variables held constant, the Group's profit before tax would have been approximately \$5,000 (2021/22: \$282,000) higher/lower, arising mainly as a result of lower/higher interest expense on the floating rate loan.

(c) Credit and counterparty risk

Credit risk

The Group's and Company's maximum exposure to credit risk in the event that counterparties fail to perform their contractual obligations as at 31 March 2023 in relation to each class of recognised financial assets are as follows:

	The Group		The Company	
	2023	2022	2023	2022
Loan to a subsidiary company	–	–	13,294	8,120
Trade debtors	34,151	35,351	23,785	24,290
Contract assets	160,304	124,562	149,100	118,770
Other debtors	6,709	27,455	4,799	25,873
Amount due from immediate holding company	43,715	36,465	43,271	36,130
Amounts owing by related parties	18,442	20,703	24,760	26,790
Short-term deposits	603,539	584,007	589,128	570,081
Cash and bank balances	29,450	41,470	12,271	13,486
	<u>896,310</u>	<u>870,013</u>	<u>860,408</u>	<u>823,540</u>

Surplus funds are invested in interest-bearing bank deposits and deposits with immediate holding company. Counterparty risks are managed by limiting aggregated exposure on all outstanding financial instruments to any individual counterparty, taking into account its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counterparties.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of \$) (continued)

(c) Credit and counterparty risk (continued)

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors. Concentrations of credit risk with respect to trade debtors are limited to the entities comprising the Group's customer base. The Group carefully assesses the financial strength of its customers and where appropriate, obtains collaterals, including bank guarantees and letters of credit, from customers. In addition, the Group monitors the receivable balances on an ongoing basis, providing for doubtful accounts whenever risks are identified. At 31 March 2023, the only trade debtor exceeding 42% (2022: 30%) of the Group's trade debtors was an amount of approximately \$43,715,000 (2022: \$36,465,000) due from its immediate holding company, Singapore Airlines Limited.

The Group's credit risk assessment is based on circumstances and information available as of the reporting date. The Group has provided for the necessary impairments on the recoverability of receivables and amounts owing by related parties from these airline customers. Such assessment extends to airline customers that are credit-impaired. For non-credit impaired customers, Management applied its best estimate on the expected credit loss allowances.

Expected credit loss assessment for trade receivables, contract assets and amounts owing by related parties

The Group and Company use an allowance matrix by age bracket to measure the ECLs of trade receivables, contract assets and amounts owing by related parties.

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables, contract assets and amounts owing by related parties as at 31 March 2023 and 31 March 2022:

	Weighted average loss rate	The Group 31 March 2023 Gross carrying amount	Impairment loss allowance
Less than 30 days	0.31%	198,545	(607)
30 days to 60 days	0.04%	6,786	(3)
61 days to 90 days	6.18%	2,588	(160)
More than 90 days	20.70%	7,248	(1,500)
		<u>215,167</u>	<u>(2,270)</u>
	Weighted average loss rate	The Group 31 March 2022 Gross carrying amount	Impairment loss allowance
Less than 30 days	0.40%	154,575	(622)
30 days to 60 days	1.49%	7,899	(118)
61 days to 90 days	5.58%	2,546	(142)
More than 90 days	27.31%	22,669	(6,191)
		<u>187,689</u>	<u>(7,073)</u>

SIA Engineering Company Limited and its Subsidiary Companies

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of \$) (continued)

(c) Credit and counterparty risk (continued)

Expected credit loss assessment for trade receivables, contract assets and amounts owing by related parties (continued)

	Weighted average loss rate	The Company 31 March 2023 Gross carrying amount	Impairment loss allowance
Less than 30 days	0.28%	183,123	(514)
30 days to 60 days	0.08%	2,617	(2)
61 days to 90 days	6.79%	2,357	(160)
More than 90 days	8.11%	11,126	(902)
		<u>199,223</u>	<u>(1,578)</u>

	Weighted average loss rate	The Company 31 March 2022 Gross carrying amount	Impairment loss allowance
Less than 30 days	0.26%	139,672	(364)
30 days to 60 days	0.24%	7,232	(17)
61 days to 90 days	0.42%	3,092	(13)
More than 90 days	15.40%	23,934	(3,686)
		<u>173,930</u>	<u>(4,080)</u>

The table below shows the movement in lifetime ECL that has been recognised for trade receivables, contract assets and amounts owing by related parties in accordance with the simplified life-time approach set out in IFRS 9:

Lifetime ECL	Not credit-impaired Collectively assessed	The Group Credit-impaired Individually assessed	Total
Balance at 1 April 2021	2,860	8,544	11,404
Charged/(Reversed) during the year	495	(402)	93
Provision utilised during the year	(46)	(4,378)	(4,424)
Balance at 31 March 2022	<u>3,309</u>	<u>3,764</u>	<u>7,073</u>
Reversed during the year	(1,689)	(417)	(2,106)
Provision utilised during the year	(54)	(2,643)	(2,697)
Balance at 31 March 2023	<u>1,566</u>	<u>704</u>	<u>2,270</u>

SIA Engineering Company Limited and its Subsidiary Companies

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of \$) (continued)

(c) Credit and counterparty risk (continued)

Expected credit loss assessment for trade receivables, contract assets and amounts owing by related parties (continued)

Lifetime ECL	Not credit- impaired Collectively assessed	The Company Credit- impaired Individually assessed	Total
Balance at 1 April 2021	2,430	13,454	15,884
Charged/(Reversed) during the year	58	(1,420)	(1,362)
Provision utilised during the year	–	(10,442)	(10,442)
Balance at 31 March 2022	2,488	1,592	4,080
Reversed during the year	(1,337)	(419)	(1,756)
Provision utilised during the year	–	(746)	(746)
Balance at 31 March 2023	1,151	427	1,578

Loss rates are based on actual credit loss experience over the past three years adjusted for current conditions and the Group's view of economic conditions over the expected lives of the receivables when these factors have a significant impact to the credit loss. No scalar factor has been applied for the financial year ended 31 March 2023 and 31 March 2022.

Immediate holding company

The Group and Company performed an individual assessment of the expected credit risk on the outstanding receivables and contract assets owing from the immediate holding company. The liquidity of the immediate holding company was evaluated by the Company, considering its financial position and other external credit-default risk factors appraised by credit-rating agencies. Through such assessments, the ECL for immediate holding company has been assessed to be insignificant.

Other financial assets

Other financial assets comprise other debtors, amounts owing by immediate holding company, short-term deposits and cash and bank balances. The Group considers its other financial assets to have low credit risk and the amount of allowance is insignificant.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of \$) (continued)

(c) Credit and counterparty risk (continued)

Counterparty risk

The Group determines concentrations of credit risk by monitoring the industry, country and credit rating of its counterparties. The table below shows an analysis of credit risk exposure of balances that exceed 5% of the financial assets of the Group and the Company as at 31 March:

	The Group				The Company			
	Outstanding balance		Percentage of total financial assets		Outstanding balance		Percentage of total financial assets	
	31 March 2023	2022	2023	2022	31 March 2023	2022	2023	2022
Counterparty profiles								
By industry:								
Airlines	631,295	605,024	86%	81%	630,851	604,689	89%	86%
Financial institutions	15,960	56,529	2%	8%	1,548	15,008	0%	2%
Others	–	389	–	0%	–	–	–	–
	647,255	661,942	88%	89%	632,399	619,697	89%	88%
By region:								
East Asia	643,267	644,543	87%	87%	632,399	619,697	89%	88%
Europe	–	–	–	–	–	–	–	–
South West Pacific	–	–	–	–	–	–	–	–
Americas	3,988	17,399	1%	2%	–	–	–	–
West Asia and Africa	–	–	–	–	–	–	–	–
	647,255	661,942	88%	89%	632,399	619,697	89%	88%
By Moody's credit ratings:								
Investment grade (A to Aaa)	15,960	56,410	2%	8%	1,548	15,008	0%	2%
Non-rated	631,295	605,532	86%	81%	630,851	604,689	89%	86%
	647,255	661,942	88%	89%	632,399	619,697	89%	88%

(d) Liquidity risk

The Group monitors its net operating cash flows and maintains an adequate level of cash and cash equivalents and credit facilities from financial institutions. As at 31 March 2023, the Group had at its disposal, cash and short-term deposits amounting to approximately \$632,989,000 (2022: \$625,477,000).

In response to possible future liquidity constraints arising from the uncertain recovery trajectory, the Group also maintains available undrawn short-term credit facilities amounting to \$11,557,000 (2022: \$23,186,000) that are unsecured and can be drawn down to meet short-term financing needs.

In the prior year, the Group has also established a Euro Medium Term Note Programme under which it may issue notes up to \$1.0 billion. As of 31 March 2023, the programme remained unutilised.

The Group's holding of cash and short-term deposits, together with credit facilities and net cash flow from operations, are expected to be sufficient for working capital purposes as well as future capital commitments.

SIA Engineering Company Limited and its Subsidiary Companies

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (in thousands of \$) (continued)

(d) Liquidity risk (continued)

The maturity profile of the financial liabilities of the Group and the Company is set out below. The amounts disclosed in the table are the contractual undiscounted cash flows, including estimated interest payments.

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
The Group							
2023							
<u>Financial liabilities</u>							
Trade and other creditors*	162,025	–	–	–	–	–	162,025
Contract liabilities	21,510	–	–	–	–	–	21,510
Amounts owing to related parties	1,239	–	–	–	–	–	1,239
Lease liabilities	26,674	22,730	22,170	21,601	4,663	29,763	127,601
Bank loans	2,029	–	–	–	–	–	2,029
Long-term bank loan	16	–	154	154	154	–	478
Total undiscounted financial and lease liabilities	<u>213,493</u>	<u>22,730</u>	<u>22,324</u>	<u>21,755</u>	<u>4,817</u>	<u>29,763</u>	<u>314,882</u>
2022							
<u>Financial liabilities</u>							
Trade and other creditors*	123,181	–	–	–	–	–	123,181
Contract liabilities	12,703	–	–	–	–	–	12,703
Amounts owing to related parties	1,456	–	–	–	–	–	1,456
Lease liabilities	30,421	7,308	4,215	3,822	3,847	29,993	79,606
Bank loans	2,807	–	–	–	–	–	2,807
Total undiscounted financial and lease liabilities	<u>170,568</u>	<u>7,308</u>	<u>4,215</u>	<u>3,822</u>	<u>3,847</u>	<u>29,993</u>	<u>219,753</u>
The Company							
2023							
<u>Financial liabilities</u>							
Trade and other creditors*	140,175	–	–	–	–	–	140,175
Contract liabilities	20,760	–	–	–	–	–	20,760
Amounts owing to related parties	17,170	–	–	–	–	–	17,170
Lease liabilities	24,261	21,255	21,092	21,121	4,387	23,543	115,659
Total undiscounted financial and lease liabilities	<u>202,366</u>	<u>21,255</u>	<u>21,092</u>	<u>21,121</u>	<u>4,387</u>	<u>23,543</u>	<u>293,764</u>
2022							
<u>Financial liabilities</u>							
Trade and other creditors*	104,285	–	–	–	–	–	104,285
Contract liabilities	12,648	–	–	–	–	–	12,648
Amounts owing to related parties	11,670	–	–	–	–	–	11,670
Lease liabilities	28,403	6,068	3,461	3,450	3,476	22,339	67,197
Total undiscounted financial and lease liabilities	<u>157,006</u>	<u>6,068</u>	<u>3,461</u>	<u>3,450</u>	<u>3,476</u>	<u>22,339</u>	<u>195,800</u>

* Excluding deferred income

SIA Engineering Company Limited and its Subsidiary Companies

37. SEGMENT INFORMATION (in thousands of \$)

For management purposes, the Group is organised into business units based on the nature of the services provided and has the reportable operating segments as follows:

- The airframe and line maintenance segment provides airframe maintenance, line maintenance, and inventory technical management. These services include scheduled routine maintenance and overhaul, specialised and non-routine maintenance, modification and refurbishment programmes. Line maintenance provides aircraft certification and technical ground handling services such as push-back and towing, and the provision of aircraft ground support equipment and rectification work. Inventory technical management encompasses fleet technical management and inventory technical management services, which include the provision of comprehensive engineering and MRO solutions that can be customised to provide maintenance support to airlines.
- The engine and component segment provides component overhaul and engine repair and overhaul services.

Associated and joint venture companies contribute significantly to the performance of the Group. Management has organised the presentation of the segment results and revenue to better reflect the contribution of the associated and joint venture companies towards the Group's performance. The businesses operated by these equity-accounted investees form part of the Group's reportable segments.

All other unallocated items will be disclosed in the consolidated financial statements.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Segment liabilities are not available as the information is not used by Management to make operating decisions.

Transfer prices between operating segments are on agreed terms between the operating segments.

The Group's businesses are organised and managed separately according to the nature of the services provided. The following tables present revenue and profit information regarding operating segments for the financial years ended 31 March 2023 and 31 March 2022 and certain assets information of the operating segments as at those dates.

Effective from 1 April 2022, the component shops and inventory technical management units previously presented as part of the airframe and line maintenance segment were integrated into newly set up component services division to position the Group for recovery and growth in demand for component MRO business. The new division is presented in the engine and component segment. Accordingly, previous reference to fleet management programme is updated to inventory technical management.

This represents a change to the operating segments reported in the previous financial year. The previously reported segment results for the year ended 31 March 2022 have been restated to be comparable with the revised segmentation approach as required by IFRS 8 Operating Segments.

SIA Engineering Company Limited and its Subsidiary Companies

37. SEGMENT INFORMATION (in thousands of \$) (continued)

Operating Segments

	Notes	Airframe and line maintenance	Engine and component	Total segments	Elimination and adjustments	Per consolidated financial statements
2022/23						
SEGMENT REVENUE						
External revenue						
Company and subsidiaries		644,898	151,072	795,970	–	795,970
Associated companies	(a)	40,991	2,148,898	2,189,889	(2,189,889)	–
Joint venture company	(a)	–	3,742,708	3,742,708	(3,742,708)	–
Inter-segment revenue	(b)	–	1,958	1,958	(1,958)	–
		<u>685,889</u>	<u>6,044,636</u>	<u>6,730,525</u>	<u>(5,934,555)</u>	<u>795,970</u>
SEGMENT RESULTS						
Segment results						
Company and subsidiaries		(1,955)	(24,296)	(26,251)	–	(26,251)
Associated companies	(a)	(4,888)	113,996	109,108	(109,108)	–
Joint venture company	(a)	–	63,286	63,286	(63,286)	–
		<u>(6,843)</u>	<u>152,986</u>	<u>146,143</u>	<u>(172,394)</u>	<u>(26,251)</u>
Interest income						12,271
Reversal of impairment of non-financial assets						1,678
Reversal of impairment of an associated company						2,005
Share of profits of associated companies, net of tax					48,545	48,545
Share of profits of a joint venture company, net of tax					29,269	29,269
Other unallocated amounts						<u>(1,968)</u>
Profit before taxation	(c)					<u>65,549</u>
Taxation						<u>996</u>
Profit for the financial year						<u><u>66,545</u></u>
<u>Other segment items</u>						
Depreciation		44,673	14,597	59,270	–	59,270
Amortisation of intangible assets		2,513	2,169	4,682	–	4,682
<u>Segment assets</u>						
Property, plant and equipment		102,567	72,576	175,143	–	175,143
Right-of-use assets		104,159	8,223	112,382	–	112,382
Intangible assets		18,164	22,614	40,778	–	40,778
Investment in associated/joint venture companies		22,082	663,222	685,304	–	685,304
Other unallocated assets	(d)					<u>969,771</u>
Total assets		<u>246,972</u>	<u>766,635</u>	<u>1,013,607</u>	<u>–</u>	<u>1,983,378</u>

SIA Engineering Company Limited and its Subsidiary Companies

37. SEGMENT INFORMATION (in thousands of \$) (continued)

Operating Segments

	Notes	Airframe and line maintenance	Engine and component	Total segments	Elimination and adjustments	Per consolidated financial statements
2021/22						
SEGMENT REVENUE						
External revenue						
Company and subsidiaries		465,770	100,316	566,086	–	566,086
Associated companies	(a)	71,329	2,159,713	2,231,042	(2,231,042)	–
Joint venture company	(a)	–	2,708,375	2,708,375	(2,708,375)	–
Inter-segment revenue	(b)	–	1,416	1,416	(1,416)	–
		<u>537,099</u>	<u>4,969,820</u>	<u>5,506,919</u>	<u>(4,940,833)</u>	<u>566,086</u>
SEGMENT RESULTS						
Segment results						
Company and subsidiaries		2,829	(24,699)	(21,870)	–	(21,870)
Associated companies	(a)	(21,588)	108,455	86,867	(86,867)	–
Joint venture company	(a)	–	52,627	52,627	(52,627)	–
		<u>(18,759)</u>	<u>136,383</u>	<u>117,624</u>	<u>(139,494)</u>	<u>(21,870)</u>
Interest income						1,816
Impairment of non-financial assets						(8,405)
Impairment of an associated company						(2,145)
Surplus on disposal of associated companies						2,618
Share of profits of associated companies, net of tax					49,695	49,695
Share of profits of a joint venture company, net of tax					29,397	29,397
Other unallocated amounts						<u>(1,946)</u>
Profit before taxation	(c)					49,160
Taxation						<u>18,611</u>
Profit for the financial year						<u><u>67,771</u></u>
<u>Other segment items</u>						
Depreciation		47,984	11,860	59,844	–	59,844
Amortisation of intangible assets		1,375	2,115	3,490	–	3,490
<u>Segment assets</u>						
Property, plant and equipment		107,683	49,218	156,901	–	156,901
Right-of-use assets		55,360	7,645	63,005	–	63,005
Intangible assets		11,241	21,545	32,786	–	32,786
Investment in associated/joint venture companies		19,439	631,786	651,225	–	651,225
Prepayments and other debtors		–	3,891	3,891	–	3,891
Other unallocated assets	(d)					<u>930,385</u>
Total assets		<u>193,723</u>	<u>714,085</u>	<u>907,808</u>	<u>–</u>	<u>1,838,193</u>

Notes:

- (a) Full information of the associated and joint venture companies (total revenue, total profit or loss) are reported in Operating Segments Revenue and Results, but eliminated to reconcile to the Group consolidated results with these equity-accounted investees included under the equity method.
- (b) Inter-segment revenues are eliminated on consolidation.

SIA Engineering Company Limited and its Subsidiary Companies

37. SEGMENT INFORMATION (in thousands of \$) (continued)

Notes: (continued)

- (c) The following items are deducted from segment results to arrive at "profit before taxation" presented in the consolidated income statement:

	31 March	
	2023	2022
Finance charges	(1,949)	(2,633)
(Loss)/Surplus on disposal of property, plant and equipment and intangible assets	(19)	687
	(1,968)	(1,946)

- (d) The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	31 March	
	2023	2022
Deferred tax assets	17,539	17,603
Current assets	952,232	912,782
	969,771	930,385

Geographical segments

Revenue* and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Revenue*		Non-current assets	
	2022/23	2021/22	31 March 2023	2022
East Asia	592,629	449,089	1,010,564	899,433
Europe	89,268	56,598	–	–
South West Pacific	18,556	4,848	–	–
Americas	62,587	34,957	20,582	25,978
West Asia and Africa	32,930	20,594	–	–
Total	795,970	566,086	1,031,146	925,411

* Revenue from Company and subsidiary companies.

For the year ended 31 March 2023, revenue of approximately \$514,009,000 (2021/22: \$400,215,000) and \$63,295,000 (2021/22: \$32,130,000) were from customers located in Singapore and France respectively. The remaining revenue from customers in other countries were individually insignificant.

As at 31 March 2023, non-current assets of approximately \$963,544,000 (2022: \$854,856,000) were located in Singapore. The remaining non-current assets located in other countries were individually insignificant.

Non-current assets information presented above consists of property, plant and equipment, right-of-use assets, intangible assets, investments in associated and joint venture companies, prepayments and other debtors and deferred tax assets as presented in the consolidated balance sheet.

Major customers

Revenue from one major customer amounted to approximately \$426,372,000 (2021/22: \$323,185,000), arising from services provided by airframe and line maintenance segment.

SIA Engineering Company Limited and its Subsidiary Companies

38. CAPITAL MANAGEMENT (in thousands of \$)

The primary objective of the management of the Company's capital structure is to maintain an appropriate capital base while retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events including the impact of COVID-19 pandemic on cash flows. Capital comprises share capital and accumulated profits.

The Directors regularly review the Company's capital structure and make adjustments to reflect economic conditions, business strategies and future commitments.

During the financial year ended 31 March 2023, there was no dividend payment by the Company to shareholders (2021/22: \$Nil for final dividend in respect of 2020/21).

No significant changes were made in the objectives, policies or processes relating to the Management of the Company's capital structure. The Company continues to maintain the need to conserve cash to sustain the business through the uncertain recovery path and retain financial flexibility to pursue business opportunities.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Capital for the Group and Company is tabulated below:

	The Group 31 March		The Company 31 March	
	2023	2022	2023	2022
Total debt:				
Lease liabilities	112,704	66,931	103,825	59,975
Bank loans	2,491	2,801	–	–
	<u>115,195</u>	<u>69,732</u>	<u>103,825</u>	<u>59,975</u>
Total capital:				
Share capital	420,044	420,044	420,044	420,044
Reserves	1,246,115	1,190,742	831,586	798,732
	<u>1,666,159</u>	<u>1,610,786</u>	<u>1,251,630</u>	<u>1,218,776</u>
Capital and total debt	<u>1,781,354</u>	<u>1,680,518</u>	<u>1,355,455</u>	<u>1,278,751</u>

39. RELATED PARTY TRANSACTIONS (in thousands of \$)

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Group considers the Directors, Chief Executive Officer, Chief Financial Officer, Executive Vice President and Senior Vice Presidents of the Company to be key management personnel of the Company.

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

SIA Engineering Company Limited and its Subsidiary Companies

39. RELATED PARTY TRANSACTIONS (in thousands of \$) (continued)

Sale and purchase of goods and services

	The Group	
	2022/23	2021/22
<u>Income</u>		
Sales of services and related materials to:		
- the immediate holding company and related corporations	484,719	369,310
- associated companies	10,019	17,249
- a joint venture company	4,448	2,853
- others	10	–
Interest income from the immediate holding company	11,638	1,701
Equipment fee charged to the immediate holding company	129	132
Rental of office space charged to the immediate holding company	81	81
<u>Expense</u>		
Management fees charged by the immediate holding company for corporate, general and administrative, technical and insurance services and equipment leases	12,814	10,631
Rental of hangars, workshops and office space charged by the immediate holding company	18,657	17,959
Purchases of materials from the immediate holding company and fellow subsidiaries	59,670	55,752
Purchases of goods from:		
- associated companies	5,410	10,664
- a joint venture company	750	865
- others	20,170	14,322
Services rendered by:		
- the immediate holding company	7,319	449

Compensation of key management personnel

Directors' and key executives' remuneration of the Company

	The Company	
	2022/23	2021/22
<u>Directors</u>		
Directors' fees	1,283	1,066
<u>Key executives</u>		
Salary, bonuses and other costs	4,381	3,748
CPF and other defined contributions	118	112
Share-based compensation expense	3,325	2,130

SIA Engineering Company Limited and its Subsidiary Companies

39. RELATED PARTY TRANSACTIONS (in thousands of \$) (continued)

Compensation of key management personnel (continued)

Directors' and key executives' remuneration of the Company (continued)

The details of RSP, PSP and DSA granted to key executives of the Company are as follows:

(a) RSP Base Awards

Name of participant	Balance as at 1 April 2022 (a)	Base Awards granted during the financial year (b)	Base Awards vested during the financial year (c)	Balance as at 31 March 2023/ cessation of employment = (a)+(b)-(c)	Aggregate Base Awards granted since commencement of RSP to end of financial year under review
Ng Chin Hwee	142,800	143,300	142,800	143,300	460,900
Wong Yue Jeen	25,600	24,000	25,600	24,000	249,205
Philip Quek Cher Heong	24,000	24,200	24,000	24,200	219,595
Foo Kean Shuh	28,900	44,800	28,900	44,800	159,750
Schmuck Stefan	11,000	22,200	11,000	22,200	33,200
Ng Lay Pheng	27,000	24,500	27,000	24,500	112,500
Ng Jan Lin Wilin	24,900	22,300	24,900	22,300	240,790
Chua Hock Hai	26,100	22,200	26,100	22,200	56,200
So Man Fung	26,200	25,500	26,200	25,500	173,393
Bernd Riggers	–	4,700	–	4,700	4,700

(b) RSP Final Awards (Pending Release)

Name of participant	Balance as at 1 April 2022 (a)	Final Awards granted during the financial year [^] (b)	Final Awards released during the financial year (c)	Balance as at 31 March 2023/ cessation of employment = (a)+(b)-(c)	Aggregate ordinary shares released to participant since commencement of RSP to end of financial year under review
Ng Chin Hwee	110,660	157,080	107,800	159,940	163,200
Wong Yue Jeen	21,400	28,160	22,520	27,040	165,849
Philip Quek Cher Heong	23,370	26,400	23,180	26,590	159,530
Foo Kean Shuh	23,285	31,790	25,000	30,075	95,435
Schmuck Stefan	–	12,100	4,000	8,100	4,000
Ng Lay Pheng	22,825	29,700	24,180	28,345	58,894
Ng Jan Lin Wilin	21,775	27,390	22,320	26,845	172,215
Chua Hock Hai	5,005	28,710	12,100	21,615	14,600
So Man Fung	25,722	28,820	25,860	28,682	105,087
Bernd Riggers	–	–	–	–	–

SIA Engineering Company Limited and its Subsidiary Companies

39. RELATED PARTY TRANSACTIONS (in thousands of \$) (continued)

Compensation of key management personnel (continued)

Directors' and key executives' remuneration of the Company (continued)

(c) PSP Base Awards

Name of participant	Balance as at 1 April 2022 (a)	Base Awards granted during the financial year (b)	Base Awards vested during the financial year (c)	Balance as at 31 March 2023/ cessation of employment = (a)+(b)-(c)	Aggregate Base Awards granted since commencement of PSP to end of financial year under review	Aggregate ordinary shares released to participant since commencement of PSP to end of financial year under review
Ng Chin Hwee	354,800	175,200	–	530,000	530,000	–
Wong Yue Jeen	62,600	20,900	16,800	66,700	134,238	27,249
Philip Quek Cher Heong	65,800	21,000	19,800	67,000	116,994	18,067
Foo Kean Shuh	70,000	38,800	19,700	89,100	141,419	19,037
Schmuck Stefan	9,700	19,300	–	29,000	29,000	–
Ng Lay Pheng	68,400	21,300	20,800	68,900	89,700	6,864
Ng Jan Lin Wilin	62,400	19,500	16,700	65,200	81,900	5,511
Chua Hock Hai	29,800	19,300	–	49,100	49,100	–
So Man Fung	22,800	22,200	–	45,000	45,000	–
Bernd Riggers	–	4,000	–	4,000	4,000	–

(d) DSA Base Awards

Name of participant	Balance as at 1 April 2022 (a)	Base Awards granted during the financial year (b)	Base Awards vested during the financial year (c)	Balance as at 31 March 2023/ cessation of employment = (a)+(b)-(c)	Aggregate ordinary shares released to participant since commencement of DSA to end of financial year under review
Ng Chin Hwee	122,970	169,762	56,600	236,132	56,600
Wong Yue Jeen	67,409	56,345	37,462	86,292	37,462
Philip Quek Cher Heong	65,212	56,345	35,911	85,646	35,911
Foo Kean Shuh	67,881	52,127	36,383	83,625	36,383
Schmuck Stefan	–	21,688	7,200	14,488	7,200
Ng Lay Pheng	62,385	55,716	32,678	85,423	32,678
Ng Jan Lin Wilin	47,445	57,123	19,000	85,568	19,000
Chua Hock Hai	5,697	52,050	17,400	40,347	17,400
So Man Fung	4,960	57,408	19,100	43,268	19,100
Bernd Riggers	–	–	–	–	–

SIA Engineering Company Limited and its Subsidiary Companies

Additional Information

Required By The Singapore Exchange Securities Trading Limited

1. INTERESTED PERSON TRANSACTIONS (in thousands of \$)

The aggregate value of all interested person transactions (“IPTs”) entered into during the financial year 2022/23 are as follows:

Name of interested person	Nature of relationship	FY2022/23	
		Aggregate value of all IPTs (excluding all mandated transactions pursuant to Rule 920 of the SGX Listing Manual and transactions less than \$100,000)	Aggregate value of all IPTs conducted under a shareholders’ mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
<u>Singapore Airlines Group</u>			
Singapore Airlines Limited	Controlling shareholder of SIAEC	–	1,853,557*
Scoot TigerAir Pte Ltd	Wholly-owned subsidiaries of SIAEC’s controlling shareholder	–	444,829
Singapore Aviation and General Insurance Company (Pte) Ltd		–	599
Tata SIA Airlines Limited	Associate of SIAEC’s controlling shareholder	–	656
<u>Non-listed Associates of Temasek Holdings (Private) Limited (“Temasek”)</u>			
AJI International Pte Ltd	Associate of Temasek Holdings (Private) Limited (“Temasek”)	–	10,005
#Element Testing Services (S) Pte Ltd (Formerly known as Singapore Test Services Pte Ltd)	Associate of Temasek	–	200
<u>SATS Group</u>			
SATS Ltd	Associate of Temasek	–	706
SATS Security Services Pte Ltd		–	13,792
Total		–	2,324,344

* Includes principal, interest and service fees, in respect of treasury transactions with SIA.

Acquired by Element Materials Technology Group Limited (an associate of Temasek) from Singapore Technologies Engineering Limited (an associate of Temasek) in July 2022.

This page does not form part of the audited financial statements

SIA Engineering Company Limited and its Subsidiary Companies

Additional Information

Required By The Singapore Exchange Securities Trading Limited

1. INTERESTED PERSON TRANSACTIONS (in thousands of \$) (continued)

Notes:

1. All the transactions set out in the above are based on records from the Company's Register of Interested Person Transactions for the financial period under review, and include transactions whose durations exceed the financial period under review and/or multiple transactions with the same interested person. The transactions were based on actual or estimated values of the transactions for the entire duration of the relevant transactions in the case of fixed term contracts or annual/periodic values of the transactions in the case of open-ended contracts, taking into account agreed rates.
2. All the above interested person transactions were done on normal commercial terms.

2. MATERIAL CONTRACTS

Except as disclosed above and in the financial statements for the financial year ended 31 March 2023, there were no material contracts entered into by the Company and its subsidiary companies involving the interests of the Chief Executive Officer, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

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