



Singapore
POST

ANNUAL REPORT 2016/17

DELIVERING

THE FUTURE

OUR VISION

GLOBAL LEADER IN
eCOMMERCE LOGISTICS AND
TRUSTED COMMUNICATIONS



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BUILDING FOR THE FUTURE

Postal services and eCommerce logistics are undergoing transformation. We plan, invest and prepare our people to be a nimble and forward-thinking company, ready for the future.



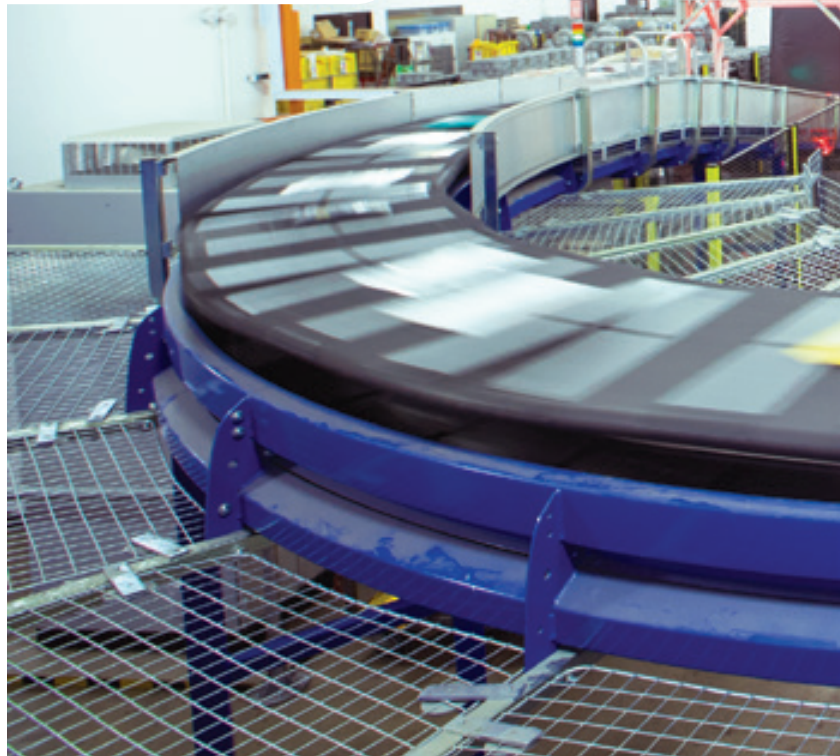
Singapore
POST

Regional e-commerce business



INVESTING IN TECHNOLOGY TO MEET TOMORROW'S NEEDS

Our business is evolving, our customer needs are changing, so we invest in new ways to raise service quality, to be more efficient and sustainable, and push boundaries.

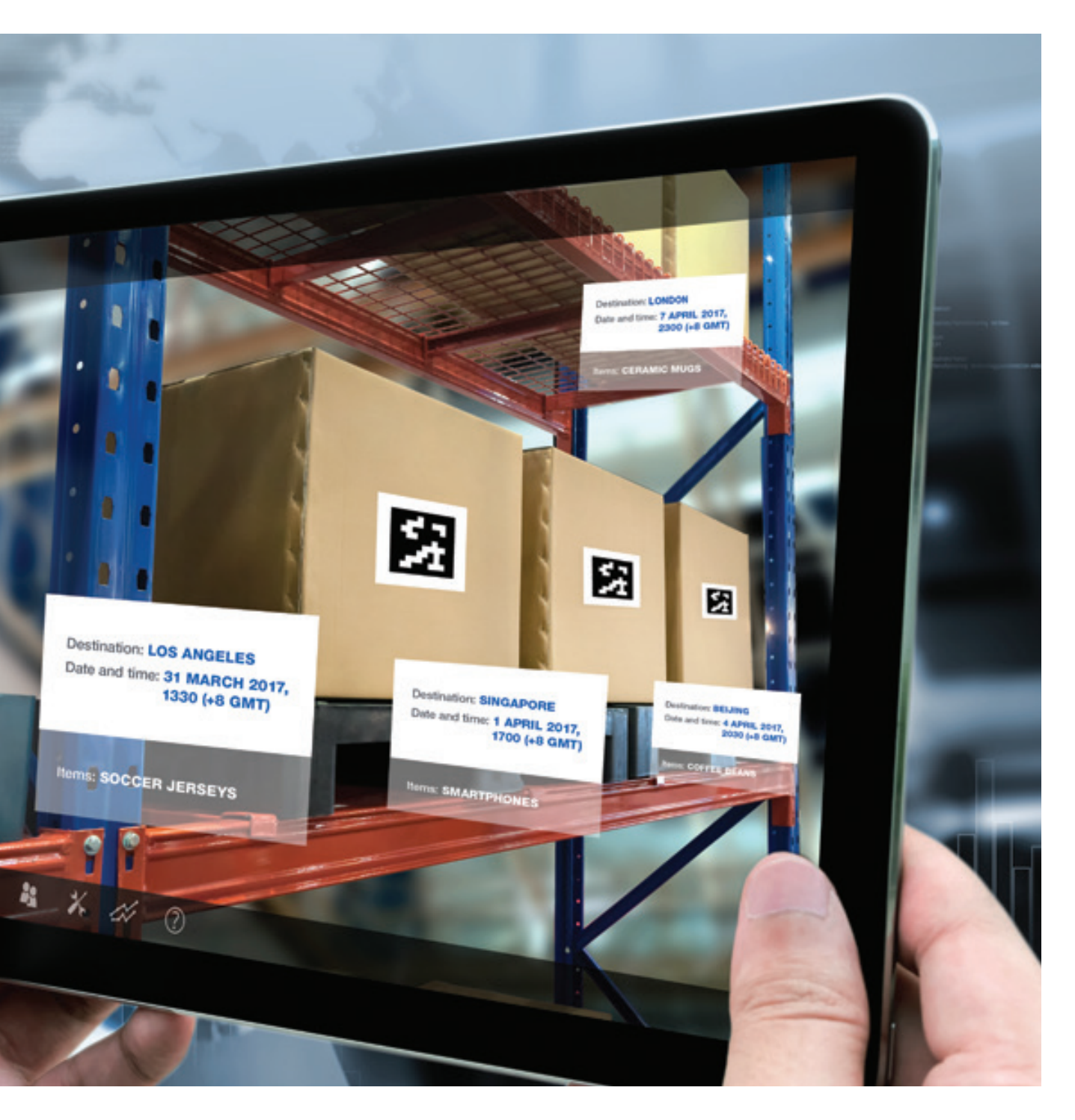




DELIVERING SUSTAINABLE VALUE

Through an expanding global network, and working with top international brands and enterprises, we continue to create long term value through providing end-to-end postal and eCommerce logistics solutions that give our customers access to the world's markets.





Destination: **LONDON**
Date and time: **7 APRIL 2017,**
2300 (+8 GMT)

Items: **CERAMIC MUGS**



Destination: **LOS ANGELES**
Date and time: **31 MARCH 2017,**
1330 (+8 GMT)

Items: **SOCCER JERSEYS**

Destination: **SINGAPORE**
Date and time: **1 APRIL 2017,**
1700 (+8 GMT)

Items: **SMARTPHONES**

Destination: **BEIJING**
Date and time: **4 APRIL 2017,**
2030 (+8 GMT)

Items: **COFFEE BEANS**



LETTER TO SHAREHOLDERS

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Transformation is a journey and it will take a number of years and further investment to achieve scale and profitability in eCommerce logistics.

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Dear Shareholders,

This has been a very challenging year for SingPost. While we made significant progress in the transformation of our business, issues in the US with TradeGlobal which resulted in impairment were a major setback.

As shareholders, you rightly want to understand why the impairment came in such a short space of time since acquiring the business in 2015. The Board has formed an independent committee to thoroughly review the circumstances surrounding SingPost's consideration and approval of the TradeGlobal

acquisition, including the adequacy of the financial and commercial due diligence performed for the transaction. We will update you on the outcome of the review, and will seek legal advice on appropriate actions, if any, to be taken arising from the findings of the committee. The review is expected to be completed and the findings released before our Annual General Meeting in July.

Given the structural decline of our domestic letter mail business, it is vital we advance our transformation into an eCommerce logistics enabler, leveraging on our strategic location and core assets to serve the region's growing eCommerce markets.

During the year, we saw the official opening of our S\$182 million Regional eCommerce Logistics Hub and the strengthening of our partnership with Alibaba. Our joint venture with Alibaba in Quantum Solutions International (QSI) to build out our regional eCommerce logistics platform was formed, while Alibaba increased its shareholding in SingPost to 14.4 per cent. Our partnership with Alibaba is important to our transformation and we are well funded to build out and grow our eCommerce logistics business.

Transformation is a journey and it will take a number of years and further investment to achieve scale and profitability in eCommerce logistics. You should be mindful of this when forming a view of our future prospects.

Our financial results reflect transitional challenges. Revenue grew 17.1 per cent last year to S\$1.35 billion with the inclusion of our US acquisitions, TradeGlobal and Jagged Peak. But net profit fell to S\$33.4 million as underlying net profit declined to S\$115.6 million and several exceptional items were recorded, including the impairment of our investment in TradeGlobal.

ADDRESSING POSTAL HEADWINDS

The structural decline of our postal business is something that we are managing actively, and we are relatively successful in this, given global trends. While letter mail volumes continue to fall, strong domestic eCommerce and international mail volumes are helping cushion the impact, albeit with lower margins, as our Singapore base offers transshipment opportunities for the region's growing eCommerce trade.

We are harnessing technology to address these evolving trends, as well as improve the quality of our service. We owe this to our customers – and the nation, as Singapore's Public Postal Licensee. We are developing digital versions of the mail and post office to serve the evolving trusted communication needs of consumers,

businesses, and the government. We are also at an advanced stage in testing our SmartPost suite of solutions that uses mobile, near-field communication and radio frequency identification technologies to raise service quality and operational efficiency. Dovetailing with the country's Smart City drive, we are exploring how drone technology may be employed in a commercially viable way to meet rising demand for faster and more flexible deliveries, and address resource constraints.

BUILDING OUT OUR LOGISTICS BUSINESS

Building our eCommerce logistics business is a key pillar of SingPost's transformation. Today, our network spans 19 markets across Asia, Europe and the US.

Our Regional eCommerce Logistics Hub is the centrepiece of our eCommerce logistics network in the region. Fully automated and with integrated warehousing and parcel sorting operations, the facility enables faster and more efficient order fulfilment. It leverages Singapore's regional connectivity and has been designed to be scalable to meet the needs of the future. Within the first year of operations, the facility has secured several important contracts with customers, including Southeast Asian online marketplace operator Lazada.

Our relationship with Alibaba has been deepening over the past three years so that we are today a strategic logistics partner for Alibaba. In the years ahead, we will be working closely with Alibaba to develop QSI as a common platform to grow and enhance eCommerce logistics capabilities in Southeast Asia and Oceania. We can expect the collaboration to strengthen QSI's end-to-end solutions and increase volumes on its network, positioning us well for the rapid growth of the region's eCommerce markets.

Nevertheless, we are at an early stage and it will be some time before this partnership delivers profits.

LETTER TO SHAREHOLDERS

ENABLING GLOBAL ECOMMERCE TO DRIVE VOLUMES

Our eCommerce business has acquired technologies, customers, and market knowhow that put us in a good place to pioneer omni-channel retail solutions that drive volumes on our logistics network.

Our US subsidiary Jagged Peak recorded an outstanding performance in the first year we consolidated its financials. The company posted strong revenue and earnings growth that considerably exceeded the business plan. With its unique business model and proprietary software, the company scored several major customer wins from among the world's most recognisable names in the fast moving consumer goods sector. SP eCommerce also experienced good revenue growth, with its monobrand strategy enabling leading international brands such as Calvin Klein, MUJI, Timberland and Triumph to establish eCommerce operations in Asia.

TradeGlobal, however, missed its financial targets significantly, incurring a S\$25.8 million loss instead of a planned S\$9.4 million profit. The company saw several operational challenges, including a surge in labour costs during the peak season, delays in warehouse automation initiatives, and management changes.

More fundamentally, TradeGlobal faces structural difficulties that will impact the business moving forward. US fashion apparel retailers, a major segment of TradeGlobal's customer base, are grappling with dramatic shifts in consumer patterns and web-driven business models that undercut traditional brick-and-mortar setups. The loss of two large customers that made up 30 per cent to 40 per cent of revenue will

not be easily or quickly replaced and has required the company to be restructured. Labour cost pressures in the Cincinnati area are likely to resurface at the next peak season, and will be hard to mitigate until our automation efforts are in place.

We have appointed Mr Paul Demirdjian Interim CEO of our US businesses to oversee the turnaround of TradeGlobal and lead the overall strategy and operations of our investments in the US. Changes to the business model, cost management measures and pricing initiatives are being implemented to improve TradeGlobal's operational performance.

TradeGlobal's significant underperformance against the business case that supported the investment has led to impairment. The decision for impairment was reached after the annual review of the Group's investments and assets, which is conducted to ensure the carrying values recorded present an accurate picture of the business to shareholders and other stakeholders.

REALISING THE VALUE POTENTIAL OF OUR PROPERTY

The opening of our new retail mall at SingPost Centre later this year will establish new revenue streams that will help realise the full potential of the property. CapitaLand has been appointed to manage the mall, which will also be a test bed for new retail concepts that combine the best aspects of online and offline shopping.

RESETTING THE CORPORATE GOVERNANCE AND POLICY FRAMEWORK

Among the many events in the past year, important steps were taken to strengthen SingPost's governance

and policy framework, establishing a firm foundation on which to continue our transformation for the long term future of SingPost.

We completed a Corporate Governance Review, and have put in place a new governance framework. The Board was renewed, with eight Directors stepping down, and four new appointments during the financial year. Three more Directors were appointed after 31 March 2017. Board Committees were reorganised, with the Executive Committee reconstituted into a Finance and Investment Committee with a narrowed scope, and an expanded Nominations and Corporate Governance Committee. A structured process was put in place to ensure Board renewal, and that the composition of the Board and its Committees fits strength and skill requirements.

We have put in place a new dividend policy linking our payout to a percentage range of underlying net profit to ensure our dividends are sustainable in the long term. Dividends totalling three cents per share have been paid out for the first three quarters of the year. The Board is recommending a final dividend of 0.5 cent per share for your approval at the AGM.

We appointed our Group Chief Executive Officer (GCEO), Mr Paul Coutts, who provides critical leadership as we embark on the new financial year. Paul, who will also be a non-independent Director, brings with him seniority and experience from an extensive logistics and postal career that includes global leadership roles. The Board expects Paul to accelerate the ongoing transformation of SingPost and improve the Group's performance. Please join me in welcoming Paul. The Board looks forward to working closely with him and expresses its thanks to Mr Mervyn Lim for covering the GCEO role since December 2015, in addition to carrying out the roles of Deputy GCEO (Corporate Services) and Group Chief Financial Officer.

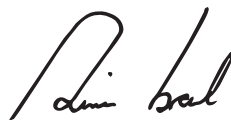
APPRECIATION AND WELCOME

The Board would like to thank Mr Bill Chang, Professor Low Teck Seng and Mr Soo Nam Chow, who retire from the SingPost Board, for their contributions. The Board thanks Mr Soo for the considerable additional work he undertook through the Special Audit and Corporate Governance Review.

We welcome our new non-executive Directors – Mrs Fang Ai Lian, Ms Elizabeth Kong, Mr Steven Leonard, Ms Lim Cheng Cheng, and Mr Bob Tan – and the leadership they provide in their new roles, with Mrs Fang as Lead Independent Director and Audit Committee Chairman, and Mr Tan as Compensation Committee Chairman.

Finally, we thank Management and Staff for their commitment to SingPost during this year of transition, and also the union, our partners and customers for their continued support.

Yours sincerely,



SIMON ISRAEL
Chairman

COVERING GCEO REVIEW

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The focus for SingPost moving forward is to drive traffic and volumes onto our eCommerce logistics network and increase utilisation of existing infrastructure, so as to benefit from greater economies of scale and operating leverage.

”



I have been appointed by the SingPost Board since December 2015 to cover the position of Group CEO as the Board searched for a new chief executive. As Covering Group CEO, my focus in the past year has been to continue executing the transformation strategy as set by the Board, and to monitor the performance of our investments and acquisitions.

Together with my colleagues, we continued to advance the three core components of our transformation journey – Protecting the Core, Growing the Wings and Unlocking Value.

PROTECTING THE CORE

Our Postal Services division remains the core of SingPost. Although domestic mail revenue continues to decline, SingPost has successfully grown its international mail business to help mitigate the impact.

International mail revenue rose 17.4 per cent in FY2016/17 as we delivered higher volumes of cross-border eCommerce items, providing eCommerce retailers with a cost-efficient means of reaching their global customers.

The international mail segment however is highly competitive, and margins are relatively low. With the shift in our business mix towards lower margin international mail, Postal margin declined to 27.7 per cent for FY2016/17, from 29.3 per cent the year before. Despite this, our Postal margins remain one of the highest globally compared to other postal organisations, which demonstrates the efficiency of our postal operations.

To mitigate margin pressures, we will continue to focus on improving productivity and efficiency

while maintaining service quality. This includes upskilling our workers and deploying technology to drive innovative solutions.

Our POPStation smart lockers are now pervasive throughout Singapore at a distance of less than two kilometres between each locker facility. During the year we rolled out 300 new feature-enhanced self-service automated machines or SAMs. The majority of our post offices have also been remodelled into 24-hour hubs with integrated automated self-service lobbies.

In FY2016/17, SingPost's Public Postal Licence was renewed for a 20-year period starting from 1 April 2017. We are strongly cognizant of the key role that we play as the nation's postal service provider and service quality will remain as our top priority.

GROWING THE WINGS

With the rapid growth of eCommerce, especially in the Asia Pacific, we have a valuable opportunity to build new revenue streams in eCommerce logistics and create sustainable growth for the future.

Over the past few years, we have built out an eCommerce logistics network spanning 19 markets. Partly as a result of higher costs from planned investments in our network, Logistics margins declined to 3.7 per cent in FY2016/17, from 6.2 per cent the year before.

The focus for SingPost moving forward is to drive traffic and volumes onto our eCommerce logistics network and increase utilisation of existing infrastructure, so as to benefit from greater economies of scale and operating leverage.

To grow volumes, we will seek to expand our customer base, and develop collaboration and alliances with strategic partners. One of our major strategic partners is the Alibaba Group.

Our relationship has come a long way. Alibaba first began as SingPost's customer before they took an equity stake of 10.2 per cent in SingPost in 2014, starting a strategic collaboration with us. This collaboration has resulted in new business opportunities for SingPost over the years.

In FY2016/17, we further strengthened our partnership with the Alibaba Group as they took a 34 per cent stake in our subsidiary Quantum Solutions International (QSI), and increased their holdings in SingPost to 14.4 per cent. The deepening relationship provides a solid foundation on which we will continue to grow our business together.

On top of building strategic alliances with key partners, we also strengthened and enhanced our eCommerce infrastructure and capabilities during the year.

Our Regional eCommerce Logistics Hub was officially opened on 1 November 2016. This Hub is a key asset and the cornerstone of our eCommerce logistics strategic plan. The automated facility supports customers in the region, leveraging Singapore's strategic location, infrastructure and global connectivity.

In May 2017, we announced that Lazada Singapore has moved its entire warehouse operations to the Logistics Hub. This collaboration sees Lazada's eCommerce platform and SingPost's logistics capabilities coming together and it will result in scale and efficiencies for both of us.

In our eCommerce segment, we are helping leading international brands with front-end web store solutions including design, marketing, and payments management. With this, SingPost offers a full suite of end-to-end eCommerce logistics solutions that is able to serve customers across different parts of the value chain.

COVERING GCEO REVIEW

UNLOCKING VALUE

SingPost regularly reviews all our non-core assets as part of our ongoing efforts to enhance shareholder returns.

We are redeveloping the SingPost Centre retail mall, which will nearly double our net lettable area to about 175,000 square feet. This allows us to capitalise on the opportunities around our location, Paya Lebar Central, a region earmarked by the Urban Redevelopment Authority for development into a commercial hub.

SingPost's flagship General Post Office will be located within the retail mall. We have also

secured key anchor tenants Golden Village, NTUC Fairprice and Kopitiam, as well as leading retail brands, family entertainment outlets and enrichment centres.

In March 2017, we appointed CapitaLand as the retail mall manager, which will help optimise yields while we focus on our core competencies in postal and eCommerce logistics services.

MONITORING THE PERFORMANCE OF OUR INVESTMENTS AND ACQUISITIONS

All our investments are regularly monitored and their performance matched against the underlying



From left: Mr Paul Coutts (incoming GCEO), Mr Simon Israel (Chairman), Mr Mervyn Lim (covering GCEO)

assumptions of Management's future plans for each of the businesses. This is to ensure that fair value is reflected on our balance sheet.

Following a review at the close of FY2016/17, SingPost recognised impairment charges amounting to S\$208.6 million net of tax, made up largely of S\$185 million for TradeGlobal, S\$20.5 million for Postea and S\$9.3 million for an industrial building at Toh Guan Road East.

TradeGlobal had significantly underperformed the business case which supported the investment, and is facing operational and structural challenges. More details are included in the Chairman's Letter to Shareholders and in the Financial Review section of this annual report.

Given the extent of the impairment to SingPost's investment in TradeGlobal, SingPost appointed FTI Consulting, an independent global business advisory firm, which has verified that the impairment provision was properly calculated following an appropriate review process and that the assumptions adopted were reasonable.

For Postea, the carrying value was no longer supported by the value in use following material changes to the company's business projections; while for the Toh Guan Road property, the impairment charge recognised the decline in its market valuation against the purchase price.

The impairment charges were partially offset by a S\$108.7 million fair value gain on Investment Properties, largely for SingPost Centre, where the redevelopment of the retail mall is near completion.

FINANCIAL PERFORMANCE FOR FY2016/17

SingPost closed the year with revenue of S\$1.35 billion, a 17.1 per cent growth over the previous

financial year, driven mainly by the inclusion of our US eCommerce subsidiaries.

Net profit attributable to shareholders however decreased 86.6 per cent to S\$33.4 million, due largely to exceptional items such as impairment charges.

Underlying net profit declined 24.7 per cent, reflecting the impact of planned investments, associates which are investing for growth, higher losses in the US eCommerce business and a decline in Postal operating profit.

STRONG CASH FLOW AND BALANCE SHEET

SingPost continued to generate strong cash flows. Net cash from operating activities rose to S\$200.1 million from S\$131.4 million the previous year, boosted by positive working capital movements.

With lower capital expenditure recorded in FY2016/17 with the completion of the Regional eCommerce Logistics Hub, the Group returned to positive free cash flow after two years of high capital expenditure.

As at 31 March 2017, SingPost's cash and cash equivalents stood at S\$366.6 million, resulting in a net cash position. Our cash balances include proceeds from Alibaba, which are to be used in accordance with the investment agreements to strengthen the Group's network.

REVISED DIVIDEND POLICY TO ENSURE SUSTAINABILITY

The Board conducted a review of the dividend policy during the year.

SingPost's dividends were previously supported largely by the domestic mail business which continues to see declining volumes. To provide future sources of earnings, we have made significant

COVERING GCEO REVIEW

transformational investments in eCommerce and eCommerce logistics, as well as in the redevelopment of the SingPost Centre retail mall.

These investments will impact earnings in the short term, and the review of the dividend policy should be understood in this context.

To ensure that the dividends are sustainable, the dividend policy has been changed from an absolute amount to one based on a payout ratio ranging from 60 per cent to 80 per cent of underlying net profit for each financial year.

For FY2016/17, the interim dividends and proposed final dividend amount to 3.5 cents, which represents 66 per cent of underlying net profit for the year.

BUILDING ONE TEAM

Over the last 18 months, I have been supported in my role by a Management Committee. As a team, we work to encourage and motivate all our colleagues to live out SingPost's core value of being One Team.

The move of our business units and HQ support functions into a fully open concept office at SingPost Centre has helped reinforce team spirit. In order to build staff camaraderie, we held a Leadership Bonding Day in October 2016. We also launched a new programme where our employees organise their own regular community outreach initiatives as part of team building.

In addition, SingPost is developing a structured approach to address sustainability issues in the organisation, paving the way towards sustainability reporting. As a corporate citizen, we are also

developing a more strategic approach in our corporate giving initiatives.

APPRECIATION

From 1 June 2017, SingPost will have a new Group CEO, Mr Paul Coutts, and I will return to my role as Deputy Group CEO (Corporate Services) and Group CFO.

I wish to thank our Chairman and our Directors for their support and guidance given to me and my team over the last 18 months. My appreciation also goes to all my colleagues who worked with me to advance SingPost on its transformation journey.

Yours sincerely,



MERVYN LIM
Covering GCEO

SINGPOST AT A GLANCE



>7,500
GLOBAL
WORKFORCE

>150
YEARS OF
EXPERIENCE

OPERATIONS IN
19
MARKETS

S\$1.35B
REVENUE

As at 31 March 2017.

BOARD OF DIRECTORS



SIMON ISRAEL, 64

Chairman,
Non-Executive, Non-Independent Director

Date of appointment as Chairman: **11 May 2016**

Date of first appointment as a director: **11 May 2016**

Date of last re-election as a director: **14 July 2016**

Board committee(s) served on:

Finance and Investment Committee (Chairman)
Compensation Committee (Member)
Nominations and Corporate Governance Committee (Member)

Academic & Professional Qualification(s):

Diploma in Business Studies, The University of the South Pacific

Present Directorships in other listed companies

(as at 31 March 2017):

Singapore Telecommunications Limited (Chairman)
CapitalLand Limited (retired in April 2017)
Fonterra Co-operative Group Limited

Principal Commitments:

Singapore Telecommunications Limited (Chairman)
Fonterra Co-operative Group Limited (Director)

Past Directorships in listed companies held over the preceding three years

(from 1 April 2014 to 31 March 2017):

Nil



PAUL WILLIAM COUTTS, 60

Group Chief Executive Officer
Executive, Non-Independent Director

Date of first appointment as a director: **1 June 2017**

Board committee(s) served on:

Nil

Academic & Professional Qualification(s):

Leadership Programme, Wharton University
Management Programme, DP/DHL University
(facilitated by Wharton)
Executive Programme in Strategy and Organisation,
Stanford Business School
Senior Management Development Programme,
London Business School of Economics

Present Directorships in other listed companies

(as at 31 March 2017):

Nil

Principal Commitments:

Nil

Past Directorships in listed companies held over the preceding three years

(from 1 April 2014 to 31 March 2017):

Nil



CHEN JUN, 43

Non-Executive, Non-Independent Director

Date of first appointment as a director: **31 July 2014**

Date of last re-election as a director: **8 July 2015**

Board committee(s) served on:

Finance and Investment Committee (Member)

Academic & Professional Qualification(s):

EMBA degree, INSEAD, France

Bachelor of International Finance and Accounting,
Shanghai University

Present Directorships in other listed companies

(as at 31 March 2017):

Nil

Principal Commitments:

Alibaba Group Holding Limited (Vice President)

Past Directorships in listed companies held over the preceding three years

(from 1 April 2014 to 31 March 2017):

Alibaba Health Information Technology Limited



FANG AI LIAN, 67

Non-Executive, Lead Independent Director

Date of first appointment as a director: **10 October 2016**

Board committee(s) served on:

Audit Committee (Chairperson)

Compensation Committee (Member)

Nominations and Corporate Governance Committee
(Member)

Academic & Professional Qualification(s):

Fellow, Institute of Chartered Accountants in England
and Wales

Fellow, Institute of Certified Public Accountants in
Singapore

Present Directorships in other listed companies

(as at 31 March 2017):

Banyan Tree Holdings Limited

Metro Holdings Ltd

Principal Commitments:

Far East Organization Group (Advisor)

MediShield Life Council (Chairperson)

Board of Trustees of the Singapore Business
Federation (Chairperson)

Board of Trustees of Singapore University of
Technology & Design (Board Member)

Tote Board (Board Member)

Past Directorships in listed companies held over the preceding three years

(from 1 April 2014 to 31 March 2017):

Singapore Telecommunications Limited

Oversea-Chinese Banking Corporation Limited

Great Eastern Holdings Limited

BOARD OF DIRECTORS



ALIZA KNOX, 56

Non-Executive, Independent Director

Date of first appointment as a director: **30 August 2013**

Date of last re-election as a director: **14 July 2016**

Board committee(s) served on:

Board Risk and Technology Committee (Member)

Academic & Professional Qualification(s):

Masters in Business Administration in Marketing (Distinction), New York University Graduate School of Business Administration

Bachelor of Arts in Applied Math and Economics (magna cum laude), Brown University

Present Directorships in other listed companies

(as at 31 March 2017):

Scentre Group

Principal Commitments:

Unlockd (Chief Operating Officer)

Past Directorships in listed companies held over the preceding three years

(from 1 April 2014 to 31 March 2017):

InvoCare Limited

GfK SE



ELIZABETH KONG SAU WAI, 35

Non-Executive, Independent Director

Date of first appointment as a director: **10 October 2016**

Board committee(s) served on:

Finance and Investment Committee (Member)

Nominations and Corporate Governance Committee (Member)

Academic & Professional Qualification(s):

Double First in Law, Cambridge University

Present Directorships in other listed companies

(as at 31 March 2017):

Nil

Principal Commitments:

Morgan Lewis Stamford LLC (Director)

Past Directorships in listed companies held over the preceding three years

(from 1 April 2014 to 31 March 2017):

Nil



STEVEN ROBERT LEONARD, 55
Non-Executive, Independent Director

Date of first appointment as a director: **1 June 2017**

Board committee(s) served on:
Board Risk and Technology Committee (Member)

Academic & Professional Qualification(s):
Degree in Business, Southern Methodist University,
Dallas, Texas

Present Directorships in other listed companies
(as at 31 March 2017):
Nil

Principal Commitments:
SGInnovate (Founding Chief Executive Officer)

**Past Directorships in listed companies held over
the preceding three years**
(from 1 April 2014 to 31 March 2017):
Nil



LIM CHENG CHENG, 45
Non-Executive, Non-Independent Director

Date of first appointment as a director: **1 April 2017**

Board committee(s) served on:
Finance and Investment Committee (Member)

Academic & Professional Qualification(s):
Chartered Accountant, Institute of Singapore
Chartered Accountants
Master of Business Administration, University of
Chicago Booth School of Business
Bachelor of Accountancy, Nanyang Technological
University

Present Directorships in other listed companies
(as at 31 March 2017):
Nil

Principal Commitments:
Singapore Telecommunications Limited (Group Chief
Financial Officer)

**Past Directorships in listed companies held over
the preceding three years**
(from 1 April 2014 to 31 March 2017):
Nil

BOARD OF DIRECTORS



PROFESSOR LOW TECK SEN, 62

Non-Executive, Independent Director

Date of first appointment as a director: **8 October 2010**

Date of last re-election as a director: **8 July 2015**

Board committee(s) served on:

Board Risk and Technology Committee (Chairman)

Academic & Professional Qualification(s):

Bachelor of Science (First Class Honours) and Ph.D,
Southampton University

Institute of Electrical and Electronics Engineer (Fellow)

Royal Academy of Engineers (Fellow)

Legion of Honour with the grade of Knight (Chevalier)
by the French Government in Paris on 17 March 2016

Present Directorships in other listed companies

(as at 31 March 2017):

Excelpoint Technology Ltd

ISEC Healthcare Ltd

Principal Commitments:

National Research Foundation (Chief Executive Officer)

Halza Pte Ltd (Advisor)

Past Directorships in listed companies held over the preceding three years

(from 1 April 2014 to 31 March 2017):

Nil



BOB TAN BENG HAI, 65

Non-Executive, Independent Director

Date of first appointment as a director: **10 October 2016**

Board committee(s) served on:

Compensation Committee (Chairman)

Audit Committee (Member)

Board Risk and Technology Committee (Member)

Academic & Professional Qualification(s):

Fellow, Institute of Chartered Accountants in England
and Wales

Fellow, Singapore Institute of Directors

Present Directorships in other listed companies

(as at 31 March 2017):

Sembcorp Marine Ltd

Ascott Residence Trust Management Limited

Principal Commitments:

Jurong Engineering Ltd (Chairman)

Institute of Technical Education (Chairman and Board
Member)

Inland Revenue Authority of Singapore (Board Member)

NTUC Club Management Council (Member)

Ong Teng Cheong Labour Leadership Institute (Board
Member)

Singapore Manufacturing Federation (Member of Board
of Governors)

SINGEX Holdings Pte Ltd (Chairman)

Singapore LNG Corporation Pte Ltd (Chairman)

SMRT Corporation Ltd (Director)

SMRT Trains Ltd (Director)

Past Directorships in listed companies held over the preceding three years

(from 1 April 2014 to 31 March 2017):

CapitaMalls Asia Limited



ZULKIFLI BIN BAHARUDIN, 57

Non-Executive, Independent Director

Date of first appointment as a director: **11 November 2009**

Date of last re-election as a director: **14 July 2016**

Board committee(s) served on:

Nominations and Corporate Governance Committee
(Chairman)

Audit Committee (Member)

Compensation Committee (Member)

Academic & Professional Qualification(s):

Bachelor of Science (Estate Management), National
University of Singapore

Present Directorships in other listed companies

(as at 31 March 2017):

Ascott Residence Trust Management Limited

GDS Holdings Limited

Principal Commitments:

Uzbekistan (Non-Resident Ambassador)

Kazakhstan (Non-Resident Ambassador)

Indo Trans Logistics Corporation (Executive Chairman)

Singapore Management University (Member, Board
of Trustees)

**Past Directorships in listed companies held over
the preceding three years**

(from 1 April 2014 to 31 March 2017):

Nil

POSTAL SERVICES



Postal Services is transforming for a future in which mail is used increasingly to convey eCommerce goods, with expectations for rapid and flexible delivery on the rise, shaped by the digital age we are in.

Domestic letter mail volumes continue to fall with increasing migration to electronic statements, while international mail is growing, driven by rising eCommerce transshipments. As Singapore's Public Postal Licensee, SingPost is investing and innovating to optimise our operations and services for these evolving trends so that we may fulfil our service obligations and the needs of our postal customers.

INNOVATING THROUGH TECHNOLOGY

We launched the SmartPost initiative to focus our efforts in harnessing technology to enhance postal service levels and improve operational efficiency. Trials and pilot

studies are ongoing as we develop integrated solutions to optimise our postal operations: from collection to sorting, last mile delivery and quality assurance. Rollout is targeted to complete by March 2019.

The solutions amalgamate the use of customised mobile apps, near-field communication, radio frequency identification, imaging technology and electronic notification. Their successful adoption will further strengthen our operational capabilities and improve customer satisfaction.

MAKING IT SIMPLER FOR OUR CUSTOMERS

We made further progress revamping our post office network, with 38 of our 57 post offices now upgraded with features that provide 24/7 access to key essential services such as parcel collection and bill payment. Semi-auto lobbies may now be found in the heartland, such as at the Whampoa and Teban Gardens post offices. The General Post Office will be making a return at our new SingPost Centre mall – recast for the future, while rooted to our 150-year heritage.



SmartPost harnesses mobile apps, near-field communication, and other technologies to strengthen operational capabilities and enhance service levels.

The upgrading of our post offices dovetails with the development of the digital post office, which comprises our new SAM self-service automated kiosks, web portal and mobile app. This omni-channel platform will provide ubiquitous access to our services and those of our partners, enabling customers to perform transactions anytime and anywhere.

On the products front, we launched the Poly M mailers, building on the success of our SmartPac envelopes and packaging boxes. Poly M and SmartPac have been well received by online retailers as both offer an all-in-one packaging solution, with prepaid postage that allows eCommerce shipments to be posted without the hassle of working out the postage required.

SPREADING OUR WINGS IN INTERNATIONAL MAIL

Our collaboration with the Alibaba Group deepened. Singles' Day 2016 was a massive event for us. We chartered flights for the first time as transshipment volumes from Hong Kong to Singapore were high and we wanted

to ensure quality service to our customers. Through careful planning and working closely with airlines and ground handling agents, Singles Day shipments were processed and connected onto flights from Singapore to their final destination within 24 hours. We received an award from Alibaba's logistics arm, Cainiao Network, in recognition of our efforts for Singles' Day.

Our airport postal consignment operations were integrated into SATS' eCommerce AirHub on 1 January 2017. The partnership enables single scanning and sorting, and removes the need to tow consignments between facilities. This has enhanced operational efficiency, including shorter cycle and connection times, and better productivity.

Together with other postal operators, we launched ePAC, a premium mail service for eCommerce merchants that offers full tracking for eCommerce packages bound for Australia, Canada, Germany, Israel, the Netherlands, and the US, with other major trading destinations to come.



World Post Day celebrations at the Yishun Floral & Jade Dew RC Children's Day Carnival 2016, where Minister for Education (Higher Education and Skills) and Second Minister for Defence Mr Ong Ye Kung was the guest-of-honour.

At the 26th Universal Postal Union Postal Congress in Turkey in October 2016, Singapore was elected to the 40-member Postal Operations Council. It was also appointed the Co-Chair of the Remuneration Integration Committee, which will look into the settlement rate for the next cycle, which runs from 2022 to 2026. A key decision reached at the congress was the introduction of separate settlement rates for packages. These will take effect from 2018 to 2021 and will reflect the higher costs and service expected for eCommerce deliveries.

RAISING PRODUCTIVITY

In line with Singapore's drive to improve productivity and elevate skill levels of workers, we launched a Kaizen programme, structured on Lean Six Sigma methodology, to improve productivity of our operations. The programme established a change management platform to enhance the capability and skills of our operations staff, empowering them to identify, initiate, design, and execute on productivity improvement solutions effectively.

Some of the outcomes of our Kaizen programme include:

- Improving sorting efficiency of registered articles by more than 55 per cent through the mechanisation of a large portion of the sorting process;
- Reducing sorting machinery inspection times by over 75 per cent through the introduction of WiFi-digital equipment in place of manual inspections; and

- Improving efficiency of processing delivery receipts by 80 per cent through the adoption of high speed scanners to digitise and store delivery receipts electronically.

COMMEMORATING GOLDEN MOMENTS WITH STAMPS

We released 12 stamp issues during a year of many golden moments.

Singapore celebrated its first Olympic gold medal when Joseph Schooling won the 100m butterfly swimming event at Rio 2016. On top of a set of stamps released in conjunction with the Games of the XXXI Olympiad, we released a set of MyStamps featuring Schooling and the other Singapore Olympians.

2016 was also the golden jubilee of diplomatic relations between Singapore and Japan. To mark this 50-year milestone, Singapore and Japan jointly released a set of stamps, featuring ceramic artworks by renowned potters of the two countries: Singapore's Mr Iskandar Jilil, and Japan's Mr Toyozo Arakawa. We also released a set of Hello Kitty MyStamps that was launched at the SJ50 Matsuri event held at Ngee Ann City's Civic Plaza.

In 2017, we released a set of stamps commemorating key milestones during the 50 years of National Service in Singapore (NS50) since the National Service Bill was passed in 1967. Founding Prime Minister Lee Kuan Yew and former Minister for Defence, Dr Goh Keng Swee, who were instrumental to the introduction of National Service, were featured in the stamps as well.



The NS50 stamps celebrate key milestones of National Service since its introduction in 1967. These include the passing of the National Service Bill in Parliament on 14 March 1967, enlistment of the first batches of full-time National Servicemen into the Singapore Armed Forces, the Singapore Police Force and the Singapore Civil Defence Force, and introduction of the Open Mobilisation System.

LOGISTICS



The logistics segment benefited from growing eCommerce trends. We continued to expand and enhance our global eCommerce logistics network by strengthening our integrated, end-to-end logistics value chain.

Collaborations and alliances with key partners were strengthened and new infrastructure and services were launched during the year, improving our solutions for warehousing and fulfilment, last mile delivery and freight.

BEING FUTURE-READY

Our collaboration with Alibaba was strengthened by the completion of Alibaba's S\$86.2 million investment in Quantum Solutions International (QSI). This joint venture enables us to grow and enhance our eCommerce logistics capabilities in Southeast Asia and Oceania, and better serve the region's rapidly growing online

retail markets. The collaboration focuses on fortifying QSI's end-to-end eCommerce logistics network, and building scale for future profitability.

With the building blocks already in place, QSI continued to develop scale across the Asia Pacific. We developed innovations for QSI's eCommerce fulfilment solutions, enhancing efficiency and productivity for valued customers.

The S\$182 million investment in our Regional eCommerce Logistics Hub, opened by Singapore's Deputy Prime Minister and Coordinating Minister for Economic and Social Policies, Mr Tharman Shanmugaratnam, on 1 November 2016 reflects SingPost's commitment to the development of a robust eCommerce logistics network. Singapore's regional connectivity makes this hub ideally positioned to be a centre for eCommerce as it leverages on the nation's unique geographic and infrastructural advantage.

Our Regional eCommerce Logistics Hub which has a total built-up area of 51,358 square metres, consolidates and integrates our warehousing and delivery capabilities





From left: Mr Law Chung Ming (Group Director of IE Singapore), Mr Mervyn Lim (Covering Group CEO of SingPost), Mr Simon Israel (Chairman of SingPost), Mr Tharman Shanmugaratnam (Deputy Prime Minister and Coordinating Minister for Economic and Social Policies), Mr Justin Chen (Director of SingPost and Vice President of Alibaba Group), Mr Sam Ang (CEO of Quantum Solutions) and Ms Carol Chong (Director of EDB), at the official opening of SingPost's Regional eCommerce Logistics Hub

in one building. At this facility, we provide customers with an integrated, end-to-end solution, from the front-end eCommerce platform to delivery. This integration enables a faster turnaround time, as well as provides the capacity for larger volumes. Automation is a major feature of the Regional eCommerce Logistics Hub, increasing overall productivity and efficiency.

The Regional eCommerce Logistics Hub processes parcels for delivery within Singapore and those to be shipped to destinations worldwide. Most importantly, it has been designed to be scalable, allowing new technologies to be retrofitted into our operations flow in the building, and other upgrades to meet the needs of the future.

In Australia, CouriersPlease has moved into a new 11,500 square metres purpose-built facility in Brisbane

to facilitate the growth in volumes. This new warehouse will play an important role in our foray into eCommerce logistics, hence leading us through our transformation.

BUILDING OUT OUR LAST MILE DELIVERY SERVICES

CouriersPlease in Australia strengthened its position as a leading eCommerce service provider in the country. Working closely with QSI, CouriersPlease supports QSI's last mile delivery in Australia.

CouriersPlease continued to invest in providing Australian consumers with a compelling delivery experience. Its new Delivery Choices POPPoint Network consists of POPStation parcel lockers and POPShop retail outlets (in conjunction with our partner, HUBBED) located in convenient locations. Delivery Choices was launched to provide recipients with on-demand delivery options via SMS or email. These new services have enhanced

CouriersPlease's eCommerce ecosystem to provide customers with seamless access to their parcels.

We innovated new services for our POPStations. Adding to parcel collection, eCommerce returns, payment collection, and parcel posting through our online service ezy2ship, we launched Singapore's first islandwide open parcel locker service – Rent-a-POP. The service provides a cost-effective last mile delivery option with end-to-end tracking to retailers, marketplace sellers and consumers. It dovetails with the burgeoning sharing economy while optimising resources, as sellers and consumers may rent a POPStation locker to deliver their parcels conveniently 24/7, by themselves. Since the inception of POPStation, we have seen how smart lockers have been adopted by retailers and consumers for the parcel delivery flexibility they offer for today's busy lifestyles.

STRENGTHENING OUR FREIGHT SERVICES

Our freight forwarding arm, Famous Holdings continued to fortify its services by providing strong business-to-business distribution services. Despite the global downturn and depressed freight rates, our subsidiaries in Rotterdam and Japan have grown to be leading consolidators in their respective countries. Our New Zealand subsidiary has also been gaining position for outbound air freight, and its growth is well recognised in New Zealand's air freight market. We will continue to expand our global network and improve our services for our eCommerce activities globally.

Going forward, tight operating margins and intense competition are likely to prevail in the logistics industry. We will continue to boost our productivity through ongoing process improvement and innovation.



eCOMMERCE



With the acquisition of our US subsidiaries, TradeGlobal and Jagged Peak, we took a big step forward in realising our vision to become a global leader in eCommerce logistics.

The expertise and networks of TradeGlobal and Jagged Peak have greatly enhanced SingPost's global eCommerce logistics ecosystem, significantly increasing our presence and local knowledge of the US, one of the world's largest retail markets and a leader in eCommerce flows and technology. As we amalgamate talent, technology and infrastructure, we are creating the platform for international brands and retailers to reach the flourishing population of Asia's online shoppers, creating fresh growth opportunities for our customers by taking their business global.

Through SP eCommerce, we help leading brands including Calvin Klein, MUJI, Timberland and Triumph tap Asia's fast growing eCommerce markets.

eCommerce revenue rose by 171.4 per cent to S\$267.1 million, as at 31 March 2017. Jagged Peak saw good growth in revenue and operating profit, exceeding targets for the year and winning several new major customers. It saw a successful peak holiday season with a healthy increase in volumes that generated positive earnings for the Group. TradeGlobal, however, had a challenging year. A labour shortage in Cincinnati increased operating costs, which were impacted as well by delays in warehouse automation that were meant to improve productivity. The operational challenges also saw delays in the rollout of services for new customers. Developments at two of its top customers also affected TradeGlobal's performance: One customer filed for bankruptcy, while the other decided to in-source its eCommerce freight operations.





While Jagged Peak and SP eCommerce performed well, TradeGlobal's underperformance led the eCommerce division into an operating loss of S\$33.8 million. TradeGlobal is not expected to be profitable for the financial year ending 31 March 2018. A turnaround plan is underway, and measures have been put in place to improve TradeGlobal's operating performance, particularly during the peak season.

BROADENING MARKET ACCESS

eCommerce has become a natural extension for many businesses as it breaks down market access barriers, giving rise to new opportunities and higher business volumes. The addition of our US eCommerce businesses is fundamental to SingPost's growth strategy and completes the eCommerce logistics ecosystem that we have been working hard to build out. SingPost now has the ability to provide a one-stop, full service, end-to-end eCommerce logistics

solution to brands and retailers wishing to broaden market access and expand their business around the world.

With the streamlining of TradeGlobal's and Jagged Peak's networks, we provide better support for customers across 19 markets. As we strive towards serving our customers with best-in-class eCommerce logistics solutions, we are also dedicating resources to enhance flexibility and scalability to better manage seasonal volume surges across all key eCommerce markets, namely the US, Europe, China and the rest of the Asia Pacific.

COMMITTED TO STRENGTHENING ECOMMERCE INFRASTRUCTURE

Outbound fulfilment is an imperative part of the eCommerce infrastructure that can make or break a business. Our eCommerce strategy centres on a

unique business model that provides customers with a flexible and cost effective solution to manage their entire outbound fulfilment ecosystem. Our turnkey end-to-end service offers customers “plug and play” options that keep total cost of ownership low, without sacrificing flexibility and speed-to-market.

Central to this is Jagged Peak’s EDGE platform, which was recognised in 2016 by Gartner and Forrester as a powerful distributed order management platform that enables sharing inventory across multiple sales channels, making possible omni-channel retailing.

The platform offers customers access to a proprietary distributed order management solution (OMS) that aggregates and orchestrates orders, and a warehouse management system (WMS) that intelligently manages and directs activities at a distribution centre or fulfilment location, and optimally selects a shipping provider based on least cost routing of goods to the consumer. Jagged Peak is working towards a complete consolidation of all key Software as a Service (SaaS) clients into a single EDGE version.

The power of this platform was key to the execution of agreements with several of the world’s largest consumer packaged goods (CPG) companies, and the successful launch of a joint pilot project in the UK to aid those companies launch and test new products in global markets. We will be focusing on future growth in the CPG market, extending relationships to become the sector’s preferred global eCommerce platform provider.

To help customers expand their online footprint, a marketplace programme was launched to maximise sales on channels, such as Amazon, Sears, and Walmart. We plan to expand this offering globally in 2017.

At the backend, Jagged Peak’s FlexNet® programme is being accelerated through partnerships with 3PL

providers and customer service providers in Europe and other regions. The FlexNet® network has been extended to Australia by partnering Quantum Solutions, and now offers worldwide distribution services to customers.

These initiatives are part of SingPost’s commitment to continually reinforce the eCommerce infrastructure in the markets we serve.

SPURRING CHALLENGES

The addition of TradeGlobal to the SingPost Group at the end of 2015 has sharpened our competitive edge in the US, especially in terms of market expertise and access. Measures, such as warehouse automation, have been put in place to address its operational and structural challenges.

These initiatives are part of a turnaround business plan that is being implemented by Mr Paul Demirdjian, Interim CEO of our US businesses, who leads the overall strategy and operations of our investments in the US.

The plan will address TradeGlobal’s key structural challenges, such as the ongoing disruption in the US fashion retail industry, which has impacted several of TradeGlobal’s customers adversely, and the tight labour conditions at the company’s Cincinnati base. We are looking at how we can transfer best practices from Jagged Peak’s technology-driven, asset-light model to TradeGlobal. Apart from top line growth, we will also be placing greater consideration for the bottom line impact when negotiating contracts with customers.

It will take time for the business to turn around yet eCommerce forms a vital part of our end-to-end eCommerce logistics growth strategy and we will focus on extracting synergies from the network and capabilities of our eCommerce units.

CORPORATE SERVICES



Corporate Services is made up of support functions including Finance, Treasury, Investor Relations, Corporate Social Responsibility and Property.

All the departmental functions making up Corporate Services report to the Deputy Group CEO (Corporate Services), who is also the Group CFO.

The mission of Corporate Services is to be a catalyst for integration and collaboration across the numerous business units of the Group. With SingPost on its transformation journey from a postal service organisation into an enterprise that offers a hybrid solution of postal and eCommerce logistics, it is critical that business units and support units collaborate in an open environment so as to deliver unified end-to-end solutions to customers.

Corporate Services work to support these efforts such as integrating newly acquired business operations into the SingPost family, fostering best practices and managing talent as a Group-level resource.

As part of building collaboration and integration, Corporate

Services has since February 2016 been housed at Loft@7, a 6,600 square metre open-plan office on the seventh floor of the SingPost Centre. This new concept office was designed for flexible work interaction and hot-desking. Today, Loft@7 houses some 600 staff and management from our business units and the support functions that make up Corporate Services.

In October 2016, we set up a Corporate Sustainability unit to oversee our efforts for sustainability operations and reporting, as well as community outreach.

In February 2017, SingPost was recognised as one of the pioneering enterprises of the Tripartite Alliance for Fair and Progressive Employment Practices' Human Capital Partnership Programme.

Our Investor Relations efforts received recognition during the year, where SingPost was placed third in Singapore for Best Investor Relations by FinanceAsia, under their Asia's Best Managed Companies 2017 survey.

In May 2017, a Treasury Management System was implemented in Group Treasury. This system enhances manpower productivity and timeliness of information leading to better management of liquidity and financial market risk exposure.



PROPERTY

The construction of the new SingPost Centre, which will house the new General Post Office (GPO) and a five-level retail mall, progressed well through the year. The Temporary Occupation Permit for the retail mall was received in April 2017.

The GPO, which has a floor area of around 300 square metres, will showcase what postal services will be like in the coming decade. It will combine counter service with innovations such as POPStations and SAM Kiosks to allow postal and eCommerce logistics services outside normal working hours. Given that POPStations and SAM Kiosks are critical components in SingPost's vision of evolving postal services, these devices are on a continuous upgrade path where innovative technologies are being embedded and new features introduced to serve our customers of the future. In the foyer of the new GPO, there will also be a heritage corner where visitors can enjoy a learning journey through SingPost's 150-year history. Adjacent to the GPO will be SingPost's philatelic flagship store offering a wide range of Singapore stamps, thematic MyStamps and philatelic gifts.

The new retail mall within the SingPost Centre will have a Gross Floor Area of around 25,000 square metres, which is about double that of the former mall before renovation works commenced. The extra area made available for retail activities came as a result of SingPost driving its operating efficiencies by consolidating its parcel sorting operations into the new Regional eCommerce Logistics Hub which was officially opened on 1 November 2016.

The Net Lettable Area of the retail mall is about 16,400 square metres and among the tenants are NTUC FairPrice, Golden Village and Kopitiam as well as leading retail brands, family entertainment outlets and enrichment centres. The retail mall is designed to complete the eCommerce omni-channel experience by bringing together consumers, retailers and last-mile delivery. Shoppers can enjoy both showrooming and webrooming where they can browse and buy online or buy directly from stores at the mall. SingPost can provide last-mile delivery for online purchases made in the stores while shoppers can meet family and friends for movies or meals.

In March 2017, SingPost signed a Property Management Agreement with CapitaLand Mall Asia (CMA), where they



In March 2017, SingPost hosted Mr Chan Chun Sing, Secretary-General of NTUC and Minister in the Prime Minister's Office, and NTUC/UTES leaders for an industry visit to the Regional eCommerce Logistics Hub. The union leaders had the opportunity to conduct dialogues with operations staff from Quantum Solutions, SP Parcels and SingPost. At this visit, Mr Chan shared his thoughts on the future economy with the management and staff who were present. The relationship between SingPost leaders and the union continues to be strong and we will work together to build a workforce ready for the future.

will be responsible for the pre-opening of the retail mall, marketing and promotion, lease and facilities management. The appointment of CMA will help SingPost optimise returns from the retail mall while SingPost focusses management attention on its core operations of postal services and eCommerce logistics. The retail mall is expected to start

serving customers in the second half of 2017.

The new SingPost Centre will be Green Mark certified. All its common areas, lift lobbies and other facilities have been refurbished and tenants of the mall and offices will be served by an intelligent building management system.

LIST OF MAJOR PROPERTIES

Name	Address	Title	Yrs	With Effect From	Land (Sq m)	Building Gross Floor Area (Sq m)
Airmail Transit Centre	21 North Perimeter Road	Leasehold	30	25.09.00	2,903	8,862
Alexandra Post Office	110 Alexandra Road	Leasehold	99	31.03.92	2,305	923
Bukit Panjang Post Office	10 Choa Chu Kang	Leasehold	99	31.03.92	3,264	2,015
SingPost Regional eCommerce Logistics Hub	37/39 Greenwich Drive	Leasehold	30	16.11.14	32,505	51,358
Jurong Delivery Base	2 Kian Teck Way	Leasehold	30	16.10.95	4,016	3,574
Kallang Delivery Base	18 Jalan Lembah Kallang	Leasehold	30	16.09.98	2,761	6,850
Killiney Road Post Office	1 Killiney Road	Leasehold	99	31.03.92	1,029	555
Loyang Delivery Base	25 Loyang Lane	Leasehold	30	16.10.95	3,519	3,225
MacPherson Post Office	70 MacPherson Road	Leasehold	99	31.03.92	1,918	315
Pasir Panjang Post Office	396 Pasir Panjang Road	Leasehold	99	31.03.92	1,726	391
Paya Lebar Delivery Base	755 Upper Serangoon Road	Leasehold	99	31.03.92	1,353	3,012
Serangoon Garden Post Office	54 Serangoon Garden Way	Leasehold	99	31.03.92	1,215	307
Simpang Bedok Post Office	350 Bedok Road	Leasehold	99	31.03.92	1,134	329
Singapore Post Centre	10 Eunos Road 8	Leasehold	99	30.08.82	32,738	137,134
Tampines Delivery Base	29 Tampines Street 92	Leasehold	30	01.01.92	5,000	12,395
Tanglin Post Office	56 Tanglin Road	Leasehold	99	31.03.92	2,622	2,678
3B Toh Guan Road East	3B Toh Guan Road East	Leasehold	30	01.09.89	10,064	18,126
Woodlands Delivery Base	9 Woodlands Walk	Leasehold	30	16.10.95	3,040	2,393

INVESTOR RELATIONS

SingPost strives to ensure effective communication with the investment community, with the aim of helping investors make timely and informed decisions.

Management and the Investor Relations (IR) team proactively engage investors via various platforms to keep them updated on our business strategy as well as operational and financial performance. These include one-on-one and group meetings, conference calls, site visits, investor conferences and non-deal roadshows.

In FY2016/17, management and IR engaged about 420 investors through meetings and conference calls, up from about 240 the year before.

For each of the quarterly results announcement, SingPost conducts briefings to analysts and the media. The public can also access a live audio webcast or playback of the results briefing. A transcript will be published on SingPost's IR website at www.singpost.com the next working day.

The IR website is regularly updated and contains all SGXNET announcements, quarterly financial statements, investor presentations and AGM related materials. From 2016, minutes of the AGM are uploaded on the website along with the full voting results.

During the year, the IR team organises site visits for investors and analysts to gain a better understanding of our business and operations. In November 2016 and March 2017, analysts and investors were invited for a visit to the new Regional eCommerce Logistics Hub, where we showcased the use of automation systems in parcel sorting and order picking.

As part of our IR outreach programme to broaden and diversify SingPost's shareholder base, our team completed three overseas non-deal roadshows and participated in eight local and overseas conferences during the financial year.

We believe in developing and fostering strong relationships with research analysts, who play a significant role in conveying the key messages of SingPost to the investment community. 11 research firms covered us during the year, up from nine last year.

SingPost recognises the importance and value of regular engagement with our retail investors. We organise annual pre-AGM meetings for retail shareholders with the Securities Investors Association Singapore (SIAS), which provides an additional opportunity for our retail shareholders to interact with management.

Our IR activities and conduct are guided by SingPost's Market Disclosure Policy, which contains the principles, guidelines and procedures governing market disclosure. The objectives of the Policy include upholding a high standard of IR communication to ensure transparent, fair and equitable treatment of all shareholders, and protection of shareholders' interests.

FY2016/17 IR CALENDAR OF EVENTS

May 2016

- Q4 and Full Year FY2015/16 results briefing to analysts and media
 - Post-results investor lunch meeting
 - 7th Annual dbAccess Asia Conference 2016 – Singapore
-

June 2016

- Non-deal Roadshow – Europe / U.S.
-

July 2016

- Pre-AGM meeting for Retail Shareholders with SIAS
 - 24th Annual General Meeting
-

August 2016

- Q1 FY2016/17 results briefing to analysts and media
 - Post-results investor lunch meeting
 - Macquarie 7th Annual ASEAN Conference 2016 – Singapore
-

September 2016

- 23rd CLSA Investors' Forum – Hong Kong
-

October 2016

- UOB Kay Hian Asian Gems Conference 2016 – Singapore
-

November 2016

- Q2 and H1 FY2016/17 results briefing to analysts and media
 - Post-results investor lunch meeting
 - Discover Singapore: SGX-Nomura Corporate Day – Tokyo
 - Morgan Stanley's 15th Annual Asia Pacific Summit – Singapore
 - Non-deal Roadshow – Kuala Lumpur
-

January 2017

- Extraordinary General Meeting
-

February 2017

- Q3 and 9M FY2016/17 results briefing to analysts and media
 - Post-results investor lunch meeting
-

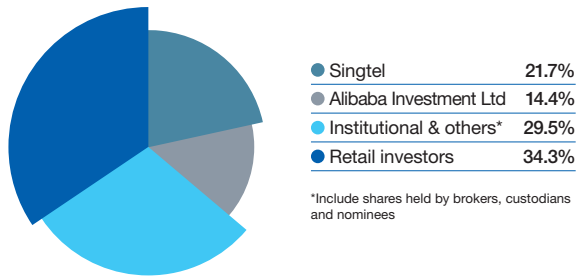
March 2017

- Macquarie-SGX New Digital Economy Corporate Day – Singapore
 - Non-deal Roadshow – Hong Kong
 - Maybank Kim Eng Invest ASEAN 2017 – Singapore
-

INVESTOR RELATIONS

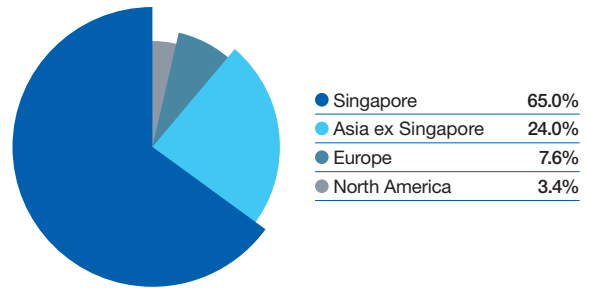
SHARE OWNERSHIP BY INVESTOR GROUPS

As at 31 March 2017

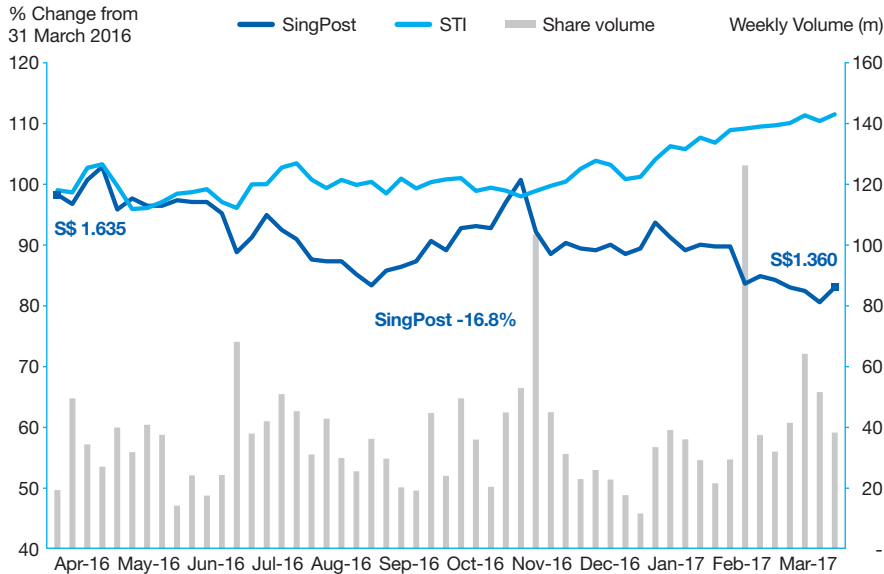


SHARE OWNERSHIP BY GEOGRAPHY

As at 31 March 2017



SINGPOST SHARE PRICE AND TRADING VOLUME VS FSSTI (FY2016/17)

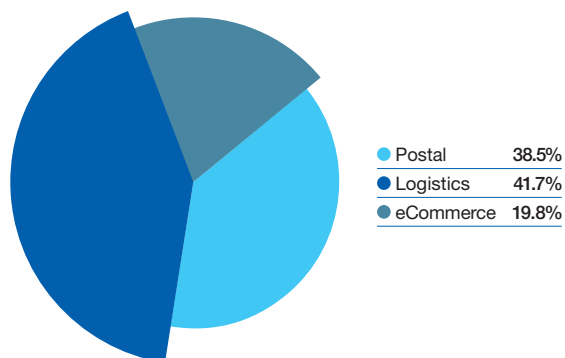


BUSINESS REVIEW

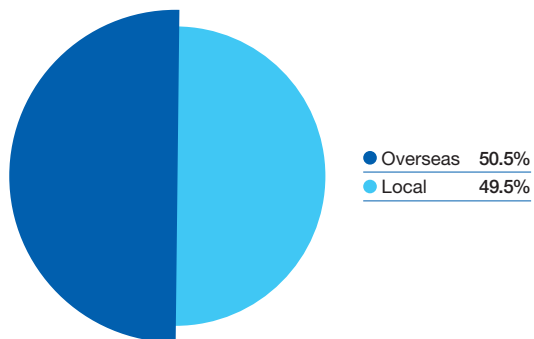
The Group reported its financials based on three main operating segments: Postal, Logistics and eCommerce. For the financial year ended 31 March 2017, the Group recorded revenue of S\$1.35 billion, of which 38.5 per cent was contributed by the Postal business. Logistics contributed 41.7 per cent of Group revenue, while eCommerce contributed 19.8 per cent.

Overseas revenue accounted for 50.5 per cent of total revenue, while eCommerce-related revenue contributed 50.4 per cent of Group revenue.

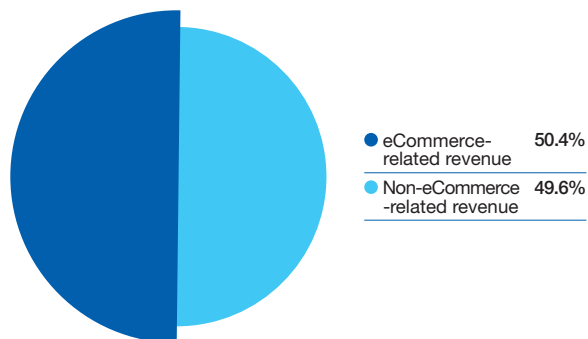
REVENUE BREAKDOWN BY SEGMENTS



GEOGRAPHICAL REVENUE BREAKDOWN



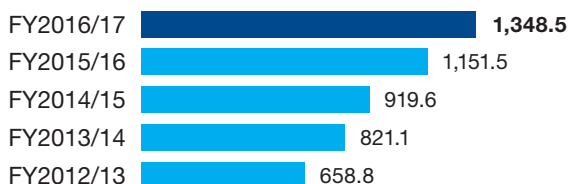
ECOMMERCE-RELATED REVENUE



GROUP FINANCIALS

INCOME STATEMENT

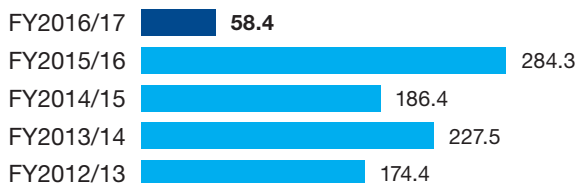
Revenue (S\$M)



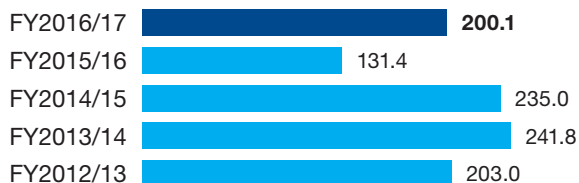
Return on Average Invested Capital (%)



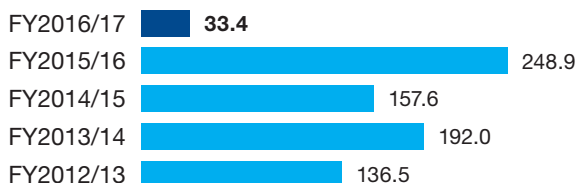
Operating Profit (S\$M)



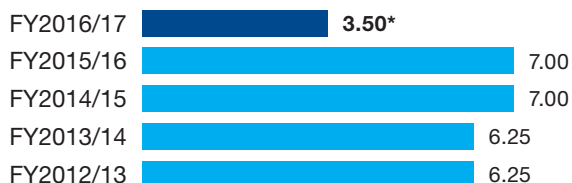
Operating Cash Flow (S\$M)



Net Profit (S\$M)



Dividend (cents per share)



Underlying Net Profit (S\$M)



* Including final dividend of 0.5 cent per share for the approval of shareholders at the 25th Annual General Meeting.

GROUP FIVE-YEAR FINANCIAL SUMMARY

	Financial Year ended 31 March				
	2017	2016	2015	2014	2013
	(Restated)*				
Income Statement (S\$ million)					
Revenue	1,348.5	1,151.5	919.6	821.1	658.8
Operating profit ⁽¹⁾	58.4	284.3	186.4	227.5	174.4
EBITDA ⁽²⁾	118.1	326.6	229.0	263.7	214.1
Net profit ⁽³⁾	33.4	248.9	157.6	192.0	136.5
Exceptional items, net of tax ⁽⁴⁾	82.2	(95.3)	2.6	(42.5)	4.5
Underlying net profit ⁽⁵⁾	115.6	153.6	160.2	149.5	141.0
Balance Sheet (S\$ million)					
Total assets	2,716.6	2,426.5	2,210.7	1,740.5	1,924.0
Ordinary shareholders' equity	1,359.3	1,203.6	1,117.2	765.5	690.4
Cash and cash equivalents	366.6	126.6	584.1	404.4	628.3
Net (cash)/net debt	(2.6)	153.6	(345.8)	(170.3)	(91.8)
Perpetual securities	346.8	346.8	346.8	346.8	346.8
Net debt plus perpetual securities ⁽⁶⁾	344.2	500.5	1.0	176.5	255.1
Cash Flow (S\$ million)					
Net cash inflow from operating activities	200.1	131.4	235.0	241.8	203.0
Capital expenditure (cash)	199.8	279.7	104.4	37.8	24.4
Free cash flow ⁽⁷⁾	0.3	(148.3)	130.6	204.1	178.6

GROUP FIVE-YEAR FINANCIAL SUMMARY

	Financial Year ended 31 March				
	2017	2016	2015	2014	2013
	(Restated)*				
Key Ratios					
EBITDA margin (%)	8.8	28.4	24.9	32.1	32.5
Net profit margin (%)	2.5	21.6	17.1	23.4	20.7
Return on average invested capital (%)	1.7	14.0	10.3	13.1	10.0
Return on average ordinary shareholders equity (%)	2.6	21.5	16.7	26.4	27.2
Net debt to ordinary shareholders equity (%)	N.M. ⁽⁸⁾	12.8	N.M. ⁽⁸⁾	N.M. ⁽⁸⁾	N.M. ⁽⁸⁾
Net debt plus perpetual securities to ordinary shareholders equity (%) ⁽⁶⁾	25.3	41.6	0.1	23.1	36.9
EBITDA to interest expense (number of times)	13.3	42.1	36.4	41.6	16.8
Per Share Information (S cents)					
Earnings per share – basic	0.85	10.86	6.85	9.32	6.44
Earnings per share – underlying net profit ⁽⁵⁾	5.28	7.13	7.69	7.87	7.46
Net assets per share	77.3	72.3	68.4	58.5	54.8
Dividend per share – ordinary	3.50	7.00	6.25	6.25	6.25
Dividend per share – special	–	–	0.75	–	–

Notes:

- ⁽¹⁾ Operating profit is defined as profit before net interest expense, tax and share of profit or loss of associated companies and joint ventures.
- ⁽²⁾ EBITDA is defined as profit before interest, tax, depreciation, amortisation and impairment (excluding intangible assets and investments in associated company).
- ⁽³⁾ Net profit is defined as profit after tax and minority interest.
- ⁽⁴⁾ Exceptional items comprised one-off items such as asset impairment, fair value changes on investment properties, gains or losses on sale of investments and property, plant and equipment and M & A related professional fees.
- ⁽⁵⁾ Underlying net profit is defined as net profit before exceptional items, net of tax.
- ⁽⁶⁾ Net debt plus perpetual securities and its ratio to ordinary shareholders equity are presented for comparative purposes.
- ⁽⁷⁾ Free cash flow refers to net cash inflow from operating activities less cash capital expenditure.
- ⁽⁸⁾ N.M. Not meaningful.
- * The 2016 figures have been restated to reflect adjustments to business combination fair values and revision to contingent consideration payables.

FINANCIAL REVIEW AND OUTLOOK

FINANCIAL REVIEW

GROUP	Financial Year ended 31 March		Change %
	2017	2016	
	S\$'000	S\$'000	
	(Restated)		
Revenue	1,348,502	1,151,542	17.1
Operating profit	58,357	284,259	(79.5)
Share of (loss)/profit of associated companies and joint ventures	(1,177)	9,066	N.M.
Net profit	33,403	248,910	(86.6)
Exceptional items, net of tax ⁽¹⁾	82,209	(95,342)	N.M.
Underlying net profit ⁽²⁾	115,612	153,568	(24.7)
Basic earnings per share (S cents)	0.85	10.86	(92.2)
Underlying earnings per share (S cents)	5.28	7.13	(26.0)

Note:

⁽¹⁾ Exceptional items comprised one-off items such as asset impairment, fair value changes on investment properties, gains or losses on sale of investments and property, plant and equipment and M&A related professional fees.

⁽²⁾ Underlying net profit is defined as net profit before exceptional items, net of tax.

Group revenue grew 17.1% for the full year ended 31 March 2017, largely due to the inclusion of the US eCommerce subsidiaries.

REVENUE	Financial Year ended 31 March		Change %
	2017	2016	
	S\$'000	S\$'000	
	(Restated)		
Postal	544,141	536,236	1.5
Logistics	636,801	625,972	1.7
eCommerce	267,082	98,423	171.4
Inter-segment eliminations	(99,522)	(109,089)	(8.8)
	1,348,502	1,151,542	17.1

In the Postal segment, Domestic mail revenue continued to decline with more companies implementing e-statements. This was offset by growth in International mail revenue which was driven by higher crossborder eCommerce deliveries, especially with higher volumes from the Alibaba Group. Consequently, Postal revenue rose slightly for the full year.

FINANCIAL REVIEW AND OUTLOOK

The deepening collaboration with Alibaba has increased transshipment volumes in the Postal segment. SingPost is working towards developing its business with Alibaba on its commercial network within the Logistics segment.

Logistics revenue rose 1.7%, driven by higher contribution from CouriersPlease from increased eCommerce-related activities, offset by a decline in Quantum Solutions.

eCommerce revenue rose with the inclusion of US subsidiaries, TradeGlobal from 14 November 2015 and Jagged Peak from 8 March 2016.

Other Income

Rental and property-related income decreased 7.1%. This was due to lower retail rental revenue with the redevelopment of Singapore Post Centre (“SPC”) retail mall.

Miscellaneous other income was a gain of S\$9.8 million for the full year, compared to S\$12.0 million last year. The differences were mainly attributed to trade-related translation differences.

Total Expenses

Total expenses increased by 22.5%, as a result of the inclusion of new subsidiaries. Labour and related expenses were higher mainly due to additional headcount from new subsidiaries.

The increase in volume-related expenses reflects the change in business mix as part of the Group’s transformation, with higher International mail terminal dues as well as higher cost of sales and outsourced services related to TradeGlobal and Jagged Peak respectively.

Administrative and other expenses rose 9.4% from property-related expenses such as warehouse rental costs from new subsidiaries.

Depreciation and amortisation expenses were higher due largely to depreciation cost from the Regional eCommerce Logistics Hub, which attained TOP in April 2016.

Finance expenses declined S\$4.7 million for the full year due to favourable non-trade related foreign translation differences.

FINANCIAL REVIEW AND OUTLOOK

OPERATING PROFIT	Financial Year ended 31 March		Change %
	2017 S\$'000	2016 S\$'000	
	(Restated)		
Postal	150,707	157,324	(4.2)
Logistics	23,596	38,812	(39.2)
eCommerce	(33,790)	(7,300)	@
Property & Others	6,497	81	@
Operating Profit before exceptional items	147,010	188,917	(22.2)
Exceptional items	(88,653)	95,342	N.M.
Operating Profit	58,357	284,259	(79.5)

N.M. Not meaningful.

@ Denotes variance exceeding 300%.

Operating profit declined for full year, mainly due to exceptional items.

Postal operating profit declined 4.2% for the full year, largely due to the decline in contribution from Domestic mail, and the shift in mix towards lower margin international transshipment mail.

In Logistics, operating profit decreased 39.2% for the full year. The decline reflects a combination of three factors: i) costs arising from planned investments to build out our eCommerce logistics network, such as depreciation and running expenses related to the new Regional eCommerce Logistics Hub, and network expansion at CouriersPlease; ii) intense pricing and competitive pressures in the eCommerce Logistics space; and iii) depressed freight rates and volumes in the freight forwarding industry.

Operating losses from eCommerce segment were S\$33.8 million for the full year. While SP eCommerce and Jagged Peak performed well, TradeGlobal faced continuing challenges with the loss of key customers and recorded higher operating losses.

“Property & Others” includes the provision of commercial property rental and corporate costs of the Group not allocated to the reportable operating segments. For the full year, operating profit improvements under “Property & Others” were largely due to trade-related translation gains and lower corporate costs.

FINANCIAL REVIEW AND OUTLOOK

Exceptional items

Further to the announcement in the Q3 quarterly results of the risk of significant impairment, the management of SingPost has reviewed the carrying value of SingPost's investments and assets. The valuation process involved a review of the FY2016/17 performance and a detailed evaluation of the underlying assumptions of future business plans for each of the businesses.

Given the extent of the impairment to SingPost's investment in TradeGlobal, SingPost had also appointed FTI Consulting, an independent global business advisory firm, which verified that the impairment provision was properly calculated following an appropriate review process and that the assumptions adopted were reasonable.

The total impairment for FY2016/17 is S\$208.6 million, comprising largely TradeGlobal (S\$185.0 million), Postea (S\$20.5 million) and Toh Guan building (S\$9.3 million). This is net of a write-back of deferred tax liability of S\$6.4 million in relation to the impairment of intangible asset of TradeGlobal. The impairment was partially offset by a fair value gain on investment properties of S\$108.7 million largely for SingPost Centre.

Impairment of TradeGlobal

The principal issue is that TradeGlobal has significantly underperformed the business case which supported the investment. Instead of a projected profit of S\$9.4 million for FY2016/17, TradeGlobal incurred a significant loss of S\$25.8 million.

TradeGlobal has experienced both operational and structural challenges. Operational difficulties included a surge in labour costs during the recent peak season, delays in warehouse automation which impacted productivity as well as management changes.

Measures have been put in place to improve TradeGlobal's operating performance, particularly during the peak season.

Key structural challenges which will impact the business moving forward include:

- Disruption in the US fashion retail industry which is adversely affecting key customers;
- Loss of two large key customers which accounted for 30% to 40% of revenue; and
- Sustained cost pressures arising from labour shortage in the Cincinnati area.

A turnaround business plan is being executed by management. In the plan, TradeGlobal's prospects have been rebased given the structural changes.

FINANCIAL REVIEW AND OUTLOOK

Management will focus on extracting post acquisition synergies from the network and capabilities of SingPost's eCommerce units. Under financial reporting standards, the value-in-use computation for purpose of impairment testing has not included these potential synergistic benefits.

eCommerce remains an important part of SingPost's strategy and provides us with the capability to offer end-to-end eCommerce Logistics solutions for customers.

Other impairment

The Group also recorded an impairment for Postea of S\$20.5 million. The carrying value of the investment was no longer supported by the value-in-use as Postea's management had made material changes to its business projections.

Fair value gain/loss on investment properties, and property, plant & equipment (PPE)

The Group recorded fair value gains on investment properties of S\$108.7 million, mainly for SingPost Centre, where redevelopment of the retail section of the building is nearing completion.

The Group recorded an impairment charge of S\$9.3 million on an industrial property at Toh Guan Road, reflecting the decline in current market valuation of the property against its carrying value.

Independent committee appointed

Following the announcement of the risk of significant impairment in the Q3 quarterly results, the Board formed an independent committee to conduct a thorough review of the circumstances surrounding SingPost's consideration and approval of the TradeGlobal acquisition. To assure stakeholders of the independence of the review, the committee comprises Ms Elizabeth Kong, Mrs Fang Ai Lian and Mr Bob Tan, independent directors all appointed to the Board after the acquisition of TradeGlobal.

The committee has engaged WongPartnership as legal counsel to assist and advise it on the review of the TradeGlobal acquisition. It has also engaged FTI Consulting to assess the adequacy of the financial and commercial due diligence performed in relation to the transaction.

The Board will update shareholders on the outcome of the review, and will seek legal advice on appropriate actions, if any, to be taken arising from the findings of the committee. The review is expected to be completed and the findings released before the Annual General Meeting in July 2017.

FINANCIAL REVIEW AND OUTLOOK

Other exceptional items

The Group recorded a gain on dilution of interest in 4PX of S\$4.9 million and a fair value gain on warrants from GD Express of S\$16.0 million.

Share of profit of associated companies and joint ventures

Share of profit of associated companies and joint ventures declined, largely due to share of losses from 4PX, which is incurring higher depreciation and other expenses as a result of business expansion.

Share of profits from GD Express declined due to a lower equity shareholding percentage following a partial divestment last year.

Net Profit and Underlying Net Profit

Net profit attributable to equity holders declined 86.6% to S\$33.4 million for the full year as a result of exceptional items.

Excluding exceptional items, underlying net profit declined 24.7% from S\$153.6 million to S\$115.6 million for the full year. The decline were due to the impact of planned investments in building out our eCommerce Logistics platform such as the Regional eCommerce Logistics Hub, associates which are investing for growth, as well as higher losses in the US eCommerce business and a decline in Postal operating profit.

	Financial Year ended		Change
	31 March		
CASH FLOW	2017	2016	%
	S\$'000	S\$'000	
Net cash provided by operating activities	200,066	131,433	52.2
Net cash used in investing activities	(89,599)	(457,087)	80.4
Net cash provided by/(used in) financing activities	129,507	(131,846)	N.M.
Net increase/(decrease) in cash and cash equivalents	239,974	(457,500)	N.M.
Cash and cash equivalents at beginning of year	126,640	584,140	(78.3)
Cash and cash equivalents at end of year	366,614	126,640	189.5
Free cash flow	299	(148,309)	N.M.
Cash capital expenditure as a percentage of revenue	14.8%	24.3%	

N.M. Not meaningful.

FINANCIAL REVIEW AND OUTLOOK

Operating activities

Net cash inflow from operating activities for the full year amounted to S\$200.1 million, compared to S\$131.4 million last year. Operating cash inflow before working capital changes was down S\$8.0 million while working capital improved S\$76.6 million due to lower receivables and higher trade and other payables largely for settlement of terminal dues.

Investing activities

Net cash outflow for investing activities was S\$89.6 million, compared to S\$457.1 million last year. Capital expenditure of S\$199.8 million in the period comprised committed capital expenditures for the ongoing redevelopment of SPC retail mall and the construction of the Regional eCommerce Logistics Hub. This was partially offset by proceeds from the partial divestment of Quantum Solutions International.

Financing activities

Net cash inflow from financing activities was S\$129.5 million, compared to net cash outflow of S\$131.8 million last year, largely due to net proceeds from Alibaba Investment Limited for additional stake in SingPost and net proceeds from bank loans which have a positive carry.

Free cash flow

For the financial year ended 31 March 2017, the Group's free cash flow (operating cash flow less capital expenditure) was an inflow of S\$299,000 versus an outflow of S\$149.3 million in the previous financial year, as a result of lower capital expenditure in the financial year ended 31 March 2017.

FINANCIAL REVIEW AND OUTLOOK

CAPITAL MANAGEMENT

The Group is committed to an optimal capital structure and constantly reviews its capital structure to balance capital efficiency and financial flexibility.

	Financial Year ended 31 March		Change %
	2017 S\$'000	2016 S\$'000	
Group Debt And Perpetual Securities			
Total debt	363,985	280,272	29.9
Net (cash)/net debt	(2,629)	153,632	N.M.
Total debt plus perpetual securities*	710,811	627,098	13.3
Net debt plus perpetual securities*	344,197	500,458	(31.2)
Net debt plus perpetual securities to ordinary shareholders equity (%)*	25.3%	41.6%	
EBITDA to interest expense (number of times)	13.3	42.1	

* Presented for comparative purposes.

Total borrowings increased from S\$280.3 million as at 31 March 2016 to S\$364.0 million as at 31 March 2017. Interest coverage ratio has fallen to 13.3 times compared to 42.1 times last year, largely due to the decline in earnings caused by exceptional items. Excluding exceptional items, interest coverage ratio for financial year ended 31 March 2017 was 21.6 times.

FINANCIAL REVIEW AND OUTLOOK

DIVIDEND

The Board of Directors is recommending a final dividend of 0.5 cent per share for the financial year ended 31 March 2017. Together with the interim dividend payments for the first three quarters totaling 3.0 cents per share, the annual dividend in respect of the current financial year would amount to 3.5 cents per share, which represents a payout ratio of 66% of underlying net profit.

	cents per share
Interim Q1	1.50 cents
Interim Q2	1.00 cents
Interim Q3	0.50 cent
Proposed final	0.50 cent
Total dividends paid and proposed in relation to FY 2016/17	3.50 cents

The dividend policy is based on a payout ratio ranging from 60% to 80% of underlying net profit for each financial year, paid quarterly.

OUTLOOK

In FY2017/18, the Group plans to grow revenue and volumes through new business opportunities, integrating past acquisitions and extracting synergies, as well as leveraging the strategic partnership with Alibaba and its subsidiaries.

Postal

In the Postal segment, Domestic letter mail volumes continue to decline, with increasing migration towards e-statements. The impact is expected to be partially offset by growth from International mail volumes due to higher cross-border eCommerce deliveries.

The International mail transshipment market remains highly competitive, and margins are relatively low. Changes in the international terminal dues system will take effect from 1 January 2018 and the Group is assessing the potential impact. With the shift in mix towards lower margin International mail, blended Postal margin is expected to decline.

FINANCIAL REVIEW AND OUTLOOK

The Group will continue to focus on improving productivity and efficiency to mitigate margin pressures while maintaining service quality. We will upskill our workers and deploy technology to drive innovative solutions such as automated self-service machines or SAMs, and the POPStation smart locker system.

Logistics

In the Logistics segment, the Group is expected to benefit from growing eCommerce trends. We will seek to grow our customer base, and develop collaborations and alliances with strategic partners to increase volumes.

Quantum Solutions International (QSI), the joint venture between SingPost and Alibaba, will be used as a platform to develop and enhance eCommerce Logistics capabilities in Southeast Asia and Oceania.

Operating leverage will be derived from economies of scale as the Group grows volumes and increases utilisation of existing infrastructure such as the Regional eCommerce Logistics Hub.

The industry is likely to continue to experience tight operating margins and intense competition. It will take time for the Logistics segment to grow its profit contribution while it executes on its plans.

eCommerce

The eCommerce business forms a vital part of the Group's end-to-end eCommerce logistics growth strategy. eCommerce revenue remains robust and will continue to contribute significantly to the Group's revenue.

TradeGlobal is facing operational and structural challenges. Management is executing a turnaround business plan.

It will take time for these measures to deliver results. While business and cost initiatives are being put in place to improve performance, TradeGlobal is not expected to be profitable for the financial year ending 31 March 2018.

Property & Others

In the Property and Others segment, the retail mall at the new SingPost Centre is expected to open in the second half of the year. SingPost has appointed CapitaLand as the retail mall manager which will help optimise returns from this asset.

The Group had foregone rental income during the period of re-development, and will begin to progressively recognise rental income from the second half of FY2017/18 onwards as occupancy ramps up towards a steady state.

FINANCIAL REVIEW AND OUTLOOK

Capital Expenditure and Cash flow

Capital expenditure for FY2017/18 is expected to be lower than FY2016/17, as the majority of development projects had been completed.

In FY2017/18, there will be residual capital expenditure committed for the remainder of the SPC retail mall redevelopment works, in addition to the regular maintenance capital expenditure.

With lower capital expenditure, free cash flow is expected to improve in FY2017/18.

SingPost continues to build its capabilities to transform from a Singapore postal company into a leading eCommerce Logistics provider. This will lay a foundation for long term sustainable growth. However, it will take time for the investments to contribute materially to earnings.

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Good corporate governance is crucial to the long-term success of a company. Both the Board and Management of SingPost are strongly committed to adopting best-in-class practices in order to achieve a high standard of corporate governance.

In the financial year ended 31 March 2017, the Company undertook a major review to improve the effectiveness of corporate governance in the Company. The Company voluntarily commissioned a Special Audit to review, *inter alia*, whether the Company had complied with its policies, processes and procedures when it acquired Famous Holdings Pte Ltd and related subsidiaries, as well as the disclosure of Directors' interests in relation to these transactions. The Company also voluntarily called for a Corporate Governance Review which involved a thorough examination of the Company's then corporate governance practices.

Both the Special Audit and the Corporate Governance Review were conducted by independent third parties and the findings of the Special Audit and the Corporate Governance Review were released and publicly announced on SGXNet on 3 May 2016 and 4 July 2016 respectively.

The Special Auditors had made three recommendations, namely to (i) review the adequacies of the Company's processes and procedures on mergers and acquisitions to ensure best practices are incorporated in such guidelines; (ii) standardise documentation and procedures for the declaration of Directors' interests; and (iii) standardise internal checklists of action for internal controls including a checklist for public announcements. The three recommendations were accepted by the Board and duly implemented. To provide assurance to investors and the Singapore Exchange Securities Trading Limited (SGX-ST), the SGX-ST had asked the Company to obtain independent confirmation on the implementation of these recommendations. The Company duly obtained the independent confirmation from the law firm Lee & Lee, which having conducted an independent review, confirmed that the implementations adequately address the recommendations.

The recommendations of the Corporate Governance Review have also been implemented, details of which appear subsequently in this Report. Following the announcement of the risk of significant impairment in the third quarter results for the financial year ended 31 March 2017, the Board formed an independent committee to conduct a thorough review of the circumstances surrounding SingPost's consideration and approval of the acquisition of TradeGlobal Holdings, Inc. (TG Review). To assure stakeholders of the independence of the review, the committee comprises Ms Elizabeth Kong Sau Wai, Mrs Fang Ai Lian and Mr Bob Tan Beng Hai, independent Directors who were all appointed to the Board after the acquisition. The outcome of the TG Review is expected to be completed and the findings released before the forthcoming annual general meeting (AGM). The Board will update shareholders on the outcome of the TG Review and will seek legal advice on appropriate actions, if any.

CORPORATE GOVERNANCE REPORT

A BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

Role of the Board

The Board is collectively responsible for the long-term success of the Company. The Board provides leadership and guidance to Management on the Group's overall strategy, reviews Management's performance and oversees the Group's overall performance objectives, key operational initiatives, risk management and corporate governance practices, financial plans, annual budgets, major funding proposals, and major investment and divestment proposals. The Board approves financial results for release to the SGX-ST, the appointment of Directors and key Management staff, and changes in the composition and terms of reference of Board Committees. As one of the recommendations from the Corporate Governance Review, the Company has also documented all reserved matters which require Board's approval.

There is a framework of internal controls which sets out financial authorisation and approval limits for operating and capital expenditure, procurement of goods and services, as well as acquisition and divestment of assets. Board's approval is required for transactions exceeding certain threshold limits, while authority for transactions below those limits is delegated to Management to optimise operational efficiency.

Board Committees

To assist the Board in discharging its duties and to enhance the effectiveness of the Board, the Board has established Board Committees as set out in the table at pages 60 and 61. Without abdicating its responsibility, the Board has delegated the authority to make certain decision to Board Committees. Each Board Committee has written terms of reference, which clearly set out such delegated authority and duties. One of the recommendations from the Corporate Governance Review was for the Company to review all the terms of reference of the Board Committees. This has been done and the terms of reference of all the Board Committees have been enhanced to be in line with best practices. Further implementation of the recommendations from the Corporate Governance Review include documenting the success profiles and roles for key Board leadership roles namely the Board Chair, the Lead Independent Director, the Committee Chairs as well as the role of the Company Secretary.

CORPORATE GOVERNANCE REPORT

A further recommendation from the Corporate Governance Review was for the Executive Committee to be reconstituted as a Finance and Investment Committee with a reduction of scope. Accordingly, the Executive Committee, which had assisted the Board in overseeing the management of the business and affairs of SingPost, was dissolved and its function subsumed into the Board. In October 2016, the Board established the Finance and Investment Committee with the narrower scope of advising the Board on the overall strategy of the SingPost Group's business, investments, divestments, liabilities and treasury policies.

Board Committee	Key Responsibilities	Membership as at 12 May 2017
Audit Committee	<ul style="list-style-type: none"> Assists the Board in fulfilling its oversight responsibilities on internal controls, financial reporting, compliance and risk management. 	Mrs Fang Ai Lian (Chairperson) Mr Bob Tan Beng Hai Mr Zulkifli Bin Baharudin
Board Risk and Technology Committee	<ul style="list-style-type: none"> Assists the Board in ensuring that Management maintains a sound system of risk management and material controls to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. 	Professor Low Teck Seng (Chairperson) Ms Aliza Knox Mr Bob Tan Beng Hai
Compensation Committee	<ul style="list-style-type: none"> Assists the Board in fulfilling its responsibilities for developing an appropriate compensation and remuneration framework to attract and retain talent. 	Mr Bob Tan Beng Hai (Chairperson) Mrs Fang Ai Lian Mr Simon Israel Mr Zulkifli Bin Baharudin
Finance and Investment Committee	<ul style="list-style-type: none"> Provides advisory support to the Board on the overall strategy of the Group's business, investments, divestments, liabilities and treasury policies. 	Mr Simon Israel (Chairperson) Mr Chen Jun Ms Elizabeth Kong Sau Wai Ms Lim Cheng Cheng

CORPORATE GOVERNANCE REPORT

Board Committee	Key Responsibilities	Membership as at 12 May 2017
Nominations and Corporate Governance Committee <i>(formerly Nominations Committee)</i>	<ul style="list-style-type: none"> Assists the Board in fulfilling its responsibilities on Board succession planning, Board evaluation, training of Board members and the selection, nomination, appointment and re-appointment of Directors to the Board of SingPost. Also has responsibility to recommend enhancements to the corporate governance principles applicable to SingPost and to uphold the same. 	Mr Zulkifli Bin Baharudin (Chairperson) Mrs Fang Ai Lian Mr Simon Israel Ms Elizabeth Kong Sau Wai

Board Meetings and Attendance

The Board meets regularly to discuss and resolve matters requiring the Board's approval. For the financial year ended 31 March 2017, the Board met a total of 13 times. Board and Board Committee meetings, as well as the AGM of the Company, are scheduled in advance of each year in consultation with all Directors. Ad hoc Board and Board Committee meetings are convened as and when warranted by particular circumstances between these scheduled meetings. Directors who are unable to attend meetings in person can participate either through video or telephone conferencing. Decisions of the Board or a Board Committee may also be obtained via circular resolution. To facilitate more effective oversight of Management, non-executive Directors set aside time at every meeting for discussions without the presence of Management. The Directors also communicate on an ad hoc basis without the presence of Management to review matters of a confidential nature.

CORPORATE GOVERNANCE REPORT

The attendance of each Director at Board meetings and Board Committee meetings for the financial year ended 31 March 2017 is as follows:

NAME OF DIRECTORS	BOARD COMMITTEES *					
	BOARD	BOARD RISK AND TECHNOLOGY			FINANCE AND CORPORATE	
		AUDIT COMMITTEE	COMMITTEE	COMMITTEE	INVESTMENT COMMITTEE	AND NOMINATIONS AND CORPORATE GOVERNANCE COMMITTEE
Number of Meetings Held	13	5	4	3	2	5
Directors in service as at 31 March 2017						
Simon Israel ⁽¹⁾	8/8	–	–	2/2	2/2	2/2
Chen Jun ⁽²⁾	12/13	–	–	–	2/2	–
Fang Ai Lian ⁽³⁾	2/2	3/3	–	2/2	–	–
Aliza Knox	12/13	–	4/4	–	–	–
Elizabeth Kong Sau Wai ⁽⁴⁾	2/2	–	–	–	2/2	2/2
Professor Low Teck Seng	13/13	–	4/4	–	–	–
Bob Tan Beng Hai ⁽⁵⁾	2/2	3/3	2/2	–	–	–
Zulkifli Bin Baharudin ⁽⁶⁾	12/13	5/5	–	3/3	–	5/5
Directors who have left service as at 31 March 2017						
Bill Chang York Chye ⁽⁷⁾	12/13	–	4/4	1/1	2/2	–
Soo Nam Chow ⁽⁸⁾	13/13	5/5	–	–	–	5/5
Michael James Murphy ⁽⁹⁾	7/13	–	2/2	–	–	–
Lim Ho Kee ⁽¹⁰⁾	6/8	–	–	–	–	2/2
Tan Yam Pin ⁽¹¹⁾	7/8	1/1	1/1	1/1	–	–
Dr Wolfgang Baier ⁽¹²⁾	5/8	–	–	–	–	–
Goh Yeow Tin ⁽¹³⁾	7/7	–	–	–	–	–
Keith Tay Ah Kee ⁽¹⁴⁾	3/5	1/1	–	–	–	1/1

* The Executive Committee was dissolved on 16 June 2016 and no Executive Committee meetings were held from 1 April 2016 to 16 June 2016.

Notes

- ⁽¹⁾ Mr Simon Israel was appointed as Chairman of the Board on 11 May 2016 in place of Mr Lim Ho Kee who stepped down as Chairman of the Board on 10 May 2016. Mr Simon Israel was also appointed as chairperson of the Finance and Investment Committee and as member of both the Compensation Committee and Nominations and Corporate Governance Committee on 10 October 2016.
- ⁽²⁾ Mr Chen Jun was appointed as member of the Finance and Investment Committee on 10 October 2016.
- ⁽³⁾ Mrs Fang Ai Lian was appointed as Director of SingPost, chairperson of the Compensation Committee and as member of the Audit Committee on 10 October 2016. Mrs Fang Ai Lian was subsequently appointed as chairperson of the Audit Committee and Lead Independent Director on 24 April 2017. By virtue of her role as Lead Independent Director, she was appointed as member of the Nominations and Corporate Governance Committee as recommended under Guideline 4.1 of the Singapore Code of Corporate Governance 2012. Mrs Fang Ai Lian stepped down as chairperson of the Compensation Committee on 24 April 2017 but remains as its member.
- ⁽⁴⁾ Ms Elizabeth Kong Sau Wai was appointed as Director of SingPost and as member of both the Finance and Investment Committee and Nominations and Corporate Governance Committee on 10 October 2016.

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- ⁽⁵⁾ Mr Bob Tan Beng Hai was appointed as Director of SingPost and as member of both the Audit Committee and Board Risk and Technology Committee on 10 October 2016. Mr Bob Tan Beng Hai was appointed as chairperson of the Compensation Committee on 24 April 2017 in place of Mrs Fang Ai Lian who stepped down as chairperson of the Compensation Committee.
- ⁽⁶⁾ Mr Zulkifli Bin Baharudin was appointed chairperson of the Nominations and Corporate Governance Committee (then the Nominations Committee) on 8 April 2016 in place of Mr Keith Tay Ah Kee who stepped down as chairperson of the Nominations and Corporate Governance Committee (then the Nominations Committee).
- ⁽⁷⁾ Mr Bill Chang York Chye stepped down as member of the Compensation Committee and was appointed as member of the Finance and Investment Committee on 10 October 2016. He resigned from the Board on 31 March 2017. Upon his resignation, he ceased to be member of both the Board Risk and Technology Committee and Finance and Investment Committee.
- ⁽⁸⁾ Mr Soo Nam Chow was appointed as Lead Independent Director with effect from 16 June 2016. He resigned from the Board on 31 March 2017. Upon his resignation, he ceased to be Lead Independent Director, chairperson and member of the Audit Committee and member of the Nominations and Corporate Governance Committee.
- ⁽⁹⁾ Mr Michael James Murphy stepped down as member of the Board Risk and Technology Committee on 10 October 2016. He resigned from the Board on 23 February 2017.
- ⁽¹⁰⁾ Mr Lim Ho Kee stepped down as Chairman of the Board on 10 May 2016 and retired from the Board following the conclusion of the AGM held on 14 July 2016. Upon his retirement, he ceased to be member of the Nominations and Corporate Governance Committee.
- ⁽¹¹⁾ Mr Tan Yam Pin retired from the Board following the conclusion of the AGM held on 14 July 2016. Upon his retirement, he ceased to be chairperson and member of the Compensation Committee and member of both the Audit Committee and Board Risk and Technology Committee.
- ⁽¹²⁾ Dr Wolfgang Baier ceased to be Group Chief Executive Officer (Group CEO) and Director on 30 June 2016.
- ⁽¹³⁾ Mr Goh Yeow Tin resigned as Deputy Chairman and Executive Director on 24 June 2016.
- ⁽¹⁴⁾ Mr Keith Tay Ah Kee stepped down as chairperson of the Nominations and Corporate Governance Committee (then the Nominations Committee) on 8 April 2016 and Lead Independent Director on 3 May 2016. He later stepped down as member of the Audit Committee, Nominations and Corporate Governance Committee (then the Nominations Committee) and Executive Committee with effect from 9 May 2016. He resigned from the Board on 12 May 2016.

Board Induction and Training

Each newly appointed Director receives a formal letter informing of the Director's duties and advising disclosure obligations under the Companies Act, Cap. 50 and the SGX-ST listing rules. In line with the recommendation of the Special Audit, enhanced standardised documentation and procedures have been implemented for the declaration of Directors' interest. The Company also has in place a compulsory orientation programme to familiarise incoming Directors with the Group's businesses and strategic objectives. The programme includes presentations on the Company's strategic plans and financial performance, and presentations by senior Management on their respective businesses, directions and corporate governance practices. The orientation programme not only serves its objective of thoroughly acquainting new Directors with the nature and workings of the Group's business, but also serves as a platform for new Directors to get to know members of senior Management and to ask questions.

Existing Directors are kept informed of changing commercial risks faced by the Group through briefings at Board meetings, as well as articles and reports circulated to the Board. In addition, facility visits are arranged for Directors to better understand the Group's business operations. Directors are also briefed on changes in regulations and guidelines.

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Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10 per cent shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Board Composition

As at 12 May 2017, the Board comprised nine Directors, namely:

Mr Simon Israel
Mr Chen Jun
Mrs Fang Ai Lian
Ms Aliza Knox
Ms Elizabeth Kong Sau Wai
Ms Lim Cheng Cheng
Professor Low Teck Seng
Mr Bob Tan Beng Hai
Mr Zulkifli Bin Baharudin

Of the nine, six are independent Directors, which make up more than half of the Board, thereby satisfying Guideline 2.2 of the Singapore Code of Corporate Governance 2012 (2012 Code) where the Chairman is not an independent Director.

The Board composition changed substantially in the financial year ended 31 March 2017. Eight Directors left the Board namely Mr Keith Tay Ah Kee, Mr Goh Yeow Tin, Dr Wolfgang Baier, Mr Lim Ho Kee, Mr Tan Yam Pin, Mr Michael James Murphy, Mr Soo Nam Chow and Mr Bill Chang York Chye. Four new Directors were appointed, namely Mr Simon Israel, Mrs Fang Ai Lian, Ms Elizabeth Kong Sau Wai and Mr Bob Tan Beng Hai. Ms Lim Cheng Cheng was appointed on 1 April 2017.

The Company has on 29 December 2016 announced that Mr Paul William Coutts will be appointed Group CEO and non-independent executive Director to the Board with effect from 1 June 2017. Additionally, the Company has on 25 May 2017 announced that Mr Steven Robert Leonard will be appointed as an independent non-executive Director to the Board also effective 1 June 2017. Profiles of the Directors can be found on pages 18 to 23 of this report.

The Board has followed the recommendations of the Corporate Governance Review in the selection and appointment of the new Directors. This included having a structured process for assessing and evaluating

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potential new Directors using the pivotal expertise and Board leadership competencies created as part of the Corporate Governance Review. The Corporate Governance Review had also specifically recommended the appointment of a legal expert, preferably someone with deep experience in mergers and acquisitions as well as a Director with strong financial/accounting expertise.

The Corporate Governance Review had noted that the Board then comprised only one female member and had recommended that the Board should prioritise the appointment of candidates who increase gender diversity. The number of female Directors on the Board has since been increased from one to four.

Collectively, the Directors provide an appropriate balance and diversity of skills, experience, gender and knowledge. They have a wealth of experience and a broad range of expertise relevant to the Group's businesses and transformation strategy, including eCommerce, logistics, accounting, finance, legal, business and management, strategic planning, information and communication technology, engineering and regional business experience. A Board Composition Matrix was created as part of the Corporate Governance Review. As recommended by the Corporate Governance Review, the Board continues to use the Board Composition Matrix to review alignment between Board composition and strategic priorities.

Review of Directors' Independence

The Corporate Governance Review, which included individual interviews with Management and Directors to seek their respective views on the independence of Directors, had concluded that the definition of "independence" as set out in Guideline 2.3 of the 2012 Code was met.

Additionally, the Board, taking into account the views of the Nominations and Corporate Governance Committee, makes a determination of the independence of each Director on an annual basis and as and when circumstances require, based on the guidelines provided in the 2012 Code. Each Director is required to complete a Director's independence checklist of himself or herself. The Nominations and Corporate Governance Committee reviews the checklists in arriving at its recommendations to the Board on the independence of Directors. Based on the recommendations of the Nominations and Corporate Governance Committee, the Board was of the opinion that, with the exception of the Chairman Mr Simon Israel, Ms Lim Cheng Cheng and Mr Chen Jun, all the other Directors are independent. Mr Simon Israel is the Chairman of the Board of Singapore Telecommunications Limited (Singtel) which holds more than 10 per cent of the total voting shares in SingPost. While Mr Simon Israel is neither appointed as a nominee Director of Singtel to the SingPost Board nor directly associated with Singtel as defined under the 2012 Code, nevertheless to provide added assurance to the Company's investors, Mr Simon Israel is treated by SingPost as a non-independent Director and Chairman. Ms Lim Cheng Cheng is the Group Chief Financial Officer (Group CFO) of Singtel and a nominee of Singtel to the SingPost Board, and Mr Chen Jun is a Vice President of Alibaba Group Holding Limited which holds more than 10 per cent of the total voting shares in SingPost.

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The recommendations of the Corporate Governance Review included the need to adopt a clear Board renewal practice and process, and to adopt a Board tenure policy. Accordingly, SingPost has adopted a Board Renewal and Tenure Policy which commits the Board to a process of Board renewal and orderly succession planning. Under this policy, Directors are to serve for no more than six years, though an additional term of up to a maximum of three years may be permitted to accommodate phasing or the retention of critical skills sets. No Director is therefore expected to serve on the Board beyond nine years.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Separation of the Role of Chairman and Group CEO

The Board has defined distinct and separate roles of the Chairman and Group CEO to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Role of the Chairman

The Chairman leads the Board to ensure its effective and comprehensive deliberations on matters brought to the Board, including strategic issues, talent management and succession planning. The Chairman sets the agenda for Board meetings and ensures complete and accurate information is provided to the Board to facilitate good decision-making in particular on strategic issues. At meetings, he promotes a culture of open dialogue and debate, facilitating the effective contribution of all Directors. The Chairman also monitors the translation of the Board's decisions and directions into executive action, providing guidance on the transformation of the Group. The Chairman maintains effective communication with shareholders and fosters good relationships with stakeholders such as the staff union, SingPost staff, government, regulators, customers and other partners. At shareholder meetings, the Chairman ensures constructive dialogue between shareholders, Directors and Management.

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Role of the Group CEO

The Group CEO is responsible for making strategic proposals to the Board and implementing the Group's strategies and policies as well as the Board's decisions. He assumes the executive responsibility for the day-to-day management of the Group, with the support of the Executive Leadership Group (ELG). The ELG comprises the Group CFO, Executive Vice Presidents and heads of various departments of SingPost. In the financial year ended 31 March 2017, the ELG met at least once a month to review and direct the execution and implementation of the Group's strategy, business development, financial and risk management policies, operational policies and activities.

Regulatory Approvals

The appointments of the Chairman, the Group CEO of the Company and new Directors require the prior written approval of the Infocomm Media Development Authority of Singapore (IMDA) and the Monetary Authority of Singapore (MAS). The Company duly sought and obtained the approval of both regulators in respect of all new appointments.

Lead Independent Director

As described above, the Chairman Mr Simon Israel is treated as a non-independent Director. Accordingly, as recommended by Guideline 3.3(d) of the 2012 Code, the Company has appointed a Lead Independent Director who is available to shareholders where they have concerns for which contact through the normal channels of the Chairman, the Group CEO or Group CFO has failed to resolve or is inappropriate. Mr Soo Nam Chow served as the Lead Independent Director in the financial year ended 31 March 2017. Following his resignation, Mrs Fang Ai Lian was elected by the independent Directors and appointed Lead Independent Director. As recommended by Guideline 4.1 of the 2012 Code, she has also been appointed member of the Nominations and Corporate Governance Committee.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

Nominations and Corporate Governance Committee

The Corporate Governance Review had recommended that the Nominations Committee be reconstituted as a Nominations and Corporate Governance Committee, with the added mandate of oversight and responsibility for all matters relating to corporate governance, including conflicts of interest, and to be explicitly tasked to focus on Board succession and renewal. This was complied together with the adoption of a Code of Business Conduct and Ethics for Members of the Board, as well as a Policy on Directors' Conflicts of Interest, the adoption of which were recommendations from the Corporate Governance Review.

Succession Planning and Nomination Process

The Nominations and Corporate Governance Committee followed the recommendations of the Corporate Governance Review in the nomination process resulting in the new appointments described in the above section of this Report on Board Composition. Candidates were identified through professional search agencies, and consultation with Directors and shareholders. The Nominations and Corporate Governance Committee also considered all recommendations received from shareholders and members of the public. After a candidate has been endorsed by the Nominations and Corporate Governance Committee, the Committee will make its recommendation to the Board whereupon the Board meets with the shortlisted candidates to (i) assess the suitability of each candidate; (ii) communicate to the candidates the level of commitment expected; and (iii) provide sufficient information for the candidates to make an informed decision on accepting the role. The Board will then deliberate on the recommendation of the Nominations and Corporate Governance Committee. Upon the Board's approval, SingPost will seek IMDA's approval, in accordance with the requirement set out in the Postal Services Act, Cap. 237A, and MAS' approval in accordance with the requirement set out in the Money-changing and Remittance Businesses Act, Cap. 187.

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Directors' Time Commitment

The Nominations and Corporate Governance Committee is tasked with ensuring that Directors have given sufficient time and attention to the affairs of SingPost and to decide if a Director has been adequately carrying out, and is able to continue carrying out the duties of a Director of the Company. In doing so, the Committee will consider the other directorships held by the Directors and their principal commitments. The Board believes that each Director has to personally determine the demands of his or her other directorships and commitments and assess how much time is available to serve on the Board and Board Committees effectively. Accordingly, the Board has not made a determination of the maximum number of listed company board representations a Director may hold. Under the terms of the new Policy on Directors' Conflict of Interest, Directors are to consult the Chairman of the Board and the chairperson of the Nominations and Corporate Governance Committee prior to accepting any appointments to the boards of Directors or advisory boards of any public or privately held company or any other principal commitments so that such appointments may be considered by the Board in accordance with corporate governance guidelines. For the past financial year, the Nominations and Corporate Governance Committee has determined that all the Directors have devoted a satisfactory amount of time and attention to the Company and have discharged their duties adequately. Inclusive of their appointment to the SingPost Board, none of the Directors hold more than three appointments on the boards of listed companies.

Annual Determination of Directors' Independence

The Nominations and Corporate Governance Committee has the responsibility of determining on an annual basis whether or not each Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. The Nominations and Corporate Governance Committee has duly determined and made its recommendations on independence to the Board. Details are reported earlier on in this Report at page 65 in the section on the Review of Directors' Independence.

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Rotation and Re-election/Re-appointment of Directors

The Board subscribes to the principle that all Directors should stand for re-election at regular intervals and at least once every three years. SingPost's Constitution requires newly appointed Directors to retire and stand for re-election at the AGM immediately following their appointment (new Directors re-election rule). The Constitution also requires a Director to retire and stand for re-election at the AGM if, were he or she not to do so, he or she would at the next AGM have held office for more than three years. Finally, the Constitution requires one-third of the remaining Directors starting from those with the longest term in office since their appointment or re-election/re-appointment to retire from office by rotation at each AGM (1/3 rotation rule). Pursuant to the foregoing, eight Directors will retire, seven of whom will submit themselves for re-election/re-appointment at the forthcoming AGM. Professor Low Teck Seng will upon retiring at the forthcoming AGM not be seeking re-election.

Name	Retiring and standing for re-election pursuant to:
Mrs Fang Ai Lian <i>(appointed on 10 October 2016)</i>	new Directors re-election rule (Article 97)
Ms Elizabeth Kong Sau Wai <i>(appointed on 10 October 2016)</i>	new Directors re-election rule (Article 97)
Mr Bob Tan Beng Hai <i>(appointed on 10 October 2016)</i>	new Directors re-election rule (Article 97)
Ms Lim Cheng Cheng <i>(appointed on 1 April 2017)</i>	new Directors re-election rule (Article 97)
Mr Paul William Coutts <i>(appointed on 1 June 2017)</i>	new Directors re-election rule (Article 97)
Mr Steven Robert Leonard <i>(appointed on 1 June 2017)</i>	new Directors re-election rule (Article 97)
Mr Chen Jun <i>(last re-elected in 2015)</i>	1/3 rotation rule (Article 91(b))

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Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

Board Effectiveness Assessment

The Corporate Governance Review had included an assessment of the effectiveness of the Board. Following from such assessment, the Corporate Governance Review recommended two areas of focus, namely the need to improve on external stakeholder communication and to prioritise succession planning in order to create a robust pipeline of future leaders. The Company has since formed a Market Disclosure Committee to ensure compliance with disclosure obligations and has adopted a Market Disclosure Policy that sets out the review and approval process for all public communications including SGXNet announcements. To better address succession planning, the mandate of the Compensation Committee has been widened to include management succession planning, given the fact that the Compensation Committee by virtue of its compensation function has deeper insight into Management bench strength compared to the other Board Committees.

Principle 6: Access to Information

In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Board members require timely access to complete and adequate information in order to be effective. One of the recommendations of the Corporate Governance Review was to implement a policy for the minutes of all Board and Board Committee meetings to be circulated within a pre-determined number of days from the meeting. The terms of reference of all the Board Committees have been amended to reflect such recommendation.

Management staff attend Board and Board Committee meetings to respond to any queries that Directors may have. Directors are encouraged to, and do seek additional information from Management as and when needed to make informed decisions. Management does its best to meet such requests in a timely manner.

The Board has separate and independent access to Management and the Company Secretary. The Company Secretary attends to all corporate secretarial matters and is responsible for ensuring that SingPost complies with its Constitution and applicable rules and requirements under the Companies Act and the SGX-ST listing rules. The Company Secretary attends all Board meetings and facilitates and organises Directors' induction and training. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow within the Board, its Board Committees and between Management and non-executive Directors.

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B REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Compensation Committee meets yearly to discuss the specific remuneration package for the Group CEO, and these recommendations are submitted to the Board for approval. The Compensation Committee also reviews and approves the remuneration of key Management personnel, as well as the annual increment and variable bonus for employees.

Directors' fees are recommended by the Compensation Committee and submitted to the Board for endorsement. Directors' fees are subject to the approval of shareholders at the AGM.

Over the past year, the Compensation Committee reviewed the effectiveness of Management incentive plans. To encourage desired performance from Management, enhancements will be made to share-based incentives which will apply for the following year.

Shares to be granted in financial year 2017/18 onwards will, subject to shareholders' approval at the forthcoming AGM, consist of two types of awards:

- a) Performance Share Plan; and
- b) Restricted Share Plan.

The Performance Share Plan will have two long-term performance hurdles: Return on Equity and Absolute Total Shareholder Returns. The Restricted Share Plan will have one long-term performance hurdle: Underlying Net Profit. The intent behind this change is to ensure long-term alignment between Management's interests and shareholders.

The Compensation Committee has access to both internal and external expert advice on human resource matters whenever there is a need to consult.

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Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Non-executive Directors' remuneration takes into account the effort and time spent, and responsibilities of the Directors. These Directors receive a basic retainer fee, additional fees for appointment to Board Committees and attendance fees for Board and Board Committee meetings. The Directors' remuneration is reviewed yearly to ensure its competitiveness and the quantum of the fees is approved by shareholders at the AGM.

The former Group CEO Dr Wolfgang Baier, was an executive Director, and not paid Directors' fees. His employment contract contained clearly spelled out terms for the discontinuation of service.

The level and structure of remuneration of the Directors and the former Group CEO are disclosed in Principle 9.

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

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Directors' Remuneration

The Directors' compensation for the financial year ended 31 March 2017 is as listed below:

Directors in service as at 31 March 2017

Name of Directors	Fixed Component ⁽¹⁾ (S\$'000)	Variable Component ⁽²⁾ (S\$'000)	Directors' Fees (S\$'000)	Provident Fund ⁽³⁾ (S\$'000)	Benefits ⁽⁴⁾ (S\$'000)	Total Compensation ⁽⁵⁾ (S\$'000)	SingPost Share Option Scheme ⁽⁶⁾		SingPost Restricted Share Plan ⁽⁶⁾	
							Awarded & Accepted (^{'000})	Value (S\$'000)	Awarded & Accepted (^{'000})	Value (S\$'000)
Below S\$250,000										
Simon Israel ⁽⁷⁾	–	–	198.8	–	–	198.8	–	–	–	–
Aliza Knox	–	–	94.2	–	–	94.2	–	–	–	–
Professor Low Teck Seng	–	–	141.6	–	–	141.6	–	–	–	–
Zulkifli Bin Baharudin ⁽⁸⁾	–	–	144.9	–	1.5	146.4	–	–	–	–
Chen Jun ⁽⁹⁾	–	–	83.8	–	–	83.8	–	–	–	–
Fang Ai Lian ⁽¹⁰⁾	–	–	56.3	–	–	56.3	–	–	–	–
Elizabeth Kong Sau Wai ⁽¹¹⁾	–	–	52.7	–	–	52.7	–	–	–	–
Bob Tan Beng Hai ⁽¹²⁾	–	–	56.3	–	–	56.3	–	–	–	–

Directors who have left service as at 31 March 2017

Name of Directors	Fixed Component ⁽¹⁾ (S\$'000)	Variable Component ⁽²⁾ (S\$'000)	Directors' Fees (S\$'000)	Provident Fund ⁽³⁾ (S\$'000)	Benefits ⁽⁴⁾ (S\$'000)	Total Compensation ⁽⁵⁾ (S\$'000)	SingPost Share Option Scheme ⁽⁶⁾		SingPost Restricted Share Plan ⁽⁶⁾	
							Awarded & Accepted (^{'000})	Value (S\$'000)	Awarded & Accepted (^{'000})	Value (S\$'000)
S\$1,250,000 to below S\$1,500,000										
Dr Wolfgang Baier ⁽¹³⁾										
<i>Group CEO</i>	224.0	1,180.0	–	–	40.2	1,444.2	–	–	–	–
Below S\$250,000										
Bill Chang York Chye ⁽¹⁴⁾	–	–	118.9	–	–	118.9	–	–	–	–
Soo Nam Chow ⁽¹⁵⁾	–	–	137.6	–	–	137.6	–	–	–	–
Lim Ho Kee ⁽¹⁶⁾	–	–	55.3	–	0.4	55.7	–	–	–	–
Michael J. Murphy ⁽¹⁷⁾	–	–	94.1	–	–	94.1	–	–	–	–
Tan Yam Pin ⁽¹⁸⁾	–	–	63.3	–	0.4	63.7	–	–	–	–
Keith Tay Ah Kee ⁽¹⁹⁾	–	–	22.8	–	0.2	23.0	–	–	–	–
Goh Yeow Tin ⁽²⁰⁾	112.7	–	–	1.4	0.3	114.4	–	–	–	–

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Notes

- (1) Fixed Component refers to base salary and Annual Wage Supplement for the financial year ended 31 March 2017.
- (2) Variable Component refers to variable bonus and contractual payments paid in the financial year ended 31 March 2017.
- (3) Provident Fund represents payment in respect of the Company's statutory contributions to the Singapore Central Provident Fund.
- (4) Benefits are stated on the basis of direct costs to the Company. These include medical benefits, flexible benefits, car allowance and housing benefits, where applicable.
- (5) Total Compensation excludes the value of share options and restricted shares.
- (6) The option/restricted share valuation adopted simulation methodologies consistent with assumptions that apply under the Trinomial Option Pricing Model/Adjusted Share Price Model.
- (7) Mr Simon Israel was appointed as Chairman on 11 May 2016. Mr Simon Israel was also appointed as chairperson of the Finance and Investment Committee and as member of both the Compensation Committee and Nominations and Corporate Governance Committee on 10 October 2016.
- (8) Mr Zulkifli Bin Baharudin was appointed as chairperson of the Nominations and Corporate Governance Committee (then the Nominations Committee) on 8 April 2016.
- (9) Mr Chen Jun was appointed as member of the Finance and Investment Committee on 10 October 2016.
- (10) Mrs Fang Ai Lian was appointed as Director of SingPost, chairperson of the Compensation Committee and as member of the Audit Committee on 10 October 2016. Mrs Fang Ai Lian was subsequently appointed as chairperson of the Audit Committee and Lead Independent Director on 24 April 2017. By virtue of her role as Lead Independent Director, she was appointed as member of the Nominations and Corporate Governance Committee as recommended under Guideline 4.1 of the 2012 Code. Mrs Fang Ai Lian stepped down as chairperson of the Compensation Committee on 24 April 2017 but remains as its member.
- (11) Ms Elizabeth Kong Sau Wai was appointed as Director of SingPost and as member of both the Finance and Investment Committee and Nominations and Corporate Governance Committee on 10 October 2016.
- (12) Mr Bob Tan Beng Hai was appointed as Director of SingPost and as member of both the Audit Committee and Board Risk and Technology Committee on 10 October 2016. Mr Bob Tan Beng Hai was appointed as chairperson of the Compensation Committee on 24 April 2017.
- (13) Dr Wolfgang Baier ceased to be Group CEO and Director on 30 June 2016.
- (14) Mr Bill Chang York Chye stepped down as member of the Compensation Committee and was appointed as member of the Finance and Investment Committee on 10 October 2016. He resigned from the Board on 31 March 2017. Upon his resignation, he ceased to be member of the Board Risk and Technology Committee and Finance and Investment Committee.
- (15) Mr Soo Nam Chow was appointed as Lead Independent Director with effect from 16 June 2016. He resigned from the Board on 31 March 2017. Upon his resignation, he ceased to be Lead Independent Director, chairperson and member of the Audit Committee and member of the Nominations and Corporate Governance Committee.
- (16) Mr Lim Ho Kee stepped down as Chairman of the Board on 10 May 2016 and retired from the Board following the conclusion of the AGM held on 14 July 2016. Upon his retirement, he ceased to be member of the Nominations and Corporate Governance Committee.
- (17) Mr Michael James Murphy stepped down as member of the Board Risk and Technology Committee on 10 October 2016. He resigned from the Board on 23 February 2017.
- (18) Mr Tan Yam Pin retired from the Board following the conclusion of the AGM held on 14 July 2016. Upon his retirement, he ceased to be chairperson and member of the Compensation Committee and member of both the Audit Committee and Board Risk and Technology Committee.
- (19) Mr Keith Tay Ah Kee stepped down as chairperson of the Nominations and Corporate Governance Committee (then the Nominations Committee) on 8 April 2016 and Lead Independent Director on 3 May 2016. He later stepped down as member of the Audit Committee, Nominations and Corporate Governance Committee (then the Nominations Committee) and Executive Committee with effect from 9 May 2016. He resigned from the Board on 12 May 2016.
- (20) Mr Goh Yeow Tin resigned as Deputy Chairman and Executive Director on 24 June 2016.

No employee of the Company and its subsidiary companies is an immediate family member of a Director or of the former Group CEO, and whose remuneration exceeded S\$50,000 during the financial year ended 31 March 2017.

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Executives' Remuneration

The Company adopts a remuneration strategy that supports a pay-for-performance philosophy. The Company's executives participate in an annual performance review process that assesses the individual's performance against set performance targets. Performance against these targets is a key factor determining their remuneration.

The remuneration structure for key Management personnel consists of the following components:

Fixed Component

Fixed pay comprises basic salary and Annual Wage Supplement.

Variable Component

This component refers to the variable bonus that is paid based on the Group's and individual's performance. To ensure rewards are closely linked to performance, the percentage of variable component is higher for key Management personnel than other employees.

Provident Fund

This component is made up of the Company's contributions towards the Singapore Central Provident Fund.

Benefits

Benefits provided are consistent with market practice and include medical, flexible benefits and car allowance. Eligibility for these benefits will depend on individual job grade and scheme of service. Housing benefits are provided to only a few where applicable.

Long-term Incentives

Long-term incentives are granted to align staff's interests with that of shareholders, and these are granted in the form of either share options or restricted shares. These long-term incentives are granted with reference to the desired remuneration structure target and valued based on the Trinomial Option Pricing Model/Monte Carlo Model/Adjusted Share Price Model. Details of the long-term incentive schemes can be found in the "Directors' Statement" section of the Annual Report. In addition, identified key Management personnel, are considered for Performance Share options which are tied to set performance targets. In the financial year ended 31 March 2017, not all performance targets were met fully. Details of the grant are in the "Directors' Statement" section. To encourage desired performance from Management, and subject to shareholders' approval for amendments to the existing Restricted Share Plan, enhancements will be made to share-based incentives.

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The following information relates to the remuneration of the Company's key Management personnel (not being Director) for the financial year ended 31 March 2017:

Name of Executive	Fixed Component ⁽¹⁾ %	Variable Component ⁽²⁾ %	Provident Fund ⁽³⁾ %	Benefits ⁽⁴⁾ %	Total Compensation ⁽⁵⁾ %	SingPost Restricted Share Plan ⁽⁶⁾	
						No. Awarded & Accepted (^{'000})	Value (\$ ^{'000})
\$S\$1,000,000 to below \$S\$1,250,000							
Ang Sing Mein Sam <i>Executive Vice President</i>	58	37	1	4	100	55.6	78.3
\$S\$500,000 to below \$S\$750,000							
Woo Keng Leong <i>Chief Executive Officer, Postal Services</i>	66	27	1	6	100	82.6	116.3
Lim Sing Hok Mervyn <i>Deputy Group CEO (Corporate Services) & Group CFO</i>	69	22	2	7	100	54.0	75.9
Marcelo Wessler <i>Chief Executive Officer, SingPost Commerce</i>	47	15	2	36	100	30.3	42.7
Ramesh Narayanaswamy <i>Group Chief Information Officer</i>	67	24	3	6	100	34.6	48.8

Notes

- ⁽¹⁾ Fixed Component refers to base salary earned and Annual Wage Supplement, if applicable, for the year ended 31 March 2017.
- ⁽²⁾ Variable Component refers to variable bonus paid in the financial year ended 31 March 2017.
- ⁽³⁾ Provident Fund represents payment in respect of the Company's statutory contributions to the Singapore Central Provident Fund.
- ⁽⁴⁾ Benefits are stated on the basis of direct costs to the Company. These include medical benefits, flexible benefits, car allowance, international assignment package, long service awards and housing benefits, where applicable.
- ⁽⁵⁾ Total Compensation excludes the value of restricted shares.
- ⁽⁶⁾ The option valuation adopted simulation methodologies consistent with assumptions that apply under the Adjusted Share Price Model. It comprised of restricted shares granted in the financial year ended 31 March 2017.

CORPORATE GOVERNANCE REPORT

C ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board has overall responsibility to shareholders for ensuring that the Group is well managed and guided by its strategic objectives. In presenting the Group's annual and quarterly financial statements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. Management provides the Board with management accounts and other financial statements on a monthly basis.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board and Management ensure that the Group implements and maintains a sound system of risk management and internal controls.

The Group's policy is to establish an organisational philosophy and culture that ensures that effective risk management is an integral part of its activities and a core management capability. The Board is responsible for the governance of risk across the Group. The Board Risk and Technology Committee assists the Board in the oversight of the Group's risk management framework and policies.

The Board Risk and Technology Committee meets on a quarterly basis, and the meetings are attended by key Management staff including the Group Chief Information Officer.

Management meetings are held on a monthly basis to discuss operational, business and strategic matters. During these meetings, key projects and operational risks are identified and discussed, along with proposed mitigating measures to address these risks to ensure residual risks are mitigated to an acceptable level. Follow ups are then performed in subsequent meetings to ensure mitigating actions are executed. Any significant issues identified from these meetings are brought to the attention of the Board Risk and Technology Committee.

CORPORATE GOVERNANCE REPORT

The Group has in place a structured and systematic approach to risk management, and aims to mitigate the exposures through appropriate risk management strategies and internal controls. Risk management in the Group is a continuous, iterative and integrated process which has been incorporated into various planning, approval, execution, monitoring, review and reporting systems. The Group adopts a top-down as well as bottom-up approach on risk management to ensure the strategic, business, operational, financial, reporting, compliance and information technology (IT) risk exposures are identified and appropriately managed.

At least once a year, the Group undertakes a formal enterprise-wide review of the adequacy and effectiveness of its risk management and internal control systems, including financial, operational, compliance and IT controls. During this exercise, risk owners review and update the risks and controls for their respective areas. The result of this annual risk review is presented to the Board Risk and Technology Committee to ensure enterprise risks are appropriately identified and managed such that residual risks are acceptable given the operational nature of the business.

The key internal controls of the Group include:

- establishment of risk management systems and policies;
- establishment of policies and approval limits for key financial and operational matters, and the rules relating to the delegation of authorities;
- documentation of key processes and procedures;
- segregation of incompatible functions which give rise to a risk of errors or irregularities not being promptly detected;
- safeguarding of assets;
- maintenance of proper accounting records;
- ensuring compliance with appropriate legislation and regulations; and
- having qualified and experienced persons to take charge of important functions.

The Board has received written assurance from the Deputy Group CEO (Corporate Services) and Group CFO, who is also the Covering Group CEO, CEO (Postal Services) and Senior Vice President (Group Internal Audit) that:

- the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- subject to the outcome of the recommendations, if any, arising from the TG Review referred to at page 58 at the beginning of this Report, the Group's internal controls and risk management systems were adequate and effective as at 31 March 2017 to address the risks which the Group considers relevant and material to its operations and finances.

CORPORATE GOVERNANCE REPORT

The Board, with the concurrence of the Audit Committee, is of the opinion that subject as aforesaid to the outcome of the recommendations, if any, arising from the TG Review, the Group's internal controls (including financial, operational, compliance and IT controls) and risk management systems were adequate and effective as at 31 March 2017 to address the risks which the Group considers relevant and material to its operations and finances. This opinion is arrived at based on the framework established and maintained by the Group, the work performed by the internal and external auditors, reviews carried out by Management, various Board Committees and the Board, and assurances received from the Deputy Group CEO (Corporate Services) and Group CFO who is also the Covering Group CEO, CEO (Postal Services) and Senior Vice President (Group Internal Audit).

The Board notes that the internal controls and risk management systems provide reasonable but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, fraud or other irregularities.

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee currently comprises three Directors, all of whom are non-executive. The chairperson of the Audit Committee and all other members are independent Directors. At least two members, including the Audit Committee chairperson have recent and relevant accounting or related financial management expertise and experience. The Audit Committee's key responsibilities are outlined in the "Board Committees" section of this Report.

The Audit Committee has explicit authority to investigate any matter within its terms of reference. It has full access to and the full cooperation of Management. It also has full discretion to invite any Director or executive officer to attend its meetings. In addition, the Audit Committee has direct access to the external auditor. If required, the Audit Committee has authority to seek external resources to enable it to discharge its functions properly, including obtaining legal and other professional advice and services.

CORPORATE GOVERNANCE REPORT

Internal Audit performs detailed work to assist the Audit Committee in the evaluation of material internal controls of the Group. The external auditor, in the course of conducting their normal audit procedures on the statutory financial statements of the Group, also review the Group's material internal controls to the extent of their scope as laid out in their audit plan. If any material internal control weaknesses are noted by the auditor, these weaknesses and the auditor's recommendations are reported to the Audit Committee.

The Audit Committee reviews the overall scope of both internal and external audits and the assistance given by the Group's officers to the auditors. It meets with the Group's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Group's system of internal controls. The Audit Committee also meets with the internal and external auditors, without the presence of Management, at least annually.

The Audit Committee has reviewed the quarterly and annual financial statements of SingPost and the Group and the related SGXNet announcements for the financial year ended 31 March 2017, as well as the auditor's reports thereon. Interested person transactions of the Group in the financial year have been reviewed by the Audit Committee.

The Audit Committee has reviewed with Management all the non-audit services provided by the external auditor to SingPost and the Group in the financial year ended 31 March 2017. Based on the nature and extent of the services provided, the Audit Committee is of the opinion that the independence of the external auditor was not impaired by the provision of these non-audit services. The external auditor has also provided a confirmation of its independence to the Audit Committee.

During the financial year, the Audit Committee has reviewed with the Group CFO and the external auditor on changes to accounting standards and issues which are relevant to the Group and have a direct impact on the Group's financial statements.

The Audit Committee reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2017, as well as the Independent Auditor's Report thereon before submitting them to the Board for its approval. The Audit Committee discussed with Management the accounting principles that were applied and also considered the appropriateness of the critical accounting estimates and judgments made in preparing the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditor and were reviewed by the Audit Committee:

CORPORATE GOVERNANCE REPORT

Key Audit Matters	How the Audit Committee reviewed these matters and what decisions were made
Assessment of impairment of goodwill and other intangible assets	<p>The Audit Committee considered the approach and methodology applied to the valuation models used in goodwill impairment assessment as well as the assessment of indicators of impairment of intangible assets.</p> <p>The Audit Committee reviewed the reasonableness of cash flow forecasts, terminal growth rates and discount rates used in the valuation model for each cash generating unit.</p> <p>Given the extent of the impairment to the Group's investment in TG Acquisition Corporation, the immediate holding company of TradeGlobal Holdings, Inc., SingPost appointed an independent external consulting firm to perform a review and report on the reasonableness of the valuation methodology and the key assumptions applied for the assessment of impairment of TG Acquisition Corporation. The Audit Committee considered this report.</p>
Assessment of impairment of property, plant and equipment and investments in associated companies	<p>The impairment review was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2017. Refer to pages 127 and 128 of the Annual Report.</p> <p>The Audit Committee considered the approach and methodology applied to the valuation models used in the impairment assessment of property, plant and equipment and investments in associated companies.</p> <p>The Audit Committee reviewed the determination of the recoverable amounts of property, plant and equipment and investments in associated companies based on the higher of fair values determined by an independent and qualified valuer, and value-in-use calculations which involved management's assessment of the future cash flow forecasts, terminal growth rates and discount rates used in these calculations.</p> <p>The impairment review was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2017. Refer to pages 129 and 130 of this Annual Report.</p>

CORPORATE GOVERNANCE REPORT

Key Audit Matters	How the Audit Committee reviewed these matters and what decisions were made
Valuation of investment properties	<p>The Audit Committee considered the approach and methodology applied to the valuation models used in assessing the valuation of investment properties.</p> <p>The Audit Committee reviewed the data, estimates and assumptions used in each valuation model as well as the independence and competence of the valuer appointed to perform the valuations.</p> <p>The valuation of investment properties was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2017. Refer to page 131 of this Annual Report.</p>
Assessment of indefinite useful life assumption for trademarked brand	<p>The Audit Committee considered the approach and methodology applied to the assessment of indefinite useful life assumption for the trademarked brand arising from the acquisition of a subsidiary in prior financial years.</p> <p>The Audit Committee reviewed the relevant factors in the assessment which included potential legal, regulatory, contractual, technological or other factors which could limit the useful life of the trademarked brand.</p> <p>The assessment of the indefinite useful life assumption for the trademarked brand was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2017. Refer to page 132 of this Annual Report.</p>

CORPORATE GOVERNANCE REPORT

Key Audit Matters	How the Audit Committee reviewed these matters and what decisions were made
Assessment of contingent consideration for business acquisitions	<p>The Audit Committee considered the approach and methodology applied to the assessment of contingent consideration for business acquisitions in prior financial years, as well as the reasonableness of the revised fair values of the contingent consideration in respect of these acquisitions.</p> <p>The assessment of contingent consideration for business acquisitions was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 March 2017. Refer to page 133 of this Annual Report.</p>

Whistle-blowing Policy

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Audit Committee reviews policies and arrangements by which staff and any other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Group has in place whistle-blowing policies and arrangements by which staff and any other persons may, in confidence, raise concerns about possible improprieties including concerns about the Group's accounting, internal controls, auditing matters and the conduct of officers or staff including Management and Directors. All reportable incidents including allegations of fraudulent practices are brought to the attention of the chairperson of the Audit Committee and the Chairman of the Board and are investigated promptly, professionally, fairly and honestly. Details of the whistle-blowing policy, arrangements and procedures for raising such concerns are posted on the SingPost intranet and website for easy reference by staff and any other persons. New staff are briefed on these during the staff orientation programme.

CORPORATE GOVERNANCE REPORT

Additionally, the Code of Business Conduct and Ethics for Members of the Board of Directors, which was adopted by the Board as recommended by the Corporate Governance Review, require Directors to communicate any suspected violations of this code promptly to the Chairman of the Board and the chairperson of the Nominations and Corporate Governance Committee. If the suspected violations involve the Chairman of the Board or the chairperson of the Nominations and Corporate Governance Committee, they should be communicated to the chairperson of the Audit Committee whereupon suspected violations will be investigated by the Board of Directors or by a person or persons designated by the Board of Directors and appropriate action will be taken in the event it is determined that any violation of this code has occurred.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group's internal audit function covers the audits of subsidiaries. Its primary line of reporting is to the chairperson of the Audit Committee, although it would also report administratively to the Group CEO. The Audit Committee approves the hiring, removal, evaluation and compensation of the head of the internal audit function.

The internal audit function has unfettered access to all of the Group's documents, records, properties and personnel, including direct access to the Audit Committee.

The Audit Committee reviews the adequacy and effectiveness of the internal audit function on an ongoing basis. The Audit Committee ensures that the internal audit function is adequately resourced, has appropriate standing within the Group and is able to perform its functions effectively and objectively. The internal audit function adopts the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.

CORPORATE GOVERNANCE REPORT

D SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

SingPost treats all shareholders fairly and equitably and is committed to upholding a practice of fair, transparent and timely disclosure. SingPost publicly releases all price-sensitive information prior to any meetings with individual analysts or investors.

The Company ensures that shareholders have the opportunity to participate effectively and vote at general meetings. Shareholders are duly informed of the rules including voting procedures that govern the general meetings.

Principle 15: Communication with Shareholders

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

SingPost has in place a Market Disclosure Policy (MDP) which contains the principles, guidelines and procedures governing market disclosure and communication with shareholders.

One of the key objectives of the MDP is to uphold a high standard of investor relations communications to ensure transparency, fair and equitable treatment of all shareholders and protection of shareholders' interests.

To keep shareholders informed of corporate developments, SingPost posts its disclosures, including SGXNet announcements, circulars and investor presentations, on the investor relations section of SingPost's corporate website (www.singpost.com) and maintains regular dialogue with the investment community.

The Management and investor relations team proactively engage investors through various platforms, including quarterly results briefings and the accompanying live audio webcasts, conference calls, one-on-one and group meetings, and local and overseas investor roadshows and conferences.

CORPORATE GOVERNANCE REPORT

Principle 16: Conduct of Shareholder Meetings

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company encourages shareholder participation at general meetings, which serve as a good platform for engagement with the Board and Management.

SingPost disseminates information on its general meetings through notices in its Annual Reports or Circulars to Shareholders. Annual Reports and Circulars are sent to shareholders as well as posted on the Company's website. The notices are also released via SGXNet and published in the local press. The meetings are held in a central location in Singapore to ensure convenient access for shareholders. A shareholder who is unable to attend may appoint up to two proxies, who need not be shareholders of SingPost, to attend and vote on his or her behalf.

Board members and the respective chairpersons of all the Board Committees, together with Management, are present and available at general meetings to address shareholders' queries. The Company's external auditor's are also present to address shareholders' queries relating to the conduct of audit and the preparation and content of the auditor's report. Shareholders also have the opportunity to communicate with the Directors and Management after the meeting.

SingPost employs electronic polling at its general meetings. Separate resolutions are proposed on each substantially separate issue. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. To ensure transparency in the voting process, the detailed results of all resolutions put to vote, showing the number of votes cast for and against each resolution, and the respective percentages, are tallied and displayed live on-screen to shareholders immediately after the vote has been cast. The results are also announced via SGXNet after the conclusion of the meeting.

Minutes of the general meetings are posted on the Company's website.

Voting in absentia by mail, email or fax is currently not permitted under the Company's Constitution until security, integrity and other pertinent issues are satisfactorily resolved.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

SingPost's securities trading policy provides that Directors and officers of the Group should not deal in SingPost's shares during the periods commencing one month before the announcement of SingPost's annual results, and two weeks before the announcement of its quarterly results, and ending on the date of the announcement of the relevant results, or if they are in possession of unpublished price-sensitive information on the Group. Directors and officers are also required to comply with insider trading laws at all times even when dealing in SingPost's shares outside the prohibited trading period. The policy also discourages trading on short-term considerations.

CORPORATE GOVERNANCE DISCLOSURE GUIDE

In line with SingPost's commitment towards corporate governance and disclosure compliance, the Company has completed the Corporate Governance Disclosure Guide developed by the SGX-ST in January 2015.

Corporate governance is a continuing journey. The Board and Management of SingPost are fully committed to putting in place leading practices of corporate governance to ensure that the Company's performance and compliance are conducive towards the enhancement of shareholder value.

CORPORATE GOVERNANCE REPORT

DISCLOSURE ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2012

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	SingPost has complied in all material respects with the principles and guidelines set out in the Code.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	Not applicable.

Board Responsibility

Guideline 1.5	What are the types of material transactions which require approval from the Board?	A framework of internal controls is in place setting out financial authorisation and approval limits for operating and capital expenditure, procurement of goods and services, as well as acquisition and divestment of assets. Board's approval is required for transactions exceeding certain threshold limits, while authority for transactions below those limits is delegated to Management to optimise operational efficiency.
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CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Members of the Board		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying Director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>The Board has followed the recommendations of the Corporate Governance Review in the selection and appointment of the new Directors. This included having a structured process for assessing and evaluating potential new Directors using the pivotal expertise and Board leadership competencies created as part of the Corporate Governance Review. The Corporate Governance Review had also specifically recommended the appointment of a legal expert, preferably someone with deep experience in mergers and acquisitions as well as a Director with strong financial/accounting expertise.</p> <p>The Corporate Governance Review had noted that the Board then comprised only one female member and had recommended that the Board should prioritise the appointment of candidates who increase gender diversity. The number of female Directors on the Board has since been increased from one to four.</p> <p>The current composition of the Board provides diversity of skills, experience, gender and knowledge. The profiles of the Directors can be found on pages 18 to 23 of this Report.</p> <p>The Board has adopted the recommendations of the Corporate Governance Review when appointing new Directors in order to achieve the balance and diversity necessary to maximise its effectiveness. A Board Composition Matrix was created as part of the Corporate Governance Review. As recommended by the Corporate Governance Review, the Board continues to use the Board Composition Matrix to review alignment between Board composition and strategic priorities.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new Directors and (ii) re-electing incumbent Directors.	<p>The Nominations and Corporate Governance Committee followed the recommendations of the Corporate Governance Review in the nomination process resulting in the new appointments described in the “Board Composition” section of this Report. Candidates were identified through professional search agencies, and consultation with Directors and shareholders. The Nominations and Corporate Governance Committee also considered all recommendations received from shareholders and members of the public. After a candidate has been endorsed by the Nominations and Corporate Governance Committee, the Committee will make its recommendation to the Board whereupon the Board meets with the shortlisted candidates to (i) assess the suitability of each candidate; (ii) communicate to the candidates the level of commitment expected; and (iii) provide sufficient information for the candidates to make an informed decision on accepting the role. The Board will then deliberate on the recommendation of the Nominations and Corporate Governance Committee. Upon the Board’s approval, SingPost will seek IMDA’s approval, in accordance with the requirement set out in the Postal Services Act, Cap. 237A, and MAS’ approval in accordance with the requirement set out in the Money-changing and Remittance Businesses Act, Cap. 187.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 4.6 (continued)		<p>The Nominations and Corporate Governance Committee is tasked with ensuring that Directors have given sufficient time and attention to the affairs of SingPost and to decide if a Director has been adequately carrying out, and is able to continue carrying out the duties of a Director of the Company. In doing so, the Committee will consider the other directorships held by the Directors and their principal commitments. For the past financial year, the Nominations and Corporate Governance Committee has determined that all the Directors have devoted a satisfactory amount of time and attention to the Company and have discharged their duties adequately. The Board, in consultation with the Nominations and Corporate Governance Committee, based on each Director's attendance, preparedness and participation at Board and Board Committee meetings (where applicable) is of the view that each Director has contributed effectively to the Board and has demonstrated commitment to his or her role.</p> <p>SingPost's Constitution requires newly appointed Directors to retire and stand for re-election at the AGM immediately following their appointment (new Directors re-election rule). The Constitution also requires a Director to retire and stand for re-election at the AGM if, were he or she not to do so, he or she would at the next AGM have held office for more than three years. The Constitution further requires one-third of the remaining Directors starting from those with the longest term in office since their appointment or re-election/re-appointment to retire from office by rotation at each AGM (1/3 rotation rule). The Nominations and Corporate Governance Committee, subject to the rules set out in the Constitution, Board Composition Matrix and Board Renewal and Tenure Policy, recommended the retirement and re-election/re-appointment of Directors to the Board.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 1.6	<p>(a) Are new Directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?</p>	<p>Yes, new Directors are given formal training.</p> <p>(i) Each newly appointed Director receives a formal letter informing of the Director's duties and advising disclosure obligations under the Companies Act, Cap. 50 and the SGX-ST listing rules. In line with the recommendation of the Special Audit, enhanced standardised documentation and procedures have been implemented for the declaration of Directors' interest. The Company also has in place a compulsory orientation programme to familiarise incoming Directors with the Group's businesses and strategic objectives. The programme includes presentations on the Company's strategic plans and financial performance, and presentations by senior Management on their respective businesses, directions and corporate governance practices. The orientation programme not only serves its objective of thoroughly acquainting new Directors with the nature and workings of the Group's business, but also serves as a platform for new Directors to get to know members of senior Management and to ask questions.</p> <p>(ii) Existing Directors are kept informed of changing commercial risks faced by the Group through briefings at Board meetings, as well as articles and reports circulated to the Board. In addition, facility visits are arranged for Directors to better understand the Group's business operations. Directors are also briefed on changes in regulations and guidelines.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 4.4	<p>(a) What is the maximum number of listed company board representations that the Company has prescribed for its Directors? What are the reasons for this number?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of Directors?</p>	<p>The Board has not made a determination of the maximum number of listed company board representations a Director may hold. Under the terms of the new Policy on Directors' Conflict of Interest, Directors are to consult the Chairman of the Board and the chairperson of the Nominations and Corporate Governance Committee prior to accepting any appointments to the boards of Directors or advisory boards of any public or privately held company or any other principal commitments so that such appointments may be considered by the Board in accordance with corporate governance guidelines.</p> <p>Determining the maximum number of listed companies board representations which a Director may hold has no direct bearing on the ability of a Director to dedicate sufficient time and attention to the Company. Much depends on the Directors level of involvement in these other listed companies, other principal commitments which may not involve listed companies and the level of efficiency of the individual. The Board therefore believes that each Director has to personally determine the demands of his or her other directorships and commitments and assess how much time is available to serve on the Board and Board Committees effectively.</p> <p>The Nominations and Corporate Governance Committee is tasked with ensuring that Directors have given sufficient time and attention to the affairs of SingPost and to decide if a Director has been adequately carrying out, and is able to continue carrying out the duties of a Director of the Company. In doing so, the Committee will consider the other directorships held by the Directors and their principal commitments.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The Corporate Governance Review had included an assessment of the effectiveness of the Board. Following from such assessment, the Corporate Governance Review recommended two areas of focus, namely the need to improve on external stakeholder communication and to prioritise succession planning in order to create a robust pipeline of future leaders. The Company has since formed a Market Disclosure Committee to ensure compliance with disclosure obligations and has adopted a Market Disclosure Policy that sets out the review and approval process for all public communications including SGXNet announcements. To better address succession planning, the mandate of the Compensation Committee has been widened to include management succession planning, given the fact that the Compensation Committee by virtue of its compensation function has deeper insight into Management bench strength compared to the other Board Committees.
	(b) Has the Board met its performance objectives?	The Board believes that it has met its performance objectives.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	The Board as at 12 May 2017 had nine Directors, six of whom were independent. This ratio amply complies with the Code's requirement that independent Directors make up at least 1/3 of the Board.
Guideline 2.3	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	No.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable.
Guideline 2.4	Has any independent Director served on the Board for more than nine years from the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	None as of financial year ended 31 March 2017.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes, particulars of which can be found on page 74 of this Report.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes, particulars of which can be found on page 77 of this Report.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	Approximately S\$4.1 million for top five key executives which includes fixed & variable pay, benefits, CPF and fair value of long-term incentive grants.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	No.
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive Directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>Remuneration of the Group CEO and key management personnel is driven by a pay-for-performance philosophy and is made up of three key components: a fixed pay component, a variable bonus component, and share-based incentives. The variable bonus is paid based on the Group's and individual's performance. Performance share options are tied to the achievement of set performance targets.</p> <p>Information on the remuneration of the Group CEO and key management personnel can be found at pages 74 and 77 of this Report and in Note 36 of the Notes to the Financial Statements which can be found on page 261 of this Report.</p> <p>Not all performance conditions were met due to stretched targets and market performance beyond management's control.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	New Directors are provided information on the Company's businesses as part of the Induction Programme as well as the opportunity to ask Management questions. The Board is provided information on a regular basis regarding media reports on the Company, its competitors and the relevant industries. When the Board participates in a Board strategy workshop with Management, much information on the business is shared by Management with the Board in order to facilitate planning of the Group's longer term strategy. Board papers are submitted to the Board prior to Board and Board Committee meetings for approval and for information and these contain relevant information regarding the Company to facilitate the discussions at these meetings. The Group CEO, Group CFO and other senior management staff attend Board and Board Committee meetings to respond to any queries that Directors may have. Directors are encouraged to request additional information from Management that is needed to make informed decisions. Management does its utmost to meet any request in a timely manner. At all times, the Board has separate and independent access to Management and the Company Secretary.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	The Company has an internal audit function. The primary line of reporting of the Group's internal audit function is to the chairperson of the Audit Committee, although it also reports administratively to the Group CEO. The Audit Committee approves the hiring, removal, evaluation and compensation of the head of the internal audit function.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	<p>The Group's policy is to establish an organisational philosophy and culture that ensures that effective risk management is an integral part of its activities and a core management capability. The Board is responsible for the governance of risk across the Group. The Board Risk and Technology Committee assists the Board in the oversight of the Group's risk management framework and policies.</p> <p>The Group has in place a structured and systematic approach to risk management, and aims to mitigate the exposures through appropriate risk management strategies and internal controls. Risk management in the Group is a continuous, iterative and integrated process which has been incorporated into various planning, approval, execution, monitoring, review and reporting systems. The Group adopts a top-down as well as bottom-up approach on risk management to ensure the strategic, business, operational, financial, reporting, compliance and information technology (IT) risk exposures are identified and appropriately managed.</p> <p>At least once a year, the Group undertakes a formal enterprise-wide review of the adequacy and effectiveness of its risk management and internal control systems, including financial, operational, compliance and IT controls. During this exercise, risk owners review and update the risks and controls for their respective areas. The result of this annual risk review is presented to the Board Risk and Technology Committee to ensure enterprise risks are appropriately identified and managed such that residual risks are acceptable given the operational nature of the business.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 11.3 (continued)		<p>The Board, with the concurrence of the Audit Committee, is of the opinion that subject as aforesaid to the outcome of the recommendations, if any, arising from the TG Review, the Group's internal controls (including financial, operational, compliance and IT controls) and risk management systems were adequate and effective as at 31 March 2017 to address the risks which the Group considers relevant and material to its operations and finances. This opinion is arrived at based on the framework established and maintained by the Group, the work performed by the internal and external auditors, reviews carried out by Management, various Board Committees and the Board, and assurances received from the Deputy Group CEO (Corporate Services) and Group CFO who is also the Covering Group CEO, CEO (Postal Services) and Senior Vice President (Group Internal Audit).</p> <p>The Board notes that the internal controls and risk management systems provide reasonable but not absolute assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.</p> <p>In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, fraud or other irregularities.</p>

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?						
Guideline 11.3 (continued)	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	<p>The Board has received written assurance from the Deputy Group CEO (Corporate Services) and Group CFO, who is also the Covering Group CEO, CEO (Postal Services) and Senior Vice President (Group Internal Audit) that:</p> <ul style="list-style-type: none"> the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and subject to the outcome of the recommendations, if any, arising from the TG Review referred to at page 58 at the beginning of this Report, the Group's internal controls and risk management systems were adequate and effective as at 31 March 2017 to address the risks which the Group considers relevant and material to its operations and finances. 						
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	<p>As disclosed in SGX Listing Manual Requirements, which can be found on page 287 of this Report, the fees paid/payable to the auditors of the Company for audit and non-audit services for the financial year ended 31 March 2017:</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">S\$'000</th> </tr> </thead> <tbody> <tr> <td>Audit fees paid / payable</td> <td style="text-align: right;">1, 747</td> </tr> <tr> <td>Non-audit fees paid / payable</td> <td style="text-align: right;">511</td> </tr> </tbody> </table>		S\$'000	Audit fees paid / payable	1, 747	Non-audit fees paid / payable	511
	S\$'000							
Audit fees paid / payable	1, 747							
Non-audit fees paid / payable	511							
Guideline 12.6 (continued)	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	<p>Non-audit fees amount to 23% of the total fees paid / payable to the auditors of the Company. The Audit Committee is of the opinion that the non-audit services provided by the auditors would not affect their independence.</p>						

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	<p>SingPost has in place a Market Disclosure Policy (MDP) which contains the principles, guidelines and procedures governing market disclosure and communications with shareholders.</p> <p>To keep shareholders informed of corporate developments, SingPost posts its disclosures, including SGXNet announcements, circulars and investor presentations, on the investor relations section of the corporate website (www.singpost.com) and maintains regular dialogue with the investment community.</p>
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Yes, SingPost has a dedicated IR team.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Please refer to answer (a).
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	Not applicable.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

RISK MANAGEMENT

There are many sources of risk that may impact our organisation and disrupt its ability to carry out its business. Some risks can be eliminated, some may be accepted and managed as part of the nature of our business model while other risks are beyond our influence and control and may only be mitigated.

SingPost's risk management strategy involves assessing and balancing risk probabilities, providing for reasonable contingencies without incurring unnecessary precautionary expenditures or activities.

Our risk governance structure and framework is set out in the Corporate Governance Report, including risk management processes and internal controls. At a broad enterprise-level, our organisation faces these "top line" risks and has taken steps to mitigate them:

- **Post-merger integration risk**
After making several acquisitions and investments to strengthen our eCommerce logistics capabilities and reach, SingPost needs to integrate these new subsidiaries and associated companies into the operational fabric of our organisation. This is critical to achieve scale and synergy benefits envisioned in the investment cases, while avoiding talent flight and culture mismatch.

To mitigate these risks, a task force comprising senior management was set up in early December 2015. This task force leads the integration of the business and operations flows of the acquired entities with the goal of accelerating growth of SingPost's global eCommerce logistics business, while enhancing sustainability of our mail business.
- **Personal Data Protection Act (PDPA) compliance**
As SingPost manages customers' personal data and stores it for necessary business purposes in our IT systems, we conduct electronic training programmes on complying with the Personal Data Protection Act. All SingPost staff receive training and regular updates to highlight the importance of complying with the PDPA. Our framework of compliance is set out in the SingPost PDPA Handbook which is accessible by all staff via the company intranet.
- **Cyber-attack risk**
SingPost recognises the threats and potential damage from cyber-attacks and invests in people, processes and technology to minimise cyber exposures and mitigate risks. We have in place a holistic cyber defence strategy involving: Identification (of signs of attacks and vulnerabilities of SingPost's IT infrastructure), Detection of intrusion, Prevention and Response. We conducted cyber security awareness workshops for staff members and have implemented IT tools to detect phishing and malware intrusions.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

- **Technology risk**

Technology is a critical component of SingPost's transformation into an eCommerce logistics provider. In developing and investing in technology, there are associated risks, including the implementation of new infrastructure, data security and continuity of critical IT facilities and systems.

Technology failure can disrupt business operations, impact corporate reputation and lead to financial loss. To mitigate such risks, the Board Risk and Technology Committee, comprising mainly of Directors with competencies in technology, oversees our technology and IT strategy for investments and capital expenditure. This Committee reviews and evaluates plans, policies and proposals relating to IT matters, the progress of significant IT projects, and the management of IT risks. Implementation is then carried out at Business and Support Units.

- **Postal regulatory compliance and declining mail business risk**

SingPost is a designated Public Postal Licensee working within the postal regulatory framework for basic mail services, which requires compliance with regulated service standards, licensing conditions, the Postal Services Act (Cap. 237A), the Postal Competition Code, Postal Services Regulations, Codes of Practices, Directions, and Guidelines etc. Non-compliance with the above, including service failures and breach of licence conditions may result in financial penalties.

Along with global postal industry trends, we face declining letter mail volumes due to substitution by digital communications. Operating costs in Singapore and terminal dues (out-payments to other postal operators for the delivery of international mail) have also been increasing.

To ensure the obligations and the service quality standards imposed on us are met, SingPost has launched several initiatives to ensure competency in our role as Singapore's postal services provider. We have invested in postal infrastructure to enhance service quality and productivity. In addition to upgrading our mail sorting infrastructure, we have also been replacing our two-wheel scooters with three-wheeler scooters in phases. The three-wheeler scooters improve stability on the road for our postmen and have greater load capacity. This not only improves the productivity of our postmen but also increases the road safety factor for both our postmen and other road users.

We ensure operational readiness through business continuity. Systems are in place for business operations to respond to incidents, crises and threats should these ever occur. We have contingency plans for a broad span of scenarios including trans boundary haze, pandemics, security threats as well as many forms of disruption that might occur in the course of our business. In addition to operational response plans, we also have set out processes to communicate in a forthright manner to all our stakeholders and customers in times of disruption or crisis. Stakeholders can expect SingPost to give open and timely accounts of all incidents and the progress of the recovery efforts that are being carried out.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

In addition, our crisis management and communication plans are reviewed and refined periodically, and updated into various business continuity plans. This enables us to respond to crises in an organised and efficient manner, and expedite the recovery process.

For example, in the event of dense haze, there is a crisis management team with action plans for specific groups of staff at risk. Preparations include earmarking recovery centres in operational facilities, and stocking up masks and eye drops for those working outdoors.

INNOVATION AND PRODUCTIVITY

Like all industries, enterprises and societies the world over, SingPost has to face and find its place in a world that is being increasingly disrupted by advances in technology, particularly digital technologies.

Devices like smartphones and tablets are in everyone's hands and the power of data processing and global connectivity from these devices is impacting every sphere of human existence. Entire sectors like banking, manufacturing, medical science and government are affected. The postal and logistics industries are not spared and in our future, we see the application of the Internet of Things, Big Data analytics, and robots which can deliver parcels from autonomous vehicles like self-driving vans and drones.

Innovation is therefore critical for SingPost to stay ahead of the evolving demands of our customers. Digital technology and communications have increased demands on postal and eCommerce logistics companies like ourselves – customers want greater speed, flexibility, accuracy and traceability – but lower costs.

In FY2016/17, we embarked on several initiatives across our postal and eCommerce logistics businesses to raise our service quality and productivity, while creating new experiences for our customers.

Our SmartPost initiative is working on amalgamating the use of customised mobile apps, near-field communication, radio frequency identification, imaging technology and electronic notification to enhance postal service levels and improve operational efficiency. Trials and pilot studies are underway for integrated solutions to optimise postal operations: from collection to sorting, last mile delivery and quality assurance. Rollout is targeted to complete by March 2019.

We made a major step forward in our vision for the digital post office with the islandwide rollout of a new version of our SAM self-service automated kiosks. Together with our SAM web portal and mobile app, they form an omni-channel platform that will give our customers access to postal and other services anytime and anywhere.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

To improve productivity of our postal operations, we launched a Kaizen programme, structured on the Lean Six Sigma methodology. Through this, sorting efficiency of registered articles was improved by more than 55 per cent through mechanisation, inspection time of sorting machinery was reduced by over 75 per cent by introducing WiFi-digital monitoring equipment, and delivery receipt processing has become more efficient after adopting high speed scanners to digitise and store the receipts electronically.

We officially opened our Regional eCommerce Logistics Hub. This is an important development for our eCommerce logistics network as Singapore's regional connectivity makes the hub ideally positioned as a centre for eCommerce fulfilment. The hub brings together warehousing and delivery capabilities in one highly automated facility, enabling us to provide brands and retailers with an integrated, end-to-end solution, from the front-end eCommerce platform to delivery. The integration we have planned into the hub achieves faster turnaround, as well as provides capacity for larger volumes. The facility has been designed to be scalable, and new technologies and other upgrades may be retrofitted to meet the needs of the future.

In Australia, CouriersPlease launched its Delivery Choices POPPoint Network, made up of POPStation parcel lockers and POPShop retail outlets (in conjunction with HUBBED) at convenient locations across Australia. Delivery Choices allows customers to choose their delivery options by SMS or email, giving access to their parcels at times and places convenient to them.

In Singapore, POPStation functionality was enhanced to enable eCommerce returns and payment collection, and parcel posting through our online service ezy2ship. We launched Singapore's first islandwide open parcel locker service – Rent-a-POP. This is a cost effective last mile delivery option that offers end-to-end tracking to retailers, marketplace sellers and consumers. These new services build on the flexibility that has driven POPStation's adoption by retailers and consumers.

Through the amalgamation of our eCommerce businesses, we created a global end-to-end, direct-to-consumer platform for companies to connect with consumers in North America, Europe and the Asia Pacific through our global fulfilment and distribution network. Jagged Peak's EDGE platform was recognised by Gartner and Forrester as a powerful distributed order management platform that enables inventory to be shared across multiple sales channels, making omni-channel retailing possible.

Further ahead SingPost has a vision where every smartphone and tablet (in whatever shape they take in the years ahead) will be able to function as a post office, we look forward to being part of the urban logistics solution that will further Singapore's goal to be Smart City and a Smart Nation.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

The Group values the environment in which it operates and establishes programmes in its businesses as part of its efforts to conserve and protect the environment. We are committed to promoting greater environmental responsibility and continue to explore using technology to enable innovative, efficient and environmentally friendly modes of operations for our business.

We are gradually replacing the fleet of delivery scooters with three-wheelers that carry a larger pannier box and allow more deliveries to be made per trip, hence reducing fuel utilisation and carbon emissions. Further, in collaboration with TUMCREATE, a research platform to improve Singapore's public transportation, we have started the road trial of a prototype electric three-wheeler. The vehicle produces zero local exhaust emissions, offers near silent operation and is equipped with a smart instrument cluster that includes dynamic GPS routing. The ongoing vehicle replacement program also gradually replaces ageing delivery vans with Euro V and VI compliant vehicles.

The smart locker POPStation network has helped to reduce delivery trips made by SingPost couriers. With about 150 smart lockers across the island, multiple deliveries are made at each location, reducing the distance travelled by couriers by up to 100,000 kilometres a month on average.

At the SingPost Centre head office, the consolidation of the majority of support functions and business units in a single location has enabled savings in office equipment and consumables. The "smart head office" utilises a shared network of 11 multifunctional photocopiers in seven zones in the office, compared to more than 30 photocopiers and fax machines in individual departments prior to the consolidation. The centralised structure and use of paperless systems and e-equipment such as e-white boards and smart writing panels have enabled office consumables such as paper and stationery usage to be monitored, managed and reduced. Paper procured for the office is Forest Stewardship Council certified.

In our operations, we have switched to utilising environmentally friendly biodegradable polybags for printed materials for the letter shopping business. On average, up to 10 million pieces of polybags are used each year. In addition, a process was instituted for segregation of waste materials generated at the letter shopping operations for disposal and recycling.

Following our first BCA Green Mark Award for Retail (Platinum) for our new post office in City Square Mall, we aim to achieve the Green Mark rating for other new post offices.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

PEOPLE ARE OUR FUTURE

To build a workforce ready for the future, SingPost's human resource strategy centres on efforts to develop and grow our staff. This is embedded into SingPost's business strategy to increase competitiveness and to be future ready.

SingPost's people development framework is designed to create a learning culture, focused on each employee taking ownership to learn and develop his or her organisational and functional capabilities in alignment with business needs. Since 2016, we have used an online eLearning platform, Harvard ManageMentor, to support Just-In-Time development for managerial and supervisory staff while our On-the-Job-Training framework supports development of operations staff. Additionally, complementing the national SkillsFuture initiative to encourage Singaporeans to adopt lifelong learning, SingPost, as a supportive employer has educated all eligible staff on the avenues and resources available for their personal and professional development in order to support capability development and career growth. Employees will also be supported with a progressive Career Development programme that will be rolled out to all staff in 2017.

This year, SingPost also launched its in-house developed Manager Effectiveness Programme, which has been created to equip all people managers with the right attitude, skills and knowledge to be effective managers who are in turn able to inspire and lead performance of their teams by being role models of professional capability and commitment.

As SingPost's operations expand globally and the people within our business units become more diverse, we have also introduced a programme to build team collaboration through a behavioral preference tool called Emergenetics. This tool helps our people understand, communicate and collaborate with each other through building insights into each other's thought and behavioural traits. This programme which was launched in 2014 has become the means to build a "common language" across SingPost.

SingPost was recognised in February 2017 as one of the pioneering enterprises of the Tripartite Alliance for Fair and Progressive Employment Practices' Human Capital Partnership Programme. This partnership highlights SingPost's strong Singaporean core workforce at all levels and our efforts to develop careers for Singaporeans through progressive human capital practices.

In March 2017, SingPost hosted Mr Chan Chun Sing, Secretary-General of NTUC and Minister in the Prime Minister's Office, and NTUC/UTES leaders for an industry visit to the Regional eCommerce Logistics Hub. The union leaders had the opportunity to conduct dialogues with operations staff from Quantum Solutions, SP Parcels and SingPost. At this visit, Mr Chan shared his thoughts on the future economy with the management and staff who were present. The relationship between SingPost leaders and the union continues to be strong and we will work together to build a workforce ready for the future.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

This year we continued to drive the revamped performance management review system and business objective driven bonus plan. The review includes 360 degree feedback, performance measured against defined competencies and achievement of indicators on a balanced score card. The performance review takes into account the extent the individual exhibits the SingPost values of 5T – Trust, One Team, Total Customer, Top Execution and Transformation.

To ensure these values percolate through the entire organisation, a staff engagement programme to promote the 5T values is in place - each month, staff are encouraged to recognise their colleagues who demonstrate they live out the 5T values. Recognition is made through shopping vouchers and publicity in internal communication.

SingPost's staff social and recreational committee, Zest.O, continued to build wider staff interaction in informal settings. This includes monthly sporting and social programmes and this year SingPost held its first Leadership Bonding Day 2016, bringing together more than 400 managers and senior leadership.

PROMOTING WORKPLACE SAFETY AND HEALTH

SingPost has been re-certified a bizSAFE Level 3 organisation in August 2016 by the Workplace Safety and Health Council of Singapore. We are committed to provide a safe work environment for our employees with a strong safety culture in the workplace. This year, we sponsored 88 delivery drivers and riders to attend defensive driving and riding courses to give them the skills to deal with potentially hazardous road situations and the unpredictable behavior of other road users.

We have continued to put in place measures to protect our employees' hearing. Where staff are exposed to equipment noise for long periods such as in the Mail Processing Centre, they are provided with ear plugs and are sent for annual audiometric testing.

During the outbreak of Zika in Singapore between August and October 2016, mosquito repellents were issued to all staff working in "hot zones". Expectant mothers whose workplaces were in such areas were given the flexibility to work from home.

HELPING OUR PEOPLE KEEP FIT

We initiated an effort with the Health Promotion Board (HPB) to reach out to operation staff in the Mail Processing Centre to promote wellness and preventive care. The programme includes workshops on healthy cooking, on-site health screening for diabetes, hypertension and high cholesterol. HPB-appointed ergonomists are also brought in to develop programmes for staff who perform manual work involving repetitive lifting so as to prevent musculoskeletal disorders that may be caused by poor posture and incorrect lifting methods.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

COMMUNITY

It is our responsibility as good corporate citizens to contribute towards enriching our communities of residence and work.

Leveraging competencies to serve the community

The Group leverages its network and resources to serve the community. During Giving Week 2016, SingPost sponsored the postage of up to 400,000 postcards issued by the National Volunteer & Philanthropy Centre, to encourage organisations and individuals to express their appreciation to loved ones. We partnered Mercy Relief, a humanitarian aid agency, for its fund-raising with the placement of donation tins at 18 post offices across Singapore. Our post offices also offered digital TV slots to help raise awareness of campaigns, such as Singapore Cancer Society's Relay for Life and Singapore Police Force's scam alerts, among the public.

We continued our collaboration with Food from the Heart, a charity that manages food distribution to the needy in the community and schools. Our postal staff and vans are deployed to collect unsold bread and pastries from bakeries and hotels several times a week and distribute the food to various collection centres across the island. SingPost also works with Food from the Heart to sponsor monthly supplies to needy students in its Food Goodie Bag programme.

Our subsidiary General Storage, which operates Lock+Store self-storage solutions, focuses its CSR program on animal welfare, and partnered an animal welfare group for a photo exhibition at its facilities to promote the adoption of stray dogs.

In Australia, CouriersPlease leverages its network to support the local charities. It is a partner of the RSPCA Queensland, providing monthly pick-up and delivery of promotional materials to the charity's retail partners. CouriersPlease also supports The Smith Family, a charity that helps underprivileged children, with pick-up and delivery of educational materials to needy children.

Donations and sponsorships

SingPost honours its heritage by making annual contributions to the Singapore Philatelic Museum for the upkeep and preservation of philatelic materials and museum activities, and promotion of stamp collecting. To preserve and promote the legacy of post, SingPost will be setting up a heritage corner in the flagship General Post Office to be opened in FY2017/18.

BUILDING A LONG TERM SUSTAINABLE GROUP AND STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY

The Group makes cash and in-kind donations to various charities and sponsors bursaries for the children of its unionised workers. It also continued to match staff contributions to the Community Chest employee payroll deduction programme.

Overall cash donations and sponsorships by the Group amounted close to S\$500,000 in FY2016/17.

Encouraging staff volunteerism

The Group encourages employees to be involved in community outreach. We introduced a staff CSR program Charity@Work that allows our employees to organise team-bonding activities with a CSR theme.

During the year, our staff undertook various activities to raise funds for charities and volunteer at community initiatives. This included a three-day fund-raising initiative in the head office that offered massages by visually handicapped masseurs and sale of food and snacks. Our Singapore staff donated and organised food and rice distribution to the needy elderly in the Kolam Ayer and Chai Chee housing estates, and also donated toys to underprivileged school children in Food from the Heart's Toys Buffet programme. In Australia, CouriersPlease staff packed and distributed Christmas gifts donated by businesses which were sent out to children in need.

PROFILES OF KEY EXECUTIVES

MR LIM SING HOK MERVYN, 59

Deputy Group Chief Executive Officer (Corporate Services) & Group Chief Financial Officer

Mr Lim has more than 25 years of senior management experience in finance, general management and corporate secretarial practice that spans local and regional responsibilities as well as a wide range of industries, including retail, logistics, public transportation and mining. He was Chief Financial Officer, Chief Operating Officer and Company Secretary for listed companies such as TIBS Holdings (now part of SMRT Corporation), MPH Limited, Robinsons, FJ Benjamin and TT International Limited. He was a business advisor to small and medium-sized enterprises and a full time university lecturer in finance, investment and banking for three years before he returned to the commercial sector. He graduated from the National University of Singapore with a Bachelor of Accountancy degree and has a Master of Business Administration degree from the University of Brunel (UK).

MR WOO KENG LEONG, 61

Chief Executive Officer, Postal Services

Mr Woo joined SingPost in 1980, when it was the Postal Services Department, on a posting as a Public Service Commission scholar. He has been responsible for transforming SingPost's postal business into one of the most efficient and admired postal service providers in the world. Mr Woo is focused on the quality of our postal services, as well as the sustainability of the mail business, which is the backbone of eCommerce logistics services. He is also responsible for SingPost's international postal relationships. Mr Woo sits on the boards of DataPost Pte Ltd, SingPost Distribution Pte Ltd, Singapore Post Enterprise Private Limited, SingPost Investments (Tampines) Pte Ltd, SingPost Investments (eCommerce Logistics) Pte Ltd, SingPost eCommerce Logistics Holdings Pte Ltd, GD Express Carrier Berhad, Famous Holdings Pte Ltd, Lock+Store (Ayer Rajah) Pte Ltd, Lock+Store (Chai Chee) Pte Ltd, Lock+Store (Tanjong Pagar) Pte Ltd, Lock and Store (Glenmarie) Sdn Bhd, L+S Self Storage Pte. Ltd. (formerly known as Store Friendly Self Storage Group Private Limited), SingPost Investment Pte Ltd, SingPost Centre (Retail) Pte Ltd and the Singapore Philatelic Museum. He is also a member of Singapore's Stamp Advisory Committee. Mr Woo obtained a Bachelor of Arts with Honours degree from Nanyang University in Singapore, and has completed an International Post Office Management course in the UK.

PROFILES OF KEY EXECUTIVES

MR ANG SING MEIN SAM, 62

Executive Vice President

Mr Ang joined SingPost in July 2015. He heads the SingPost Logistics pillar comprising of Quantum Solutions, CouriersPlease, Famous Holdings and SP Parcels. Prior to joining SingPost, Mr Ang had 22 years of experience as the Chief Executive Officer of DHL Global Forwarding for South East Asia and was a member of the DHL Global Forwarding Asia Pacific Management Board until 2014. He was responsible for the DHL Global Forwarding's operations across South East Asia while based in Singapore. Mr Ang has more than 35 years of experience in shipping, ocean freight forwarding, air freight forwarding and logistics management. Apart from DHL, Sam has held several management positions within the British conglomerate, Inchcape, and was the first local Director of Yusen Air & Sea Services, Japan's second largest forwarder. He has a Bachelor of Business Administration degree from the former University of Singapore and is a graduate of Insead Senior Management Course in Fontainebleau France.

MR MARCELO WESSELER, 45

Chief Executive Officer, SingPost Commerce

Mr Wessler joined SingPost in 2012. He led the growth and development of SingPost's eCommerce business as CEO of SingPost Commerce (SP Commerce), which integrates SingPost's eCommerce division with leading US-based eCommerce providers, TradeGlobal and Jagged Peak. Mr Wessler has 20 years of international experience in global eCommerce businesses and held senior management positions at KPMG Consulting, Hewlett Packard, and RS Components. He has a Master of Business Administration degree from Carl von Ossietzky University Oldenburg, Germany, and has completed the executive education programme at Stanford University. Mr Wessler has resigned and is serving notice until 5 June 2017.

MR RAMESH NARAYANASWAMY, 42

Chief Information Officer

Mr Narayanaswamy joined SingPost in May 2012 as Chief Information Officer to oversee and implement all the technology related transformation programmes across the SingPost Group. He is responsible for technology strategy, delivery and support of all applications and to build world class infrastructure for all the various business units. He is also the Chief Data Protection Officer for the SingPost Group. Prior to joining SingPost, Mr Narayanaswamy was the Head of Technology Solution Delivery for retail banking in Standard Chartered Bank. Mr Narayanaswamy has Bachelor of Engineering (Hons) and Master of Science (Hons) degrees from the Birla Institute of Technology and Science, Pilani, India and an MBA in Strategic Management from the Nanyang Business School, Singapore. He has resigned and is serving notice until 23 June 2017.

STATUTORY REPORTS AND FINANCIAL STATEMENTS

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DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 March 2017 and the balance sheet of the Company as at 31 March 2017.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 137 to 286 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

DIRECTORS

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

Mr Simon Claude Israel (Chairman)

Ms Aliza Knox

Mr Bob Tan Beng Hai (Appointed on 10 October 2016)

Mr Chen Jun

Ms Elizabeth Kong Sau Wai (Appointed on 10 October 2016)

Mrs Fang Ai Lian (Appointed on 10 October 2016)

Ms Lim Cheng Cheng (Appointed on 1 April 2017)

Professor Low Teck Seng

Mr Zulkifli Bin Baharudin

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" and "Restricted Share Plan" on pages 118 to 123 of this statement.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.3.2017	At 1.4.2016	At 31.3.2017	At 1.4.2016
Company				
Singapore Post Limited (No. of ordinary shares)				
Professor Low Teck Seng	80,460	–	60,000 ⁽¹⁾	60,000 ⁽¹⁾
Ms Aliza Knox	20,529	–	–	–

⁽¹⁾ Deemed interests through spouse

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.3.2017	At 1.4.2016 or date of appointment, If later	At 31.3.2017	At 1.4.2016 or date of appointment, If later
Company				
Singapore Post Limited (4.25% Singapore Post perpetual securities)				
Mrs Fang Ai Lian	250,000	250,000	–	–

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

- (b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in the options to subscribe for ordinary shares of the Company granted pursuant to the Singapore Post Share Option Scheme and unvested restricted shares of the Company granted pursuant to Singapore Post Restricted Share Plan 2013 as set out below and under "Share Options" and "Restricted Share Plan" on pages 118 to 123 of this statement.

	Number of unvested restricted shares held by director	
	At 31.3.2017	At 1.4.2016
<u>Unvested restricted shares</u>		
Ms Aliza Knox	-	20,529
Professor Low Teck Seng	-	80,460

- (c) The directors' interests in the shares and convertible securities of the Company as at 21 April 2017 were the same as those as at 31 March 2017.

SHARE OPTIONS

The Singapore Post Share Option Scheme was adopted on 21 March 2003, and a new scheme, known as Singapore Post Share Option Scheme 2012 was adopted on 29 June 2012; collectively known as "The Scheme". The Scheme is administered by the Compensation Committee comprising Mrs Fang Ai Lian (Chairman¹), Mr Simon Claude Israel and Mr Zulkifli Bin Baharudin during the financial year ended 31 March 2017.

Employees (including executive directors) and non-executive directors, subject to certain conditions, are eligible to participate in the Scheme. The Scheme provides a means to recruit, retain and give recognition to employees, and to give recognition to non-executive directors, who have contributed to the success and development of the Company and/or the Group.

¹ Mrs Fang Ai Lian was appointed as the chairperson of the Compensation Committee on 10 October 2016 in place of Mr Tan Yam Pin who stepped down as chairman and member of the Compensation Committee on 14 July 2016.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

SHARE OPTIONS (continued)

The principal terms of the Scheme are as follows:

- The exercise price of the granted options is equal to the average of the last dealt prices for the share on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the five (5) consecutive trading days immediately preceding the date of grant of that option.
- The value of the share option is determined using the Trinomial option pricing model (taking into account relevant assumptions).
- Granted options shall be exercisable, in whole or in part, during the exercise period applicable to that option and in accordance with the vesting schedule applicable to that option or other conditions (if any) that may be imposed by the Compensation Committee in relation to that option. Options may be exercised, in whole or in part in respect of 1,000 shares or any multiple thereof, by a participant giving notice in writing, accompanied by a remittance for the aggregate subscription cost in respect of the shares for which that option is exercised. The method of settlement could be in cheque, cashier's order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. There are no restrictions on the eligibility of the persons to whom the options have been granted to participate in any other share option or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.
- The vesting schedule for the share options granted to eligible employees (including executive directors) effective from 20 May 2014 are as follow:

Vesting period	Proportion of Total Share Options that are exercisable
Before/On first anniversary of date of grant	0 per cent
After first anniversary and before second anniversary of date of grant	Up to 30.0 per cent of grant
On/After second anniversary and before third anniversary of date of grant	Up to another 30.0 per cent of grant OR Up to 60.0 per cent of grant if share options were not exercised after the first vesting year
On/After third anniversary till tenth anniversary of date of grant	Balance OR 100.0 per cent of grant if share options were not exercised after the first and second vesting years

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

SHARE OPTIONS (continued)

- The share options granted to eligible employees (including executive directors) effective 26 June 2006 to 10 March 2014 have a four-year vesting schedule and the details are as follows:

<u>Vesting period</u>	<u>Proportion of Total Share Options that are exercisable</u>
Before/On first anniversary of date of grant	0 per cent
After first anniversary and before second anniversary of date of grant	Up to 25.0 per cent of grant
On/After second anniversary and before third anniversary of date of grant	Up to another 25.0 per cent of grant OR Up to 50.0 per cent of grant if share options were not exercised after the first vesting year
On/After third anniversary and before fourth anniversary of date of grant	Up to another 25.0 per cent of grant OR Up to 75.0 per cent of grant if share options were not exercised after the first and second vesting years
On/After fourth anniversary till tenth anniversary of date of grant	Balance OR 100.0 per cent of grant if share options were not exercised after the first, second and third vesting years

- On 11 May 2012, 17 January 2014, 7 March 2014 and 1 April 2014, performance share options were granted to key management staff. Vesting of these options is based on the Company's performance against a set of stretched targets on the Group's profit and the Company target share price performance.
- The total number of shares over which options may be granted under the Scheme on any date, when added to the nominal amount of shares issued and issuable and in respect of all options granted under the Scheme, shall not exceed 5.0 per cent of the issued share capital of the Company on the day preceding that date.

Since the adoption of the Scheme to 31 March 2016, a total of 171,626,936 share options were granted. Particulars of the options were set out in the Directors' Report for the respective financial years.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

SHARE OPTIONS (continued)

During the financial year ended 31 March 2017, 7,061,000 share options were granted. At the end of the financial year, details of the options granted and the number of unissued ordinary shares of the Company under options outstanding are as follows:

Date of grant	Exercise Period	Exercise Price	Number of ordinary shares under options outstanding				
			Balance At 1.4.16 ('000)	Granted during financial year ('000)	Options exercised ('000)	Options forfeited ('000)	Balance At 31.3.17 ('000)
Options Granted Under Singapore Post Share Options Scheme							
For employees (including executive directors)							
26.06.06 ⁽¹⁾	27.06.07 to 26.06.16	S\$1.048	27	–	27	–	
26.06.07	27.06.08 to 26.06.17	S\$1.278	196	–	–	196	
30.06.08	01.07.09 to 30.06.18	S\$1.100	280	–	90	190	
29.06.09 ⁽¹⁾	30.06.10 to 29.06.19	S\$0.890	10	–	10	–	
29.06.10	30.06.11 to 29.06.20	S\$1.140	533	–	20	513	
26.07.11	27.07.12 to 26.07.21	S\$1.100	855	–	189	666	
19.03.12 ⁽¹⁾	20.03.13 to 19.03.22	S\$0.980	200	–	200	–	
10.05.12 ⁽¹⁾	11.05.13 to 10.05.22	S\$1.030	200	–	200	–	
11.05.12	19.05.14 to 11.05.22	S\$1.030	1,050	–	–	1,050	
10.08.12	11.08.13 to 10.08.22	S\$1.070	2,590	–	1,066	1,524	
03.09.12 ⁽¹⁾	04.09.13 to 03.09.22	S\$1.080	50	–	50	–	
07.05.13	08.05.13 to 07.05.23	S\$1.290	75	–	–	75	
17.01.14	18.01.17 to 17.01.24	S\$1.350	11,316	–	1,991	7,602	
07.03.14	08.03.17 to 07.03.24	S\$1.330	500	–	–	500	
10.03.14	11.03.15 to 10.03.24	S\$1.330	80	–	–	80	
01.04.14	02.04.17 to 01.04.24	S\$1.360	200	–	–	200	
20.05.14	21.05.15 to 20.05.24	S\$1.450	7,689	–	686	5,633	
07.08.14	08.08.15 to 07.08.24	S\$1.760	708	–	–	140	
28.11.14	29.11.15 to 28.11.24	S\$1.920	200	–	–	200	
07.04.15	08.04.16 to 07.04.25	S\$1.960	1,588	–	–	1,588	
13.05.15	14.05.16 to 13.05.25	S\$1.910	950	–	–	950	
19.05.15	20.05.16 to 19.05.25	S\$1.890	15,933	–	–	2,976	
12.06.15	13.06.16 to 12.06.25	S\$1.880	40	–	–	40	
20.05.16	21.05.17 to 20.05.27	S\$1.570	–	7,061	–	374	
Total Share Options			45,270	7,061	4,529	8,371	39,431

⁽¹⁾ All outstanding share options granted on 26 June 2006, 29 June 2009, 19 March 2012, 10 May 2012 and 3 September 2012 had been exercised before the expiry date.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

SHARE OPTIONS (continued)

No option has been granted to controlling shareholders of the Company or their associates.

No key management personnel or employee has received options of 5% or more of the total number of shares available under the Scheme during the financial year. No other director or employee of the Company and its subsidiaries (as defined in the SGX-ST Listing Manual) has received options of 5% or more of the total number of shares available to all directors and employees of the Company and its subsidiaries under the Scheme during the financial year.

No option was granted at a discount during the financial year.

RESTRICTED SHARE PLAN

The Singapore Post Restricted Share Plan 2013 was implemented with the approval of shareholders at the Extraordinary General Meeting held on 28 June 2013. The duration of the Plan is 10 years commencing from 28 June 2013.

The Plan is a share incentive scheme. It is proposed on the basis that it is important to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to key employees and directors of the Group and Associated Companies who contribute to the growth of the Group. The Plan will enable grants of fully paid Shares to be made to non-executive directors of the Group and Associated Companies.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

RESTRICTED SHARE PLAN (continued)

The release schedule for the shares granted to eligible employees (excluding non-executive directors) is as follows:

Vesting Period	Vesting Date	Percentage of Shares that will be Released on Vesting Date
From award date to date before first anniversary of award date	First anniversary of award date	30% (rounded to nearest whole Share)
From first anniversary of award date to date before second anniversary of award date	On second anniversary of date of award	30% (rounded to nearest whole Share)
From second anniversary of award date to date before third anniversary of award date	On third anniversary of date of award	Balance 40%

- 100% of the restricted shares granted to non-executive directors vest after one year from the date of grant.

Since the adoption of The Plan to 31 March 2016, a total of 3,402,479 restricted shares were granted.

During the financial year ended 31 March 2017, 2,436,639 restricted shares were granted. Details of the restricted shares granted and cancelled and the number of unvested restricted shares outstanding as at the end of the financial year are as follows:

Date of Grant	Balance As At 1.4.16 ('000)	Share Awards Granted ('000)	Share Awards Vested ('000)	Share Awards Cancelled ('000)	Balance As At 31.3.17 ('000)
05.08.13	401	–	365	28	8
20.05.14	443	–	189	21	233
19.05.15	662	–	198	68	396
03.08.15	112	–	112	–	–
20.05.16	–	2,437	–	419	2,018
Total Shares	1,618	2,437	864	536	2,655

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

AUDIT COMMITTEE

At the date of this statement, the members of the Audit Committee are as follows:

Mrs Fang Ai Lian (Chairman)

Mr Zulkifli Bin Baharudin

Mr Bob Tan Beng Hai

All members of the Audit Committee were non-executive and independent directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap 50.

The Audit Committee has reviewed the overall scopes, plans and results of both internal and independent audits and the assistance given by the Company's officers to the auditors. It has met with the Company's internal and independent auditors to discuss the results of their respective examinations and evaluations of the Company's system of internal accounting controls.

The Audit Committee has also reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 March 2017 as well as the independent auditor's report thereon prior to their submission to the Board of Directors for approval.

Pursuant to the requirements of the SGX-ST, the Audit Committee, with the assistance of the internal auditors, has reviewed the guidelines and procedures that were set up to identify, report and where necessary, seek appropriate approval for interested person transactions of the Group. Interested person transactions of the Group during the financial year have also been reviewed by the Audit Committee.

The Audit Committee has made its recommendations to the Board of Directors and the Board of Directors is satisfied with the proposed appointment of Deloitte & Touche LLP as external auditor of the Company in place of the retiring auditor, PricewaterhouseCoopers LLP, at the forthcoming 2017 Annual General Meeting.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2017

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, will not be seeking re-appointment and Deloitte & Touche LLP has been nominated to be the auditor for the ensuing year. The appointment of Deloitte & Touche LLP is subject to shareholders' approval at the forthcoming 2017 Annual General Meeting.

On behalf of the directors



Mr Simon Claude Israel
Chairman



Mrs Fang Ai Lian
Director

Singapore, 15 May 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of Singapore Post Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at 31 March 2017, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the year ended 31 March 2017;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated balance sheet of the Group as at 31 March 2017;
- the balance sheet of the Company as at 31 March 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended, and
- the notes to the financial statements, including a summary of significant accounting policies.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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 for the financial year ended 31 March 2017. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of impairment of goodwill and other intangible assets</p> <p><i>Refer to Notes 3(a) and 23 to the financial statements.</i></p> <p>We focused on this area due to the magnitude of the goodwill balance (S\$305.1 million as at 31 March 2017) across the Group and the other intangible assets (S\$95.6 million as at 31 March 2017), principally customer relationships and trademarked brands with indefinite useful lives.</p>	<p>We agreed management's future cash flow projections to internal forecasts and strategic plans, and tested them against external data as well as historic trend analyses, expectations of the future development of the business, and market and publicly available industry and economic data.</p> <p>We compared the current year actual results with the prior year forecast to consider whether the assumptions made in the prior year, with hindsight, had been reasonable.</p> <p>We involved our valuation specialists in evaluating management's assumptions applied to future cash flow projections as follows:</p> <ul style="list-style-type: none">terminal growth rates, by comparing them against economic and industry forecasts.

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of impairment of goodwill and other intangible assets (continued)</p> <p>In addition, management's assessment of the recoverable amounts of the cash-generating units ("CGUs") involves significant judgement about the future cash flow projections of the business and the appropriate terminal growth rates, discount rates and royalty rates applied to the future cash flow projections.</p> <p>For the financial year ended 31 March 2017, a total impairment charge of S\$205.7 million was recognised on certain of the Group's goodwill on acquisitions and customer relationships. Included therein was S\$166.1 million for the goodwill on acquisition and S\$19 million for the customer relationships in respect of TG Acquisition Corporation, the immediate holding Company of TradeGlobal.</p> <p>The Group appointed an independent external consulting firm to perform a review and report on the reasonableness of the valuation methodology and the key assumptions applied for the assessment of impairment of TG Acquisition Corporation.</p>	<ul style="list-style-type: none">• discount rates, by assessing the weighted average cost of capital ("WACC") used against comparable organisations, as well as considering territory specific factors.• royalty rates, by assessing them against rates charged by comparable organisations. <p>We performed sensitivity calculations over the recoverable amounts of the Group's CGUs, based on reasonably possible changes in the key assumptions as set out above.</p> <p>We read and considered the report obtained by the Group from the independent external consulting firm in respect of their review of the methodology and assumptions applied by management in the assessment of impairment of TG Acquisition Corporation.</p> <p>We considered the adequacy of the Group's disclosures (in Notes 3(a) and 23) made in relation to goodwill and other intangible assets.</p> <p>We found the estimates and assumptions used in the impairment assessment of goodwill and other intangible assets to be reasonable. We also found the disclosures in the financial statements in respect of goodwill and other intangible assets, and impairment thereof, to be adequate.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of impairment of property, plant and equipment and investments in associated companies</p> <p><i>Refer to Notes 3(b), 19 and 22 to the financial statements.</i></p> <p>The Group operates various businesses globally, which utilise property, plant and equipment with a total carrying value of S\$565.6 million as at 31 March 2017.</p> <p>The Group also has investments in associated companies with a total carrying value of S\$117.8 million as at 31 March 2017.</p> <p>We focused on these areas due to the size of the asset carrying values as well as the significant judgment involved in management's assessment of the recoverability of the invested amounts. Such judgment relates to the determination of the recoverable amounts of the property, plant and equipment and investments in associated companies. Recoverable amounts are determined based on the higher of fair values based on valuations performed by an independent and qualified valuer, and value-in use calculations which involve management's assessment of the future cash flow projections of the business, and the appropriate terminal growth rates and discount rates applied to the future cash flow projections.</p>	<p>Our audit procedures included procedures to identify triggering events for potential impairment.</p> <p><i>Assessment of fair values</i></p> <p>We assessed the appropriateness of the fair values used in management's assessment of impairment. The audit procedures were performed in conjunction with the procedures performed to address the key audit matter, "Valuation of investment properties" as set out below.</p> <p><i>Assessment of value-in-use calculations</i></p> <ul style="list-style-type: none">• We agreed management's future cash flow projections to internal forecasts and strategic plans, and tested them against historic trend analyses, and expectations of the future development of the business, and market and publicly available industry and economic data.• We compared the current year actual results with the prior year forecast to consider whether the assumptions made in the prior year, with hindsight, had been reasonable.• We evaluated management's assumptions applied to future cash flow projections as follows:<ul style="list-style-type: none">◦ terminal growth rates, by comparing them against economic and industry forecasts◦ discount rates, by assessing the WACC used against comparable organisations, as well as considering territory specific factors.

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of impairment of property, plant and equipment and investments in associated companies (continued)</p> <p>For the financial year ended 31 March 2017, the Group recognised impairment charges of S\$20.5 million for one of the Group's investments in associated companies, and S\$9.3 million for one of the Group's properties.</p>	<ul style="list-style-type: none"><li data-bbox="615 357 1279 501">• We performed sensitivity calculations over the value-in-use of the Group's property, plant and equipment and investments in associated companies, based on reasonably possible changes in the key assumptions as set out above. <p>We considered the adequacy of the Group's disclosures (in Notes 3(b), 19 and 22) made in relation to property, plant and equipment, and investments in associated companies.</p> <p>We found the estimates and assumptions used in the impairment assessment of property, plant and equipment and investments in associated companies to be reasonable. We also found the disclosures in the financial statements to be adequate.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p> <p><i>Refer to Notes 3(c) and 21 to the financial statements.</i></p> <p>The carrying value of the Group's investment properties of S\$970.4 million accounted for 35% of the Group's total assets as at 31 March 2017. The net fair value gains on investment properties recognised in the financial year then ended amounted to S\$108.7 million.</p> <p>The valuation of these investment properties (primarily Singapore Post Centre, and the Group's warehousing and self-storage facilities) is inherently subjective, due principally to the unique nature of each property (including its location) which heavily influences the future rental it is expected to generate. The assumptions on which the property values are based are influenced by tenure and tenancy details for each property, prevailing market yields and comparable market transactions.</p> <p>The significance of the value of these investment properties and the inherent judgment involved in the valuation of these properties made this a key audit matter.</p>	<p>The valuations were carried out by a third party valuer (the "Valuer") engaged by the Group. Our audit procedures included the assessment of the following:</p> <p><i>Experience of the Valuer and relevance of their work</i></p> <p>We read the Valuer's reports. We confirmed that the valuation approaches used were consistent with the requirements of FRSs. We assessed the Valuer's competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon their work.</p> <p><i>Data provided to the Valuer</i></p> <p>We tested the data provided to the Valuer by management on a sample basis by agreeing to appropriate supporting documentation. This data included tenancy schedules, capital expenditure details, acquisition cost schedules and square footage details.</p> <p><i>Assumptions and estimates used by the Valuer</i></p> <p>We met with the Valuer and evaluated the valuation methods and assumptions used. The nature of assumptions used varied across the portfolio depending on the nature of each property and they included, estimated capital values, investment yields, construction costs and developers' margins. In each of these areas, on a sample basis, we compared the estimates and assumptions used by the Valuer against our own expectations developed based on the location of each property, comparable market transactions and publicly available industry and economic data.</p> <p>We found the valuation methodologies used to be in line with generally accepted market practices and the estimates and assumptions used to be justified in the context of the Group's property portfolio. We also found the disclosures in the financial statements to be adequate.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key Audit Matter	How our audit addressed the Key Audit Matter
<p data-bbox="105 357 592 412">Assessment of indefinite useful life assumption for trademarked brand</p> <p data-bbox="105 442 592 497"><i>Refer to Notes 3(d) and 23(e) to the financial statements</i></p> <p data-bbox="105 526 592 635">The Group has a trademarked brand arising from the acquisition of a subsidiary, which amounted to S\$42.7 million as at 31 March 2017.</p> <p data-bbox="105 664 592 967">The assessment of the indefinite useful life assumption is an area of focus because it involves significant management judgement about the factors which could limit the useful life of the related trademarked brand, such as the typical product life cycle for the brand and useful lives of similar brands adopted by companies within the same industry and the stability of the industry in which the brand operates and changes in market demand for the services from or related to the brand.</p>	<p data-bbox="592 357 1279 522">We evaluated management's assessment of the relevant factors, including stability of the industry that the subsidiary operates and the useful lives of similar brands adopted by companies within the same industry, by reviewing comparable market transactions and publicly available industry and economic data.</p> <p data-bbox="592 552 1279 660">We considered management's assessment of whether there could be any material legal, regulatory, contractual, technological or other factors which could limit the useful life of the trademarked brand.</p> <p data-bbox="592 690 1279 774">We considered the adequacy of the Group's disclosures (in Notes 3(d) and 23(e)) made in relation to trademarked brands with indefinite useful lives.</p> <p data-bbox="592 804 1279 912">We found management's assessment of the factors which could limit the useful life of the related trademarked brands to be reasonable. We also found the disclosures in the financial statements to be adequate.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of contingent consideration for business acquisitions</p> <p><i>Refer to Notes 3(e) and 24 to the financial statements</i></p> <p>In prior financial years, the Group had recognised contingent consideration in respect of the acquisitions of certain businesses. The carrying value of contingent consideration payable as at 31 March 2017 amounted to S\$23.4 million. For the financial year ended 31 March 2017, the Group recognised a net write-back of the fair value of contingent consideration payable of S\$25.9 million.</p> <p>The assessment of contingent consideration in respect of business acquisitions require significant management judgment in determining the future results of the acquired businesses which has a direct impact on the need for, and magnitude of, contingent consideration at year-end.</p>	<p>We agreed the expected future results of the acquired companies, used in the calculation of the contingent consideration, to internal forecasts and strategic plans.</p> <p>We compared the current year actual results with the prior year forecasts included in the calculations of contingent consideration to consider whether the forecasts made in the prior year, with hindsight, had been reasonable.</p> <p>We considered management's determination of the fair value adjustments to contingent considerations payable and tested the accuracy and appropriateness of the adjustments.</p> <p>We considered the adequacy of the Group's disclosures (in Notes 3(e) and 24) made in relation to contingent considerations payable.</p> <p>We found the results of management's determination of the fair value adjustments to contingent consideration to be reasonable. We also found the disclosures in the financial statements to be adequate.</p>

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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, 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.

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 and FRSs, 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditor's 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 auditor's 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 control.
- Obtain an understanding of internal control 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 control.
- 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 auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Singapore Post Limited (continued)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors 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 auditor's report unless law or regulation precludes 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 auditor's report is Mr. Daniel Khoo.



PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants

Singapore, 15 May 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 March 2017

	Note	Group	
		2017 S\$'000	2016 S\$'000
Revenue	4	1,348,502	1,151,542
Other income and gains (net)			
– Rental and property-related income	4	36,574	39,373
– Miscellaneous	4	9,777	11,992
Labour and related expenses	5	(345,099)	(300,444)
Volume-related expenses	6	(688,653)	(535,425)
Administrative and other expenses	7	(144,336)	(131,942)
Depreciation and amortisation		(51,018)	(31,886)
Selling expenses		(15,298)	(10,025)
Finance expenses	8	(5,674)	(10,365)
Total expenses		(1,250,078)	(1,020,087)
Exceptional items	9	(88,653)	95,342
Share of (loss)/profit of associated companies and joint ventures	19	(1,177)	9,066
Profit before income tax		54,945	287,228
Income tax expense	10	(25,233)	(34,189)
Total profit		29,712	253,039
Profit attributable to:			
Equity holders of the Company		33,403	248,910
Non-controlling interests		(3,691)	4,129
		29,712	253,039
Earnings per share attributable to ordinary shareholders of the Company	11		
– Basic		0.85 cent	10.86 cents
– Diluted		0.84 cent	10.83 cents

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2017

	Group	
	2017 S\$'000	2016 S\$'000
Total profit	29,712	253,039
Other comprehensive gain/(loss) (net of tax):		
Items that may be reclassified subsequently to profit or loss:		
Available for sale financial assets:		
– Fair value gain/(loss)	446	(637)
Currency translation differences:		
– Gains/(losses)	6,797	(18,913)
– Transfers to profit or loss arising from disposals of subsidiaries, associated companies and joint venture	73	(2,026)
Revaluation gain on property, plant and equipment upon transfer to investment properties	17,386	20,029
Other comprehensive income/(loss) for the year (net of tax)	24,702	(1,547)
Total comprehensive income for the year	54,414	251,492
Total comprehensive income attributable to:		
Equity holders of the Company	58,008	246,794
Non-controlling interests	(3,594)	4,698
	54,414	251,492

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 31 March 2017

	Note	Group		Company	
		2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
ASSETS					
Current assets					
Cash and cash equivalents	12	366,614	126,640	303,179	49,626
Financial assets	13	4,301	8,127	3,954	7,780
Trade and other receivables	14	199,007	210,177	173,304	194,719
Derivative financial instruments	15	16,079	846	16,142	846
Inventories		4,450	4,499	107	367
Other current assets	16	17,174	17,206	5,180	4,915
		607,625	367,495	501,866	258,253
Non-current assets					
Financial assets	13	36,010	38,083	35,748	37,832
Trade and other receivables	17	7,091	5,351	405,122	563,193
Investments in associated companies and joint ventures	19	117,783	146,401	14,849	14,348
Investments in subsidiaries	20	–	–	340,533	356,229
Investment properties	21	970,392	745,844	927,538	760,842
Property, plant and equipment	22	565,583	517,376	240,371	241,943
Intangible assets	23	400,683	593,984	–	227
Deferred income tax assets	27	6,218	5,544	–	–
Other non-current assets	16	5,198	6,408	–	–
		2,108,958	2,058,991	1,964,161	1,974,614
Total assets		2,716,583	2,426,486	2,466,027	2,232,867

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 31 March 2017

	Note	Group		Company	
		2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
LIABILITIES					
Current liabilities					
Trade and other payables	24	395,084	385,679	353,681	274,432
Current income tax liabilities	10	34,774	35,918	30,367	29,950
Deferred income	26	7,413	7,268	7,413	7,268
Derivative financial instruments	15	1,055	801	1,055	759
Borrowings	25	148,786	71,090	117,743	33,000
		587,112	500,756	510,259	345,409
Non-current liabilities					
Trade and other payables	24	44,462	32,225	2,070	–
Borrowings	25	215,199	209,182	202,318	203,044
Deferred income	26	49,545	56,785	49,545	56,785
Deferred income tax liabilities	27	62,547	66,035	22,603	19,199
		371,753	364,227	276,536	279,028
Total liabilities		958,865	864,983	786,795	624,437
NET ASSETS		1,757,718	1,561,503	1,679,232	1,608,430
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	28	638,756	448,775	638,756	448,775
Treasury shares	28	(1,227)	(2,116)	(1,227)	(2,116)
Other reserves	30	71,787	7,258	37,249	34,713
Retained earnings	31	650,007	749,647	657,628	780,232
		1,359,323	1,203,564	1,332,406	1,261,604
Perpetual securities	29	346,826	346,826	346,826	346,826
		1,706,149	1,550,390	1,679,232	1,608,430
Non-controlling interests		51,569	11,113	–	–
Total equity		1,757,718	1,561,503	1,679,232	1,608,430

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2017

<u>Attributable to ordinary shareholders of the Company</u>										
	Note	Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Other reserves S\$'000	Total S\$'000	Perpetual securities S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
2017										
Balance at 1 April 2016		448,775	(2,116)	749,647	7,258	1,203,564	346,826	1,550,390	11,113	1,561,503
Reclassification	20	-	-	6,571	-	6,571	-	6,571	(6,571)	-
Acquisition of non-controlling interest in a subsidiary	20	-	-	-	(1,599)	(1,599)	-	(1,599)	(776)	(2,375)
Partial divestment of a subsidiary	20	-	-	(5,191)	39,437	34,246	-	34,246	51,397	85,643
Distribution paid on perpetual securities	29	-	-	-	-	-	(14,875)	(14,875)	-	(14,875)
Dividends	32	-	-	(119,548)	-	(119,548)	-	(119,548)	-	(119,548)
Total comprehensive income for the period		-	-	18,528	24,605	43,133	14,875	58,008	(3,594)	54,414
		448,775	(2,116)	650,007	69,701	1,166,367	346,826	1,513,193	51,569	1,564,762
New shares issued	28	183,960	-	-	-	183,960	-	183,960	-	183,960
Employee share option scheme:										
- Value of employee services	30(b)(i)	-	-	-	3,351	3,351	-	3,351	-	3,351
- New shares issued	28	6,021	-	-	(376)	5,645	-	5,645	-	5,645
- Treasury shares re-issued	28	-	889	-	(889)	-	-	-	-	-
Balance at 31 March 2017		638,756	(1,227)	650,007	71,787	1,359,323	346,826	1,706,149	51,569	1,757,718

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2017

	Note	Attributable to ordinary shareholders of the Company					Perpetual securities S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
		Share capital S\$'000	Treasury shares S\$'000	Retained earnings S\$'000	Other reserves S\$'000	Total S\$'000				
2016										
Balance at 1 April 2015		429,980	(2,831)	682,639	7,448	1,117,236	346,826	1,464,062	3,675	1,467,737
Transfer to statutory reserves		-	-	(2)	2	-	-	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	2,740	2,740
Distribution paid on perpetual securities	29	-	-	-	-	-	(14,915)	(14,915)	-	(14,915)
Dividends	32	-	-	(166,985)	-	(166,985)	-	(166,985)	-	(166,985)
Total comprehensive income for the year		-	-	233,995	(2,116)	231,879	14,915	246,794	4,698	251,492
		429,980	(2,831)	749,647	5,334	1,182,130	346,826	1,528,956	11,113	1,540,069
Employee share option scheme:										
- Value of employee services	30(b)(i)	-	-	-	4,053	4,053	-	4,053	-	4,053
- New shares issued	28	18,795	-	-	(1,414)	17,381	-	17,381	-	17,381
- Treasury shares re-issued	28	-	715	-	(715)	-	-	-	-	-
Balance at 31 March 2016		448,775	(2,116)	749,647	7,258	1,203,564	346,826	1,550,390	11,113	1,561,503

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2017

	Note	Group	
		2017 S\$'000	2016 S\$'000
Cash flows from operating activities			
Total profit		29,712	253,039
Adjustments for:			
– Income tax expense		25,233	34,189
– Depreciation and amortisation – net		43,352	25,865
– Fair value gain on investment properties		(108,744)	–
– Gains on disposals of investments, property, plant and equipment		(4,577)	(109,856)
– Gain on derivative financial instruments		(16,011)	–
– Share option expense		3,351	4,053
– Interest expense		8,846	7,766
– Interest income		(3,439)	(4,268)
– Impairment/write-off of intangible assets, investments and property, plant and equipment		215,063	256
– Share of losses/(profits) of associated companies and joint ventures		1,177	(9,066)
		164,251	(51,061)
Operating cash flow before working capital changes		193,963	201,978
Changes in working capital, net of effects from acquisition and disposal of subsidiaries			
– Inventories		49	332
– Trade and other receivables		(4,867)	(28,287)
– Trade and other payables		41,437	(12,008)
Cash generated from operations		230,582	162,015
Income tax paid		(30,516)	(30,582)
Net cash provided by operating activities		200,066	131,433

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2017

	Note	Group 2017 S\$'000	2016 S\$'000
Cash flows from investing activities			
Acquisition of non-controlling interests	20(a)	(2,375)	–
Acquisition of subsidiaries, net of cash acquired		–	(272,480)
Additions to property, plant and equipment, investment properties and intangible assets		(199,767)	(279,742)
Contingent consideration paid in relation to acquisition of a subsidiary		(528)	–
Disposal of subsidiaries, net of cash disposed of	12	(1,568)	50,962
Dividend received from associated companies		2,583	2,167
Interest received		2,682	4,782
Investment in an associated companies and joint ventures		(798)	(49,430)
Loan to an associated company		(1,844)	(1,360)
Proceeds from partial divestment of interest in a subsidiary	20(b)	85,643	–
Payment relating to purchase of assets		–	(250)
Proceeds from partial divestment of shares in an associated company		–	78,910
Proceeds from disposal of property, plant and equipment		1,976	1,553
Proceeds from sale of financial assets		–	15,294
Proceeds from maturity of financial assets, held-to-maturity		6,250	19,250
Purchase of financial assets, held-to-maturity		–	(28,321)
Repayment of loans by associated companies		18,147	1,578
Net cash used in investing activities		(89,599)	(457,087)
Cash flows from financing activities			
Distribution paid to perpetual securities		(14,875)	(14,915)
Dividends paid to shareholders		(119,548)	(166,985)
Interest paid		(9,637)	(8,444)
Proceeds from issuance of ordinary shares		189,605	17,381
Proceeds from bank loans		537,060	296,029
Repayment of bank loans		(453,098)	(254,912)
Net cash provided by/(used in) financing activities		129,507	(131,846)
Net increase/(decrease) in cash and cash equivalents		239,974	(457,500)
Cash and cash equivalents at beginning of financial year	12	126,640	584,140
Cash and cash equivalents at end of financial year	12	366,614	126,640

Non-cash transactions

In the current financial year, contingent consideration amounting to S\$2,060,000 (2016: Nil) in relation to the acquisition of subsidiaries in prior financial years was settled by way of offset against escrow deposits for the acquisition of those subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

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

1. GENERAL INFORMATION

Singapore Post Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office and principal place of business is 10 Eunos Road 8, Singapore Post Centre, Singapore 408600.

The principal activities of the Company consist of the operation and provision of postal, eCommerce logistics and retail services. Its subsidiaries are principally engaged in provision of business mail solutions and distribution of mail, investment holding and provision of electronic platform and recyclable lockers for merchandise distribution.

As at 31 March 2017, the Company’s current liabilities exceeded their current assets by S\$8,393,000 (2016: S\$87,156,000). The Company and the Group have the intent and ability to take actions necessary to continue as going concerns.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise judgement in applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2017

On 1 April 2016, the Group adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group’s and Company’s accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Revenue for the Group represents the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group’s business. Revenue is presented net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. It takes into account the gross income received and receivable from revenue sharing arrangements entered into with overseas postal administrations in respect of mail traffic exchanged.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement, the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related costs can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group’s activities are met as follows:

(a) *Sales of goods and services – Postal and Logistics-related activities*

Revenue from sale of goods is recognised when there is transfer of risks and rewards of ownership to the customer, which generally coincides with their delivery and acceptance.

Revenue from the rendering of services is recognised when the services are rendered. Where services are provided over the period, revenue is recognised using the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

(a) *Sales of goods and services – Postal and Logistics-related activities (continued)*

Accrual for unearned revenue is made for stamps which have been sold, but for which services have not been rendered as at the balance sheet date. This accrual is classified as advanced billings under trade and other payables.

Deferred income relates to amounts received with respect to postassurance collaboration from AXA Life Insurance Singapore Private Limited (“AXA”). Deferred income is recognised in profit or loss on a straight-line basis over the period of 10 years till 19 January 2025.

(b) *Sale of goods and services – eCommerce-related activities*

Revenue from eCommerce-related activities comprises the fair value of the consideration received or receivable for the goods and services rendered, net of goods and services tax.

Sales are recognised when the Company has delivered the products to the customers, the customers have accepted the products and the collectability of the related receivables is reasonably assured. Sales are presented, net of goods and service tax, rebates and discounts.

Revenue from the rendering of services is recognised when the services are rendered.

(c) *Rendering of services – freight forwarding*

Revenue from the provision of freight forwarding services is recognised upon services being rendered.

Brokerage income, being net of costs of premium against premium income is recognised at the effective date of the related insurance policies. Brokerage on premium adjustments, including policy cancellations are recognised as they occur.

Interest income is recognised using the effective interest method.

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

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries (continued)*

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill on acquisitions" for the subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries (continued)*

(iii) *Disposals of subsidiaries or businesses*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.7 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with the non-controlling equity owners of that subsidiary. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) *Associated companies and joint ventures*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties.

Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the associated companies and joint ventures and are included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associated companies' and joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from associated companies and joint ventures are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals or exceeds its interest in the associated company or joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company or joint venture.

Unrealised gains on transactions between the Group and its associated companies and joint ventures are eliminated to the extent of the Group's interest in the associated companies and joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies and joint ventures to ensure consistency of accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) *Associated companies and joint ventures (continued)*

Investments in associated companies and joint ventures are derecognised when the Group loses significant influence and joint control respectively. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies and joint ventures are recognised in profit or loss.

Please refer to Note 2.7 for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(b) *Depreciation*

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	30 – 99 years
Buildings	5 – 50 years
Postal equipment	3 – 20 years
Plant and machinery	3 – 20 years

Capital work-in-progress, representing costs of property, plant and equipment which have not been commissioned for use, is not depreciated.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when 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. All other repair and maintenance expense is recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(e) *Transfer*

A transfer from property, plant and equipment to investment properties is fair valued at the date of transfer and the difference between fair value and the previous carrying amount is accounted for as an asset revaluation surplus or deficit in equity. Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless there was an impairment loss recognised for the same property in prior years and a portion of the increase is recognised in profit or loss to the extent of that impairment loss. Decreases are recognised in profit or loss for any decrease in excess of the amount included in the revaluation surplus for that property.

Please refer to Note 2.6 for the accounting policy on the transfer from investment properties to property, plant and equipment.

2.5 Intangible assets

(a) *Goodwill on acquisitions*

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets acquired and is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

(b) *Customer relationships*

Customer relationships acquired in business combination are recognised at fair value at the acquisition date. The customer relationships have finite useful lives and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method over 7 years, which is the expected life of the customer relationships.

(c) *Acquired licence*

Licence fee represents a lump-sum fee paid to the Info-communications Media Development Authority upon the granting of the postal licence. It is initially recognised at cost and is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the licence over the licence period of 20 years starting from 1 April 2017.

(d) *Acquired software licence*

Acquired software licence is initially capitalised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over the licence term or the estimated useful life of 5 years.

(e) *Preferential rents*

Preferential rent was acquired in a business combination and is amortised on a straight basis over the remaining lease terms from the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Intangible assets (continued)

(f) *Trademarked brands*

Trademarked brands acquired as part of business combinations are recognised at their fair values at the acquisition date.

The trademarked brand with finite useful life is carried at cost less accumulated amortisation and accumulated impairment losses. The cost is amortised on a straight line basis over the estimated useful life of 9 years.

The trademarked brand with indefinite useful life is not amortised and is subsequently tested for impairment annually. In connection with the annual impairment assessment of the trademarked brand, the critical accounting judgement in respect of the indefinite useful life assumption will also be reviewed.

The amortisation period and amortisation method of intangible assets other than goodwill and trademarked brand with indefinite useful life are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Investment property

Investment properties include those portions of commercial buildings that are held for long term rental yields and/or for capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties. Where there is a change in intention to hold existing investment properties for sale without development, such investment properties will continue to be classified as investment properties but within current assets, until they are derecognised.

Investment properties are initially recognised at cost and subsequently carried at fair value, representing open market values determined on an annual basis by directors based on independent professional valuations. Changes in fair values are recognised in the income statement. In determining the fair values, the valuers have used valuation techniques including the direct comparison method, capitalisation approach and/or discounted cash flows in arriving at the open market values.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment property (continued)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in the income statement. The cost of maintenance, repairs and minor improvement is recognised in the income statement when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amounts is recognised in the income statement.

2.7 Investments in subsidiaries, associated companies and joint ventures

Investments in subsidiaries, associated companies and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

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

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets (continued)

(a) *Goodwill (continued)*

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Trademarked brand with indefinite useful life*

Trademarked brand with indefinite useful life is tested for impairment annually and whenever there is indication that the trademarked brand may be impaired.

An impairment loss is recognised in profit or loss when the carrying amount of the trademarked brand exceeds the recoverable amount of the acquired brand. The recoverable amount of the trademarked brand is the higher of a trademarked brand's fair value less costs to sell and value-in-use.

(c) *Other intangible assets (excluding goodwill and trademarked brand with indefinite useful life)*

Property, plant and equipment

Investment property

Investments in subsidiaries, associated companies and joint ventures

Other intangible assets, property, plant and equipment, investment property and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets (continued)

- (c) *Other intangible assets (excluding goodwill and trademarked brand with indefinite useful life)*
Property, plant and equipment
Investment property
Investments in subsidiaries, associated companies and joint ventures (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit and loss.

An impairment loss for an asset other than goodwill 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.9 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "cash and cash equivalents" and "other assets" on the balance sheet.

Trade and other receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

The Group assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired. Allowance for impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets other than loans and receivables as held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its other financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

Financial assets, held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as current assets, except for those maturing later than 12 months after the balance sheet date which are presented as non-current assets.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of other financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of another financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(d) *Subsequent measurement*

Financial assets, held to-maturity are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

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

(i) *Loans and receivables/Held-to-maturity financial assets*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default, or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(e) *Impairment (continued)*

(i) *Loans and receivables/Held-to-maturity financial assets (continued)*

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost, except for the borrowings that are designated in fair value hedges. The gain or loss on the borrowings attributable to the hedged risk shall adjust the carrying amount of the borrowings and be recognised in profit or loss. The adjustment of the fair value will be reversed when the hedging relationship is discontinued or lapsed.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet. Other borrowings with an unconditional right to defer settlement for at least twelve months after the balance sheet date are included in non-current borrowings in the balance sheet.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

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

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months.

Fair value hedge

The Group has entered into interest rate swaps that are fair value hedges for the fixed rate note and bonds. The fair value changes on the hedged item resulting from interest rate risk are recognised in profit or loss. The fair value changes on the effective portion of interest rate swaps designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of interest rate swaps are recognised separately in profit or loss.

Net investment hedge

The Group has foreign currency forwards that qualify as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The fair value changes on the effective portion of the currency forwards designated as net investment hedges are recognised in other comprehensive income in the consolidated financial statements, accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Operating leases

(a) *When the Group is the lessee:*

The Group leases various retail outlets, warehouse space and machinery under operating leases from non-related parties.

Leases of assets where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) *When the Group is the lessor:*

The Group leases retail and office space under operating leases to non-related parties.

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

When an operating lease is terminated before the lease period expires, any payment made (or received) by the Group as penalty is recognised as an expense (or income) in the financial year in which termination takes place.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method for the retail goods at post offices. The cost of trading goods comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

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

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Defined benefit plans*

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses are recognised in other comprehensive income in the period when they arise.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service cost are amortised on a straight-line basis over the vesting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee compensation (continued)

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the “treasury shares” account, when treasury shares are re-issued to the employees.

2.19 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Currency translation (continued)

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from net investment in foreign operations are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of, the proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

(c) *Translation of Group entities’ financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the date of the balance sheet;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are classified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on acquisition of foreign operations from January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the covering Group Chief Executive Officer/Group Chief Financial Officer who are responsible for allocating resources and assessing performance of operating segments.

2.21 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

2.22 Share capital and treasury shares

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

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, 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 and related income tax, is recognised in the capital reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Perpetual securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution, subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issue and the perpetual securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

2.24 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payments.

2.25 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income or cost recovery over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as offset against the related expenses.

2.26 Exceptional items

Exceptional items refer to items of income or expense within the income statement from ordinary activities that are of such size, nature or incidence that their separate disclosure is considered necessary to explain the performance of the Group for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Estimated impairment of goodwill and other intangible assets*

Goodwill and trademarked brands with indefinite useful lives are tested for impairment annually and whenever there is indication that goodwill and trademarked brand may be impaired. The recoverable amount of goodwill and trademarked brand, and where applicable, a CGU, is determined based on the higher of fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates.

When value-in-use calculations are undertaken, the Group uses discounted cash flow projections based on financial budgets approved by the Board of Directors covering, minimally, a three-year period. Significant judgements are used to estimate the terminal growth rates, discount rates and royalty rates applied in computing the recoverable amounts of the different CGUs. In making these estimates, management has relied on past performance, its expectations of the future developments of the various businesses, and market and publicly available industry and economic data. Details of these key assumptions applied in the impairment assessment of goodwill and trademarked brand are provided in Notes 23(a) and 23(e).

The Group has recognised an impairment charge on its goodwill and customer relationships of S\$186.7 million (2016: Nil) and S\$19.0 million (2016: Nil) respectively during the financial year, which resulted in the carrying amount of goodwill and customer relationships as at 31 March 2017 being reduced to S\$305.1 million (2016: S\$482.3 million) and S\$36.7 million (2016: S\$57.9 million) respectively.

Other intangible assets are tested for impairment whenever there is any objective evidence of indication that these assets may be impaired.

All impairment calculations demand a high degree of estimation, which include assessments of the expected cash flows arising from such assets and the selection of key assumptions. Changes to these estimates may significantly impact the impairment charges recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(b) *Estimated impairment of other non-financial assets*

Property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amount of an asset, and where applicable, a CGU, is determined based on the higher of fair value less costs to sell and value-in-use calculation prepared on the basis of management's assumptions and estimates.

The Group has recognised impairment charges on property, plant and equipment and investments in associated companies of S\$9.3 million and S\$20.5 million respectively during the financial year. Details are provided in Note 22 and Note 19 respectively.

All impairment calculations demand a high degree of estimation, which include assessments of the expected cash flows arising from such assets and the selection of key assumptions. Changes to these estimates may significantly impact the impairment charges recognised.

(c) *Valuation of investment properties*

As at 31 March 2017, the Group's investment properties of S\$970.4 million (Note 21) are stated at their estimated fair values determined by independent professional valuers. These estimated fair values may differ significantly from the prices at which these properties can be sold due to the actual negotiations between willing buyers and sellers as well as changes in assumptions and conditions arising from unforeseen events. Consequently, the actual results and the realisation of these properties could differ significantly from the estimates disclosed in these financial statements.

(d) *Use of indefinite useful life assumption for trademarked brands*

Trademarked brands arise from the acquisitions of subsidiaries. In the assessment of the useful life of a trademarked brand arising from acquisition of a subsidiary in 2014, management performed an analysis of the relevant factors including stability of the industry that the subsidiary operates. Management has also considered the useful lives of similar assets adopted by companies within the same industry. The Group is also not aware of any material legal, regulatory, contractual, technological, or other factor which could limit the useful life of the trademark. Based on the mentioned factors, management has concluded that there is no foreseeable limit to the period over which the trademarked brand is expected to generate net cash inflows for the Group and hence, the trademarked brand is not amortised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(d) *Use of indefinite useful life assumption for trademarked brands (continued)*

In connection with the annual impairment assessment of the indefinite useful life of the trademarked brand, the critical accounting judgement in respect of the indefinite useful life will also be reviewed.

(e) *Estimated fair values of contingent consideration for business acquisitions*

The initial accounting on the acquisition of subsidiaries, associates and joint ventures involves identifying and determining the fair values of contingent considerations payable in respect of these acquisitions. The fair values of these contingent considerations are determined based on management's estimates of future results of the acquired companies. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amounts of the contingent considerations.

(f) *Estimated residual values and useful lives of property, plant and equipment*

The Group reviews the residual values and useful lives of property, plant and equipment at each balance sheet date based on factors such as business plans and strategies, expected level of usage and future technological developments. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying value of property, plant and equipment. The net book value of property, plant and equipment at 31 March 2017 was S\$565.6 million (2016: S\$517.4 million). There were no significant revisions to the estimated residual values and useful lives as at 31 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

4. REVENUE, OTHER INCOME AND OTHER GAINS (NET)

	Group	
	2017	2016
	S\$'000	S\$'000
		(Restated)
Revenue from services rendered	1,328,442	1,130,414
Sale of products	20,060	21,128
Revenue	1,348,502	1,151,542
Other income and gains (net):		
– Rental and property-related income	36,574	39,373
Miscellaneous:		
– Interest income		
– Bank deposits	1,533	3,051
– Financial assets, held-to-maturity	1,012	1,138
– Others	894	79
	3,439	4,268
– Currency exchange gains (net)	1,379	4,493
– Net loss on disposal of property, plant and equipment	(659)	(2,242)
– Others	5,618	5,473
	6,338	7,724
Miscellaneous	9,777	11,992
Other income and other gains (net)	46,351	51,365
	1,394,853	1,202,907

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

5. LABOUR AND RELATED EXPENSES

	Group	
	2017	2016
	S\$'000	S\$'000
Wages and salaries	224,090	206,385
Employer's contribution to defined contribution plans including Central Provident Fund	28,153	29,044
Share options expense (Note 30(b)(i))	3,351	4,053
Other benefits	10,875	9,897
Temporary and contract staff cost	84,301	58,961
Government grant	(5,671)	(7,896)
	345,099	300,444

6. VOLUME-RELATED EXPENSES

	Group	
	2017	2016
	S\$'000	S\$'000
Traffic expenses	374,111	340,360
Outsourcing services and delivery expenses	314,542	195,065
	688,653	535,425

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

7. ADMINISTRATIVE AND OTHER EXPENSES

	Group	
	2017	2016
	S\$'000	S\$'000
Included in administrative and other expenses are the following:		
Professional services	16,895	30,663
Repair and maintenance expenses	22,511	18,466
Rental on operating leases	41,615	34,605
Supplies and services	23,864	19,418

8. FINANCE EXPENSES

	Group	
	2017	2016
	S\$'000	S\$'000
Interest expense:		
– Fixed rate notes	6,274	6,314
– Bank borrowings	2,572	1,452
	8,846	7,766
Currency exchange (gains)/losses – net	(3,172)	2,599
	5,674	10,365

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

9. EXCEPTIONAL ITEMS

	Group	
	2017	2016
	S\$'000	S\$'000
Fair value gains:		
– Investment properties (Note 21)	108,744	–
– Warrants from an associated company	16,011	–
Impairment losses:		
– Property, plant and equipment (Note 22)	(9,349)	–
– Goodwill (Note 23(a))*	(166,063)	–
– Customer relationships (Note 23(b))	(18,953)	–
– Associated company (Note 19(a))	(20,471)	–
Write-off of goodwill	(227)	–
Loss on disposal of property, plant and equipment	(659)	(2,242)
Net gains on disposal of investments:		
– Subsidiary	–	33,344
– Associated company	–	64,749
– Financial assets	–	14,005
Gain on dilution of interest in associated company (Note 19(a))	4,892	–
M & A related professional fees	(1,620)	(13,859)
Provision for the restructuring of overseas operation	(958)	–
Severance cost in relation to disposal of a subsidiary	–	(655)
	<u>(88,653)</u>	<u>95,342</u>

Details of reclassification of prior year comparatives are provided in Note 40.

* Included in exceptional items is a S\$20.6 million gain arising from the full write-back of contingent consideration for a subsidiary assessed to be no longer payable. This write-back was offset by a purchase price adjustment that reduced the carrying value of goodwill on acquisition of this subsidiary by the same amount of the write-back.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

10. INCOME TAXES

(a) Income tax expense

	Group	
	2017	2016
	S\$'000	S\$'000
Tax expense attributable to profit is made up of:		
– Current income tax	31,027	33,244
– Deferred income tax (Note 27)	<u>(3,492)</u>	<u>1,900</u>
	27,535	35,144
Under/(over) provision in preceding financial years:		
– Current income tax	(1,624)	(1,151)
– Deferred income tax (Note 27)	<u>(678)</u>	<u>196</u>
	25,233	34,189

The tax expense on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as explained below:

	Group	
	2017	2016
	S\$'000	S\$'000
Profit before tax	54,945	287,228
Less: Share of loss/(profit) of associated companies and joint ventures	<u>1,177</u>	<u>(9,066)</u>
Profit before tax and share of results of associated companies and joint ventures	56,122	278,162
Tax calculated at a tax rate of 17% (2016: 17%)	9,541	47,288
Effects of:		
– Different tax rates in other countries	(2,776)	1,069
– Withholding tax deducted at source	–	16
– Singapore statutory stepped income exemption	(126)	(222)
– Tax incentive	(973)	(1,016)
– Income not subject to tax	(26,476)	(20,696)
– Expenses not deductible for tax purposes	36,335	7,305
– Utilisation of tax losses and capital allowances	(336)	–
– Deferred income tax assets not recognised	12,346	1,400
– Over provision in preceding financial years	<u>(2,302)</u>	<u>(955)</u>
Tax charge	25,233	34,189

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

10. INCOME TAXES (continued)

(b) Movement in current income tax liabilities

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Beginning of financial year	35,918	35,318	29,950	29,704
Acquisition of subsidiaries	-	(235)	-	-
Disposal of subsidiaries	-	(491)	-	-
Currency translation difference	(31)	(185)	-	-
Income tax paid	(30,516)	(30,582)	(22,756)	(24,417)
Tax expense	31,027	33,244	24,206	24,663
Over provision in preceding financial years	(1,624)	(1,151)	(1,033)	-
End of financial year	34,774	35,918	30,367	29,950

11. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding, excluding treasury shares, during the financial year.

	Group	
	2017	2016
Net profit attributable to equity holders of the Company (S\$'000)	33,403	248,910
Less: Net profit attributable to perpetual securities holders of the Company (S\$'000)	(14,875)	(14,915)
Net profit attributable to ordinary shareholders of the Company (S\$'000)	18,528	233,995
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,191,060	2,154,955
Basic earnings per share (cents per share)	0.85	10.86

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

11. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, excluding treasury shares, are adjusted for the effects of all dilutive potential ordinary shares. The Company's dilutive potential ordinary shares are in the form of share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share is calculated as follows:

	Group	
	2017	2016
Net profit attributable to equity holders of the Company (S\$'000)	33,403	248,910
Less: Net profit attributable to perpetual securities holders of the Company (S\$'000)	(14,875)	(14,915)
Net profit attributable to ordinary shareholders of the Company (S\$'000)	18,528	233,995
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,191,060	2,154,955
Adjustment for share options ('000)	2,031	6,241
Weighted average number of ordinary shares for diluted earnings per share ('000)	2,193,091	2,161,196
Diluted earnings per share (cents per share)	0.84	10.83

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Cash at bank and on hand	106,352	123,184	47,004	46,717
Deposits with financial institutions	260,262	3,456	256,175	2,909
	366,614	126,640	303,179	49,626

Acquisition and disposal of subsidiaries

Please refer to Note 38 for the effects of acquisitions of subsidiaries on the cash flows of the Group.

On 7 September 2016, the Group disposed of its entire interest in Japan Self Storage Company Limited for a cash consideration of S\$2,372,000. The effects of the disposal on the cash flows of the Group were:

	Group 2017 \$'000
<u>Carrying amounts of assets and liabilities disposed of</u>	
Cash and cash equivalents	3,940
Total assets	3,940
Trade and other payables	7
Total liabilities	7
Net assets derecognised	3,933
Less: Non-controlling interest	(1,573)
Net assets disposed of	2,360

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

12. CASH AND CASH EQUIVALENTS (continued)

Acquisition and disposal of subsidiaries (continued)

The aggregate cash inflows arising from the disposal of in Japan Self Storage Company Limited were:

	Group 2017 \$'000
Net assets disposed of (as above)	2,360
– Reclassification of currency translation reserve	(332)
	<u>2,028</u>
Gain on disposal	344
Cash proceeds from disposal	2,372
Less: Cash and cash equivalents in subsidiaries disposed of	(3,940)
Net cash outflow on disposal	<u>(1,568)</u>

On 20 May 2015, the Group disposed of its entire interest in Novation Solutions Limited for a cash consideration of S\$25,459,000. The effects of the disposal on the cash flows of the Group were:

	Group 2016 \$'000
<u>Carrying amounts of assets and liabilities disposed of</u>	
Cash and cash equivalents	9,953
Trade and other receivables	7,920
Property, plant and equipment	2,250
Investment in associated companies	6
Deferred tax assets	188
Inventory	1,862
Total assets	<u>22,179</u>
Trade and other payables	(1,927)
Current income liabilities	(20)
Deferred income tax liabilities	(69)
Total liabilities	<u>(2,016)</u>
Net assets derecognised	20,163
Less: Non-controlling interest	(736)
Net assets disposed of	<u>19,427</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

12. CASH AND CASH EQUIVALENTS (continued)

Acquisition and disposal of subsidiaries (continued)

The aggregate cash inflows arising from the disposal of Novation Solutions Limited were:

	Group 2016 \$'000
Net assets disposed of (as above)	19,427
– Reclassification of currency translation reserve	<u>(1,961)</u>
	17,466
Gain on disposal	<u>7,993</u>
Cash proceeds from disposal	25,459
Less: Cash and cash equivalents in subsidiaries disposed of	<u>(9,953)</u>
Net cash inflow on disposal	<u>15,506</u>

On 20 May 2015, the Group disposed of its entire interest in DataPost (HK) Pte Limited for a cash consideration of S\$977,000. The effects of the disposal on the cash flows of the Group were:

	Group 2016 \$'000
<u>Carrying amounts of assets and liabilities disposed of</u>	
Cash and cash equivalents	388
Trade and other receivables	335
Property, plant and equipment	<u>6</u>
Total assets	<u>729</u>
Trade and other payables	<u>(253)</u>
Total liabilities	<u>(253)</u>
Net assets derecognised	476
Net assets disposed of	<u>476</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

12. CASH AND CASH EQUIVALENTS (continued)

Acquisition and disposal of subsidiaries (continued)

The aggregate cash inflows arising from the disposal of DataPost (HK) Pte Limited were:

	Group 2016 \$'000
Net assets disposed of (as above)	476
– Reclassification of currency translation reserve	66
	<u>542</u>
Gain on disposal	435
Cash proceeds from disposal	977
Less: Cash and cash equivalents in subsidiaries disposed of	<u>(388)</u>
Net cash inflow on disposal	<u>589</u>

On 1 September 2015, the Group partially disposed 90% of its interest in its wholly-owned subsidiary, DataPost Pte Ltd for a cash consideration of S\$44,516,000. The effects of the disposal on the cash flows of the Group were:

	Group 2016 \$'000
<u>Carrying amounts of assets and liabilities disposed of</u>	
Cash and cash equivalents	9,649
Trade and other receivables	20,800
Property, plant and equipment	4,012
Investment in associated companies and joint venture	2,975
Total assets	<u>37,436</u>
Trade and other payables	(12,458)
Current income liabilities	(471)
Deferred income tax liabilities	(462)
Total liabilities	<u>(13,391)</u>
Net assets derecognised	<u>24,045</u>
Net assets disposed of	<u>24,045</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

12. CASH AND CASH EQUIVALENTS (continued)

Acquisition and disposal of subsidiaries (continued)

The aggregate cash inflows arising from the disposal of DataPost Pte Ltd were:

	Group 2016 \$'000
Net assets disposed of (as above)	24,045
– Reclassification of currency translation reserve	(83)
– Professional fees incurred for sale	199
	<u>24,161</u>
Gain on disposal	24,916
	<u>49,077</u>
Less: Fair value of retained interest	(4,561)
Cash proceeds from disposal	44,516
Less: Cash and cash equivalents in subsidiaries disposed of	(9,649)
Net cash inflow on disposal	<u>34,867</u>

The Group recognised a gain of S\$2,511,000 as a result of measuring at fair value its equity interest of 10% in DataPost Pte Ltd retained after the disposal. The gain is included within “Other income and gains (net)” in the Group’s consolidated income statement for the financial year ended 31 March 2016. Gains on disposal of DataPost Pte Ltd, Novation Solutions Limited and DataPost (HK) Pte Limited are allocated under the “Others” segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

13. FINANCIAL ASSETS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<u>Current</u>				
<i>Financial assets, held-to-maturity</i>				
- Bonds – quoted in Singapore	-	4,272	-	4,272
<i>Financial assets, available-for-sale</i>				
- Equity securities – quoted	3,954	3,508	3,954	3,508
- Equity instrument – unquoted	347	347	-	-
	4,301	8,127	3,954	7,780
<u>Non-current</u>				
<i>Financial assets, held-to-maturity</i>				
- Bonds – quoted in Singapore	31,187	33,271	31,187	33,271
<i>Financial assets, available-for-sale</i>				
- Equity instrument – unquoted	4,823	4,812	4,561	4,561
	36,010	38,083	35,748	37,832

The bonds are corporate bonds at fixed rates between 2.7% to 3.8% per annum and due between 10 April 2019 and 29 August 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

13. FINANCIAL ASSETS (continued)

The fair values of the financial assets at the balance sheet date are as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<u>Current</u>				
<i>Financial assets, held-to-maturity</i>				
– Bonds – quoted in Singapore	–	4,258	–	4,258
<i>Financial assets, available-for-sale</i>				
– Equity security – quoted	3,954	3,508	3,954	3,508
– Equity instrument – unquoted	347	347	–	–
	4,301	8,113	3,954	7,766
<u>Non-current</u>				
<i>Financial assets, held-to-maturity</i>				
– Bonds – quoted in Singapore	31,371	32,925	31,371	32,925
<i>Financial assets, available-for-sale</i>				
– Equity instrument – unquoted	4,823	4,812	4,561	4,561
	36,194	37,737	35,932	37,486

The fair values of quoted securities are based on published price quotations at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

14. TRADE AND OTHER RECEIVABLES – CURRENT

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Trade receivables				
– Subsidiaries	–	–	75,842	85,595
– Associated company	46,115	31,397	46,115	31,397
– Companies related by a substantial shareholder	1,776	3,248	1,776	3,248
– Non-related parties	148,904	148,784	46,972	55,907
	196,795	183,429	170,705	176,147
Less: Allowance for impairment of receivables – non-related parties	(5,665)	(5,390)	(951)	(1,741)
Trade receivables – net	191,130	178,039	169,754	174,406
Loan to associated companies	3,394	19,509	–	17,600
Less: Non-current portion (Note 17)	(2,423)	(743)	–	–
	971	18,766	–	17,600
Staff loans (Note 18)	51	38	51	38
Interest receivable	1,033	276	1,029	272
Other receivables	5,822	13,058	2,470	2,403
	199,007	210,177	173,304	194,719

- (a) The loan of S\$789,000 (2016: Nil) to an associated company is unsecured, repayable in full on 15 June 2020 and bears interest at 1.14% above the 1 month bank bill swap rate per annum.
- (b) The loan of S\$1,634,000 (2016: Nil) to an associated company is unsecured, repayable in full on 29 June 2020 and bears interest at 1.14% above the 1 month bank bill swap rate per annum.
- (c) The loan of S\$647,000 (2016: S\$634,000) to an associated company is unsecured and repayable on demand. Interest is fixed at 2.15% per annum.
- (d) Remaining loan of S\$324,000 (2016: Nil) to an associated company is unsecured and repayable on demand. Interest is fixed at 2.95% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

14. TRADE AND OTHER RECEIVABLES – CURRENT (continued)

- (e) As at 31 March 2016, there were loans of S\$18,875,000 to an associated company, of which:
- S\$1,275,000 was unsecured, bore interest at 1.5% per annum for the first three years and at 8.5% per annum thereafter and payable in full by 30 November 2016; and
 - S\$17,600,000 was unsecured, bore interest at 1.5% per annum and payable in full on demand.

These loans were fully repaid in the current financial year.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract Notional amount 2017 S\$'000	Fair value Assets/ (liabilities) 2017 S\$'000	Contract Notional Amount 2016 S\$'000	Fair value Assets/ (liabilities) 2016 S\$'000
Group				
Net investment hedges				
Currency forwards	10,210	20	30,303	784
Other non-hedging derivatives				
Currency forwards	164,905	(1,007)	81,767	(739)
Warrants	–	16,011	–	–
Total derivative financial instruments	175,115	15,024	112,070	45
Company				
Net investment hedges				
Currency forwards	10,210	83	30,303	826
Other non-hedging derivatives				
Currency forwards	164,905	(1,007)	76,908	(739)
Warrants	–	16,011	–	–
Total derivative financial instruments	175,115	15,087	107,211	87

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

15. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Currency forwards

Currency forwards are transacted to hedge highly probable forecast transactions denominated in foreign currency expected to occur at various dates within twelve months from the balance sheet date. The currency forwards have maturity dates that coincide within the expected occurrence of these transactions. Changes in fair value of the currency forwards not designated as hedging are recognised in profit or loss.

Currency forwards designated for hedging as net investment hedges are accounted for in accordance with Note 2.13.

The fair value of derivative financial instruments are shown on the balance sheet as follows:

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Assets:				
– Current	16,079	846	16,142	846
Liabilities				
– Current	(1,055)	(801)	(1,055)	(759)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

16. OTHER ASSETS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<u>Current</u>				
Deposits	6,354	6,531	2,359	2,362
Prepayments	10,820	10,675	2,821	2,553
	17,174	17,206	5,180	4,915
<u>Non-current</u>				
Deposits	5,198	6,408	-	-

Included within non-current deposits is an escrow deposit of S\$5,134,000 (2016: S\$5,519,000) for the acquisition of a subsidiary.

17. TRADE AND OTHER RECEIVABLES – NON-CURRENT

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Loans to subsidiaries	-	-	599,242	562,956
Less: Allowance for impairment	-	-	(194,365)	-
	-	-	404,877	562,956
Loan to an indirect associated company (Note 14)	2,423	743	-	-
Loan to a shareholder of a subsidiary	4,423	4,371	-	-
Staff loans (Note 18)	245	237	245	237
	7,091	5,351	405,122	563,193

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

17. TRADE AND OTHER RECEIVABLES – NON-CURRENT (continued)

Loan to a subsidiary of S\$75,065,000 (2016: S\$260,080,000) is non-trade related, unsecured and interest-free. Although there are no fixed terms of repayment, the loan is not expected to be repayable within the next twelve months. The loan is considered part of the Company's net investment in subsidiaries.

Loans to subsidiaries of S\$33,963,000 (2016: S\$43,613,000) are non-trade related, unsecured, interest bearing at SIBOR plus 1.2% per annum and will be repaid in full on 7 July 2019. The carrying amount of these loans approximate their fair value.

Loan to a subsidiary of S\$5,817,000 (2016: Nil) is non-trade related, unsecured, interest bearing at KLIBOR plus 1.2% per annum and is repayable in full on demand. Settlement of the loan is not foreseeable within the next 12 months. The carrying amount of the loan approximates its fair value.

Loan to a subsidiary of S\$2,272,000 (2016: S\$4,616,000) is non-trade related, unsecured, interest bearing at ABS SIBOR plus 1.2% per annum and is payable in full on demand. Settlement of the loan is not foreseeable within the next 12 months. The carrying amount of these loans approximates their fair value.

Loans to subsidiaries of S\$287,760,000 (2016: S\$254,647,000) are non-trade related, unsecured, interest bearing at 2.2% to 4.1% per annum and repayable in full on various dates up to 31 October 2019. The fair value of the loans is S\$283,171,000 (2016: S\$248,494,000). The fair value of the loans is computed based on cash flows discounted at market borrowing rates of 1.264% to 1.755% (2016: 1.798% to 2.146%). The fair value is within Level 2 of the fair value hierarchy.

The loan to a shareholder of a subsidiary is unsecured, interest bearing at 1.6% to 2.1% per annum (2016: 1.3% to 1.7% per annum) and repayable in full by 19 May 2019. The carrying amount of the loan approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

18. STAFF LOANS

	Group and Company	
	2017	2016
	S\$'000	S\$'000
Not later than one year (Note 14)	51	38
Later than one year (Note 17)	245	237
– Between one and five years	113	37
– Later than five years	132	200
	296	275

As at balance sheet date, no loan was made to the key management personnel of the Group.

19. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Investments in associated companies (Note (a))	117,783	146,401	14,849	14,348
Investments in joint ventures (Note (b))	–	–	–	–
	117,783	146,401	14,849	14,348

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

19. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

(a) Associated companies

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Equity investment at cost			14,849	14,348
Beginning of financial year	146,401	104,413		
Acquisition of an associated company	-	20,222		
Additional investment in an associated company	798	36,181		
Gain on dilution of interest in an associated company (Note (i), 9)	4,892	-		
Partial disposal of an associated company	-	(12,262)		
Disposal of an associated company	-	(2,142)		
Impairment of an associated company (Note (ii), 9)	(20,471)	-		
Reversal of contingent consideration of an associated company (Note (iii))	(7,215)	-		
Share of (loss)/profit	(1,177)	9,031		
Dividends received	(2,583)	(2,167)		
Currency translation differences	(2,862)	(6,875)		
End of financial year	117,783	146,401		

- (i) During the current financial year, the Group has recognised a gain on dilution of interest in an associated company amounting to S\$4,892,000 (2016: Nil) arising from an additional capital injection by an external party into the associated company.
- (ii) During the current financial year, the Group has recognised an impairment loss of S\$20,471,000 (2016: Nil) against the carrying amount of its investment in an associated company, being the difference between the carrying amount of the Group's investment and its recoverable amount. The recoverable amount represents the Group's share in the net assets of the associated company. The impairment charge arose from cumulative losses incurred by the associated company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

19. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES (continued)

(a) Associated companies (continued)

- (iii) During the current financial year, the Group has derecognised contingent consideration payable for an acquisition of an associated company amounting to S\$7,215,000 (2016: Nil) upon reassessment of the earn-out conditions.

The Group's investments in associated companies include investments in listed associated companies with a carrying value of S\$27,655,000 (2016: S\$30,500,000), for which the published price quotations are S\$119,376,044 (2016: S\$100,683,000) at the balance sheet date, and classified within Level 1 of the fair value hierarchy.

There are no contingent liabilities relating to the Group's interest in the associated companies.

Details of associated companies are disclosed in Note 42. In the opinion of the directors, these associated companies listed are individually immaterial to the Group.

(b) Joint ventures

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Equity investments at cost			—	—
Beginning of financial year	—	693		
Disposal of joint venture	—	(839)		
Incorporation of joint venture	—	255		
Share of profit	—	35		
Write-off	—	(255)		
Currency translation difference	—	111		
End of financial year	—	—		

Details of the joint ventures are included in Note 42.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 S\$'000	2016 S\$'000
<hr/>		
<i>Equity investments at cost</i>		
Beginning of financial year	362,654	299,315
Additional capital injection to an existing subsidiary	4,775	71,439
Disposal of subsidiaries	–	(8,100)
	<u>367,429</u>	<u>362,654</u>
Less: Allowance for impairment	(26,896)	(6,425)
End of financial year	<u>340,533</u>	<u>356,229</u>

In the current financial year, an impairment loss of S\$20,471,000 (2016: Nil) was recognised for a certain subsidiary of the Company as a result of its recoverable amount being estimated to be less than its carrying amount, which mainly arose from cumulative losses incurred by the subsidiary.

Details of the subsidiaries are included in Note 42. The proportion of ownership interest held by the Group does not differ from the proportion of voting rights held by the Group.

Carrying value of non-controlling interests

	2017 S\$'000	2016 S\$'000
<hr/>		
Quantum Solutions International Pte Ltd (“QSI”)	47,768	–
Other subsidiaries with immaterial non-controlling interests	3,801	11,113
Total	<u>51,569</u>	<u>11,113</u>

Transactions with non-controlling interests for the financial year ended 31 March 2017 are set out below. There were no such transactions for the financial year ended 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

20. INVESTMENTS IN SUBSIDIARIES (continued)

(a) Acquisition of additional interest in a subsidiary

On 16 March 2017, the Group acquired an additional 0.9% interest in TG Acquisition Corporation and its subsidiaries ("TG Group") for a purchase consideration of S\$2,375,000. The Group now holds 97.3% of the equity share capital of TG Group. The carrying amount of the non-controlling interests in TG Group on the date of acquisition was S\$1,334,000. The Group derecognised non-controlling interests of S\$776,000 and recorded a decrease in equity attributable to owners of the parent of S\$1,599,000. The effect of changes in the ownership interest of TG Group during the year is summarised as follows:

	2017
	S\$'000
Carrying amount of non-controlling interests acquired	776
Consideration paid to non-controlling interests	<u>(2,375)</u>
Excess of consideration paid recognised in parent's equity	<u>(1,599)</u>

(b) Disposal of interest in a subsidiary without loss of control

On 27 October 2016, the Group disposed of a 34% interest out of the 100% interest held in Quantum Solutions International Pte. Ltd. ("QSI") at a net consideration of S\$85,643,000. This resulted in an increase in non-controlling interests of S\$51,397,000 and an increase in equity attributable to owners of the parent of S\$34,246,000. The effect of changes in the ownership interest of QSI during the year is summarised as follows:

	2017
	S\$'000
Carrying amount of non-controlling interests acquired	51,397
Consideration received from non-controlling interests	<u>(85,643)</u>
Excess of consideration received recognised in parent's equity	<u>(34,246)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

20. INVESTMENTS IN SUBSIDIARIES (continued)

- (c) Arising from the full write-back of the contingent consideration in relation to the acquisition of a subsidiary assessed to be no longer payable (Note 9), this subsidiary is now deemed to be a wholly-owned subsidiary of the Group. Accordingly, the non-controlling interest of S\$6.6 million was reclassified to retained earnings in the current financial year.

Summarised financial information of subsidiaries with material non-controlling interests

Set out below is the summarised financial information for a subsidiary that has a non-controlling interest that is material to the Group. These are presented before inter-company eliminations.

Summarised balance sheet

	QSI As at 31 March 17 S\$'000
Current	
Assets	99,276
Liabilities	(23,432)
Total current net assets	<u>75,844</u>
Non-current	
Assets	64,823
Liabilities	(171)
Total non-current net assets	<u>64,652</u>
Net assets	<u>140,496</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

20. INVESTMENTS IN SUBSIDIARIES (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

Summarised income statement

	QSI
	For the year ended
	31 March 2017
	S\$'000
Revenue	115,843
Loss before income tax	(16,570)
Income tax credit	328
Post-tax loss from continuing operations	(16,242)
Other comprehensive income	1,045
Total comprehensive loss	(15,197)
Total comprehensive loss allocated to non-controlling interests	(3,629)

Summarised cash flows

	QSI
	31 March 2017
	\$'000
<u>Cash flows from operating activities</u>	
Cash used in operations	(22,838)
Income tax paid	(152)
Net cash used in operating activities	(22,990)
Net cash used in investing activities	(10,299)
Net cash provided by financing activities	25,589
Net decrease in cash and cash equivalents	(7,700)
Cash and cash equivalents at beginning of year	22,317
Cash and cash equivalents at end of year	14,617

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

21. INVESTMENT PROPERTIES

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Beginning of financial year	745,844	638,818	760,842	633,826
Additions	97,818	88,983	97,818	88,980
Reclassification from/(to) property plant and equipment (Note 22)	19,200	18,952	(3,244)	34,934
Fair value gain recognised in profit or loss (Note 9)	108,744	–	72,122	3,102
Currency translation differences	(1,214)	(909)	–	–
End of financial year	970,392	745,844	927,538	760,842

Certain investment properties of the Group with carrying amounts of S\$49.3 million (2016: S\$51.0 million) are mortgaged to secure bank borrowings (Note 25).

The following amounts are recognised in profit or loss:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Rental and property-related income (Note 4)	36,574	39,373	39,235	41,723
Direct operating expenses arising from:				
– Investment property that generated income	(9,949)	(11,799)	(8,579)	(9,801)

Investment properties are leased to non-related parties under operating leases (Note 34(c)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

21. INVESTMENT PROPERTIES (continued)

At the balance sheet date, the details of the Group's investment properties are as follows:

Location	Description/existing use	Tenure
10 Eunos Road 8, Singapore Post Centre	Building for commercial and retail	Leasehold of 99 years expiring on 30 August 2081
502 Chai Chee Lane	Building for warehousing and self-storage	Leasehold of 30 years expiring on 30 April 2031
No. 5, Jalan Penyair U1/44, Off Jalan Glenmarie, Temasya Industrial Park, 40150 Shah Alam, Selangor Darul Ehsan, Malaysia	Warehousing	Freehold
110 Alexandra Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
10 Choa Chu Kang Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
373 Tanjong Katong Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
1 Killiney Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
396 Pasir Panjang Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
10 Palm Avenue	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

21. INVESTMENT PROPERTIES (continued)

Location	Description/existing use	Tenure
350 Bedok Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
56 Tanglin Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
6 Ayer Rajah Crescent	Building for warehousing and self-storage	Leasehold of 30 years expiring on 1 February 2026
755 Upper Serangoon Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
5 Mandai Road	Building for commercial and retail	Leasehold of 99 years expiring on 31 March 2091
21 Ghim Moh Road	Building for commercial and retail	Leasehold of 82 years expiring on 01 April 2076

Fair value measurements using

	Quoted prices in active markets for identical assets (Level 1) S\$'000	Significant other observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000
31 March 2017			
– Commercial and retail – Singapore	–	2,812	956,215
– Commercial and retail – Malaysia	–	–	11,365
31 March 2016			
– Commercial and retail – Singapore	–	2,863	731,312
– Commercial and retail – Malaysia	–	–	11,669

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

21. INVESTMENT PROPERTIES (continued)

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group properties have been derived using the sales comparison approach. Sales proceeds of comparable properties in close proximity are adjusted for differences in key attributes such as property size and timing of sale. The most significant input in this valuation approach is the selling price per square metre.

Valuation techniques used to derive Level 3 fair values

Level 3 fair values have been generally derived using capitalisation/income approach and discounted cash flow approach. In the capitalisation/income approach, the net income of the property is capitalised for the balance term of the lease tenure at a yield rate which is appropriate for the type of use tenure and reflective of the quality of the investment. The revenue is adjusted for outgoings such as property tax and also vacancies to arrive at net income. The discounted cash flow approach involved the estimation and projection of the net rent over a period and discounting the future income stream to arrive at a present value. Net rent is the balance sum after deducting property tax, cost of repairs and maintenance and a reasonable percentage for vacancy from the gross rent. The residual land approach involves deducting current estimated construction costs and other relevant costs from the estimated gross development value of the proposed development assuming satisfactory completion. The comparable sales method is used as reference.

No transfers into or out of fair value hierarchy levels for the financial years ended 31 March 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

21. INVESTMENT PROPERTIES (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

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

Description	Fair value (S\$'000) 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2017	Relationship of unobservable inputs to fair value
<u>Group</u>					
Building for commercial and retail * (Singapore Post Centre)	814,132 (2016: 588,964)	Discounted cash flow approach	Discount rate	7.25-7.75% (2016: 7.5%)	The higher the discount rate, the lower the valuation
		Capitalisation/income approach	Capitalisation rate	4.5-6.25% (2016: 5-6.75%)	The higher the capitalisation rate, the lower the valuation
Building for commercial and retail (10 SLA Properties)	100,386 (2016: 98,642)	Capitalisation/income approach	Capitalisation rate	4.25-5% (2016: 4.75-5%)	The higher the capitalisation rate, the lower the valuation
Building for warehousing and self-storage – Singapore	41,697 (2016: 43,706)	Capitalisation/income approach	Capitalisation rate	7-7.5% (2016: 7-7.5%)	The higher the capitalisation rate, the lower the valuation
Warehousing – Malaysia	11,365 (2016: 11,669)	Capitalisation/income approach	Capitalisation rate	7-7.5% (2016: 7.5-9%)	The higher the capitalisation rate, the lower the valuation

* There was a change in valuation technique arising from a change in circumstances. The above approaches are used instead of the residual land approach as rental income will be derived from tenants upon attaining temporary occupation permit status on 20 April 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

21. INVESTMENT PROPERTIES (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

Description	Fair value (S\$'000) 2017	Valuation techniques	Unobservable inputs	Range of unobservable inputs 2017	Relationship of unobservable inputs to fair value
Company					
Building for commercial and retail (Singapore Post Centre)	824,339 (2016: 659,337)	Discounted cash flow approach	Discount rate	7.25-7.75% (2016: 7.5%)	The higher the discount rate, the lower the valuation
		Capitalisation/income approach	Capitalisation rate	4.5-6.25% (2016: 5-6.75%)	The higher the capitalisation rate, the lower the valuation
Building for commercial and retail (10 SLA Properties)	100,386 (2016: 98,642)	Capitalisation/income approach	Capitalisation rate	4.25-5% (2016: 4.75-5%)	The higher the capitalisation rate, the lower the valuation

Valuation processes used by the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the properties' highest and best use. As at 31 March 2017 and 2016, the fair values of the Group's investment properties have been determined by Knight Frank Pte Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

22. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land S\$'000	Buildings S\$'000	Postal equipment S\$'000	Plant and machinery S\$'000	Capital work-in- progress S\$'000	Total S\$'000
Group						
2017						
<i>Cost</i>						
Beginning of financial year	57,653	306,558	45,312	215,357	131,426	756,306
Additions	–	8,478	–	67,583	29,564	105,625
Reclassifications to investment properties						
– At fair value (Note 21)	(4,924)	(14,276)	–	–	–	(19,200)
– Transfer to assets valuation reserve (Note 30(b)(v))	3,673	12,659	–	–	–	16,332
	(1,251)	(1,617)	–	–	–	(2,868)
Disposals	–	(2,127)	(113)	(41,568)	–	(43,808)
Transfers	23,477	96,680	536	24,168	(144,861)	–
Currency translation differences	80	84	–	1,819	–	1,983
End of financial year	79,959	408,056	45,735	267,359	16,129	817,238
<i>Accumulated depreciation and accumulated impairment losses</i>						
Beginning of financial year	18,009	91,470	4,620	124,831	–	238,930
Depreciation charge	1,671	10,399	3,022	28,742	–	43,834
Impairment charge (Note (a), 9)	–	9,349	–	–	–	9,349
Disposals	–	(1,899)	(93)	(39,181)	–	(41,173)
Currency translation differences	–	3	–	712	–	715
End of financial year	19,680	109,322	7,549	115,104	–	251,655
<i>Net book value</i>						
End of financial year	60,279	298,734	38,186	152,255	16,129	565,583

- (a) During the current financial year, the Group recognised an impairment loss amounting to S\$9,349,000 (2016: Nil) on its building at 3B Toh Guan Road East arising from a decline in the market value of the building.

The building was valued by an independent professional valuer based on its highest and best use using the discounted cash flow approach at the balance sheet date. The fair value is within Level 3 of the fair value hierarchy. A description of the valuation technique and the valuation processes of the Group are provided in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

22. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land S\$'000	Buildings S\$'000	Postal equipment S\$'000	Plant and machinery S\$'000	Capital work-in- progress S\$'000	Total S\$'000
<i>Group</i>						
2016						
<i>Cost</i>						
Beginning of financial year	60,038	217,749	133,231	198,666	55,415	665,099
Acquisition of subsidiaries	–	4,478	–	33,112	–	37,590
Additions	–	66,708	–	13,656	109,767	190,131
Reclassifications to investment properties						
– At fair value (Note 21)	(10,048)	(8,904)	–	–	–	(18,952)
– Transfer to assets valuation reserve (Note 30(b)(v))	7,726	12,303	–	–	–	20,029
	(2,322)	3,399	–	–	–	1,077
Disposals	–	(3,505)	(88,103)	(23,196)	–	(114,804)
Transfers	–	17,920	184	15,395	(33,499)	–
Currency translation differences	–	(191)	–	(1,801)	–	(1,992)
Disposal of subsidiaries (Note 12)	(63)	–	–	(20,475)	(257)	(20,795)
End of financial year	57,653	306,558	45,312	215,357	131,426	756,306
<i>Accumulated depreciation and accumulated impairment losses</i>						
Beginning of financial year	17,187	86,574	89,602	141,752	–	335,115
Depreciation charge	873	5,766	3,032	20,211	–	29,882
Disposals	–	(867)	(88,014)	(22,128)	–	(111,009)
Disposal of subsidiaries (Note 12)	(51)	–	–	(14,476)	–	(14,527)
Currency translation differences	–	(3)	–	(528)	–	(531)
End of financial year	18,009	91,470	4,620	124,831	–	238,930
<i>Net book value</i>						
End of financial year	39,644	215,088	40,692	90,526	131,426	517,376

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

22. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land S\$'000	Buildings S\$'000	Postal equipment S\$'000	Plant and machinery S\$'000	Capital work-in- progress S\$'000	Total S\$'000
<i>Company</i>						
2017						
<i>Cost</i>						
Beginning of financial year	58,003	180,814	45,312	138,338	29,998	452,465
Additions	–	2,070	–	4,612	8,039	14,721
Reclassifications from investment properties						
– At fair value (Note 21)	124	3,124	–	–	–	3,248
	124	3,124	–	–	–	3,248
Disposals	–	(2,127)	(113)	(35,922)	–	(38,162)
Transfers	–	354	536	21,592	(22,482)	–
End of financial year	58,127	184,235	45,735	128,620	15,555	432,272
<i>Accumulated depreciation and accumulated impairment losses</i>						
Beginning of financial year	16,850	79,998	4,620	109,054	–	210,522
Depreciation charge	838	4,017	3,022	10,712	–	18,589
Disposals	–	(1,899)	(93)	(35,218)	–	(37,210)
End of financial year	17,688	82,116	7,549	84,548	–	191,901
<i>Net book value</i>						
End of financial year	40,439	102,119	38,186	44,072	15,555	240,371

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

22. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land S\$'000	Buildings S\$'000	Postal equipment S\$'000	Plant and machinery S\$'000	Capital work-in- progress S\$'000	Total S\$'000
<i>Company</i>						
2016						
<i>Cost</i>						
Beginning of financial year	61,675	187,958	133,231	154,604	15,026	552,494
Additions	-	-	-	3,368	28,048	31,416
Reclassifications to investment properties						
- At fair value (Note 21)	(13,034)	(21,900)	-	-	-	(34,934)
- Transfer to asset valuation reserve (Note 30(b)(v))	9,362	18,262	-	-	-	27,624
	(3,672)	(3,638)	-	-	-	(7,310)
Disposals	-	(3,506)	(88,103)	(32,526)	-	(124,135)
Transfers	-	-	184	12,892	(13,076)	-
End of financial year	58,003	180,814	45,312	138,338	29,998	452,465
<i>Accumulated depreciation and accumulated impairment losses</i>						
Beginning of financial year	15,997	76,923	89,602	119,686	-	302,208
Depreciation charge	853	3,942	3,032	9,770	-	17,597
Disposals	-	(867)	(88,014)	(20,402)	-	(109,283)
End of financial year	16,850	79,998	4,620	109,054	-	210,522
<i>Net book value</i>						
End of financial year	41,153	100,816	40,692	29,284	29,998	241,943

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

23. INTANGIBLE ASSETS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
		(Restated)		
<u>Composition:</u>				
Goodwill on acquisitions (Note (a))	305,118	482,322	-	227
Customer relationships (Note (b))	36,683	57,944	-	-
Preferential rent (Note (c))	4,667	5,393	-	-
Acquired software licence (Note (d))	11,040	6,441	-	-
Trademarked brands (Note (e))	43,175	41,884	-	-
	400,683	593,984	-	227

Details of restatement of prior year comparatives are provided in Note 38.

(a) Goodwill on acquisitions

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
		(Restated)		
<i>Cost</i>				
Beginning of financial year	482,322	267,278	227	227
Acquisition of subsidiaries	-	224,274	-	-
Write-off	(227)	-	(227)	-
Currency translation differences	9,686	(9,230)	-	-
End of financial year	491,781	482,322	-	227
<i>Accumulated impairment</i>				
Beginning of financial year	-	-	-	-
Impairment charge (Note 9)	(186,663)	-	-	-
End of financial year	(186,663)	-	-	-
Net book value	305,118	482,322	-	227

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

23. INTANGIBLE ASSETS (continued)

(a) Goodwill on acquisitions (continued)

Impairment tests for goodwill

Goodwill arising from acquisition of subsidiaries is allocated to the Group's cash-generating units or groups of cash-generating units as follows:

	Group	
	2017 S\$'000	2016 S\$'000
		(Restated)
Quantium Solutions International Pte. Ltd.	77,858	77,858
General Storage Company Pte. Ltd.	6,857	6,857
Famous Holdings Pte. Ltd.	59,908	80,508
CouriersPlease Holdings Pty Limited	78,521	76,066
Tras – Inter Co. Ltd	2,369	2,272
F.S. Mackenzie Limited	4,952	5,520
Famous Pacific Shipping (NZ) Limited	5,515	5,271
The Store House Limited	11,264	10,875
EK Media	–	227
Rotterdam Harbour Holding B.V.	15,812	16,280
L+S Self Storage Pte Ltd (formerly known as Store Friendly Self Storage Group Pte Ltd)	10,646	10,646
Jagged Peak, Inc	21,860	20,710
TG Acquisition Corporation	9,556	169,232
	305,118	482,322

* TG Acquisition Corporation is the immediate holding company of TradeGlobal.

The recoverable amount of each CGU was determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets covering, minimally, a three-year period. Cash flows beyond the periods covered by the financial budgets were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the country in which the CGU operates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

23. INTANGIBLE ASSETS (continued)

(a) Goodwill on acquisitions (continued)

Key assumptions used for value-in-use calculations for goodwill are as follows:

	Quantium Solutions International Pte. Ltd.	General Storage Company Limited	Famous Holdings Pte Ltd	Couriers- Please Pty Limited	F.S Mackenzie Limited	Famous Pacific Shipping (NZ) Limited	The Store House Limited	Rotterdam Harbour Holding B.V.	L+S Self Storage Pte Ltd	TG Acquisition Corporation	Jagged Peak, Inc
2017											
Terminal growth rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Discount rate	9.0%	7.0%	10.0%	8.7%	10.0%	10.0%	7.0%	10.0%	7.0%	10.5%	10.0%
2016											
Terminal growth rate	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	0.0%
Discount rate	-	5.7%	10.0%	8.7%	10.0%	9.7%	5.7%	11.4%	5.7%	10.5%	10.5%

The above assumptions were used for the analysis of each material CGU.

A total impairment charge of \$186.7 million (2016: Nil) is included within “Exceptional items” in the consolidated statement of comprehensive income. The total impairment charge consists of :

- S\$166.1 million for the TG Acquisition Corporation CGU which arose as a result of the CGU not achieving the underlying profit assumptions of the business plan which supported the investment; and
- S\$20.6 million for the Famous Holding Pte. Ltd CGU which arose as a result of the acquisition of Famous Holdings Pte. Ltd purchase price adjustment that reduced the carrying value of goodwill on acquisition.

The impairment test carried out as at 31 March 2017 for the Quantum Solutions International Pte. Ltd. CGU, which comprises 26% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is S\$3,707,000 or 4% higher than its carrying amount. A further decrease in the terminal growth rate by 0.4% or an increase in the discount rate by 0.3% would result in the recoverable amount of the Quantum Solutions International Pte. Ltd. CGU being equal to its carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

23. INTANGIBLE ASSETS (continued)

(a) Goodwill on acquisitions (continued)

The impairment test carried out as at 31 March 2017 for the General Storage Company Group (“GSC Group”) CGU (consisting of General Storage Company Pte. Ltd., the Store House Limited and L+S Self Storage Pte. Ltd.), which comprises 3% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is S\$5,213,000 or 7% higher than its carrying amount. A further decrease in the terminal growth rate by 0.3% or an increase in the discount rate by 0.3% would result in the recoverable amount of the GSC Group CGU being equal to its carrying amount.

(b) Customer relationships

	Group	
	2017	2016
	S\$'000	S\$'000
		(Restated)
<i>Cost</i>		
Beginning of financial year	65,395	6,360
Acquisition of subsidiaries	-	61,180
Additions	-	250
Currency translation differences	2,129	(2,395)
End of financial year	67,524	65,395
<i>Accumulated amortisation and impairment</i>		
Beginning of financial year	(7,451)	(5,396)
Amortisation charge	(4,437)	(1,799)
Impairment charge (Note 9)	(18,953)	-
Write-off	-	(256)
End of financial year	(30,841)	(7,451)
Net book value	36,683	57,944

In the current financial year, the Group recognised an impairment charge of \$19.0 million (2016: Nil) on its customer relationships in relation to the acquisition of TG Acquisition Corporation. The impairment charge arose as a result of the loss of two major customers of TradeGlobal, and was included within “Exceptional items” in the consolidated statement of comprehensive income (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

23. INTANGIBLE ASSETS (continued)

(c) Preferential rent

	Group	
	2017	2016
	S\$'000	S\$'000
<i>Cost</i>		
Beginning of financial year	7,474	7,497
Currency translation differences	33	(23)
End of financial year	<u>7,507</u>	<u>7,474</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	(2,081)	(989)
Amortisation charge	(759)	(1,092)
End of financial year	<u>(2,840)</u>	<u>(2,081)</u>
Net book value	<u>4,667</u>	<u>5,393</u>

(d) Acquired software licence

	Group	
	2017	2016
	S\$'000	S\$'000
		(Restated)
<i>Cost</i>		
Beginning of financial year	6,703	–
Acquisition of subsidiaries	–	6,425
Additions	6,891	342
Currency translation differences	139	(64)
End of financial year	<u>13,733</u>	<u>6,703</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	(262)	–
Amortisation charge	(2,431)	(262)
End of financial year	<u>(2,693)</u>	<u>(262)</u>
Net book value	<u>11,040</u>	<u>6,441</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

23. INTANGIBLE ASSETS (continued)

(e) Trademarked brands

	Group	
	2017	2016
	S\$'000	S\$'000
<i>Cost</i>		
Beginning of financial year	41,907	41,856
Acquisition of subsidiary	-	560
Currency translation differences	1,355	(509)
End of financial year	43,262	41,907
<i>Accumulated amortisation</i>		
Beginning of financial year	(23)	-
Amortisation charge	(64)	(23)
End of financial year	(87)	(23)
Net book value	43,175	41,884

Included in the carrying amount is a trademarked brand with indefinite useful life of S\$42,704,000 (2016: S\$41,368,000).

Key assumptions used for value-in-use calculations for the trademarked brand with indefinite useful life:

	Group	
	2017	2016
Royalty rate	1.8%	1.8%
Terminal growth rate	2.5%	0.0%
Discount rate	8.7%	8.7%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
		(Restated)		
<u>Current</u>				
Trade payables				
– Subsidiaries	–	–	79,343	21,102
– Companies related by a substantial shareholder	346	315	346	315
– Non-related parties	200,982	166,214	163,779	125,541
	201,328	166,529	243,468	146,958
Advance billings	31,712	29,892	18,525	16,785
Accrual for other operating expenses	105,681	95,962	48,754	64,445
Interest payable	631	65	631	65
Customers' deposits	4,630	4,723	4,630	4,723
Collections on behalf of third parties	18,540	22,071	18,540	22,071
Contingent consideration payable (Note (a))	–	27,815	–	–
Tender deposits	19,758	18,699	12,473	11,204
Other creditors	12,804	19,923	6,660	8,181
	395,084	385,679	353,681	274,432
<u>Non-current</u>				
Contingent consideration payable (Note (a))	23,363	25,401	–	–
Deferred lease	2,574	2,318	–	–
Accrual for other operating expenses	1,805	4,506	–	–
Provision for reinstatement costs (Note (b))	16,720	–	2,070	–
	44,462	32,225	2,070	–
Total trade and other payables	439,546	417,904	355,751	274,432

Details of restatement of prior year comparatives are provided in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

24. TRADE AND OTHER PAYABLES (continued)

(a) Contingent consideration payable

(i) *F.S. Mackenzie Limited (“FSML”)*

The balance of the consideration is dependent on the adjusted average net profit after tax of FSML for 3 consecutive financial years ending 31 March 2015 to 31 March 2017. The fair value of the consideration at the acquisition date was estimated at S\$3,083,000 based on estimated adjusted average net profit after tax of S\$1,436,000 for the relevant financial years and discounted at 2% per annum.

As at 31 March 2017, the fair value of contingent consideration amounted to S\$1,540,000 (2016: S\$2,216,000).

(ii) *Famous Pacific Shipping (NZ) Limited (“FPSNZ”)*

The balance of the consideration is dependent on the adjusted average net profit after tax of FPSNZ for financial year ending 31 March 2016 and 31 March 2017. The fair value of the consideration at the acquisition date was estimated at S\$894,000 based on estimated adjusted average net profit after tax of S\$797,000 for the relevant financial years and discounted at 2% per annum.

As at 31 March 2017, the fair value of contingent consideration amounted to S\$2,240,000 (2016: S\$2,578,000).

(iii) *Rotterdam Harbour Holding B.V. (“FPS Rotterdam”)*

The consideration for the remaining 20% interest is dependent on the revenue achieved for the financial years 31 March 2016 and 31 March 2017, and the cumulative net profit after tax of FPS Rotterdam for the five financial years prior to 14 July 2020. The fair value of the consideration at acquisition date, discounted at 2.18% per annum, is at its maximum of S\$5,222,000 based on the criteria above.

As at 31 March 2017, the fair value of contingent consideration amounted to S\$3,797,000 (2016: S\$5,394,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

24. TRADE AND OTHER PAYABLES (continued)

(a) Contingent consideration payable (continued)

(iv) *Jagged Peak, Inc. (“JP”)*

In accordance with the key Stockholder Agreement between the Group and the key stockholder, a call option was granted to the Group to purchase the remaining 28.9% interest in JP and a put option was granted to the key stockholder to sell the remaining 28.9% interest in JP to the Group.

The consideration for the 28.9% under option is dependent on the audited average earnings before interest, tax, depreciation and amortisation (“EBITDA”) of JP for the 3 consecutive financial years ending 31 December 2015 to 31 December 2017. The fair value of the consideration at the acquisition date was estimated at S\$13,809,000 based on a multiple of forecasted average EBITDA for the relevant financial years and estimated net debt of S\$6,731,000, discounted at 2.9% per annum.

The maximum amount that the Group is expected to pay to the key stockholders of Jagged Peak will be S\$33,163,000 if the above mentioned criteria are met.

As at 31 March 2017, the fair value of contingent consideration amounted to S\$15,786,000 (2016: S\$15,213,000).

The fair value of contingent consideration payable was derived using the income approach and is classified as a Level 3 fair value under the fair value hierarchy.

(b) Provision for reinstatement costs

A provision is recognised for the present value of costs to be incurred for the restoration of the Group’s investment properties and property, plant and equipment.

Movement in this provision is as follows:

	Group		Company	
	2017 S\$’000	2016 S\$’000	2017 S\$’000	2016 S\$’000
Beginning of financial year	–	–	–	–
Provision made	16,720	–	2,070	–
End of financial year	16,720	–	2,070	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. BORROWINGS

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Other borrowings	363,985	280,272	320,061	236,044

The analysis of the current and non-current borrowings is as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<u>Current</u>				
– Borrowings (secured)	14,043	11,667	–	–
– Borrowings (unsecured)	134,743	59,423	117,743	33,000
	148,786	71,090	117,743	33,000
<u>Non-current</u>				
– Borrowings (secured)	12,881	6,138	–	–
– Borrowings (unsecured)	202,318	203,044	202,318	203,044
	215,199	209,182	202,318	203,044
	363,985	280,272	320,061	236,044

Secured borrowings comprise external bank loans and are secured over investment properties with carrying amount of S\$49.3 million (2016: S\$51.0 million) (Note 21) at the balance sheet date, or guaranteed by a director of a subsidiary with non-controlling interests.

The Group's unsecured borrowings mainly comprised S\$200 million 10-year Fixed Rate Notes (the "Notes") issued in March 2010. The Notes are listed on the SGX-ST and carry a fixed interest rate of 3.5% (2016: 3.5%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

25. BORROWINGS (continued)

Fair value of non-current borrowings

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Non-current				
– Borrowings (secured)	12,881	6,138	–	–
– Borrowings (unsecured)	207,896	208,946	207,896	208,946
	220,777	215,084	207,896	208,946

The fair value of the Notes above are determined based on the over-the-counter quoted price.

The fair value of external bank loans are computed based on cash flows discounted at market borrowing rates. The fair value is classified within Level 2 of the fair value hierarchy.

The exposure of non-current borrowings to interest rate risks is disclosed in Note 35(a)(ii).

26. DEFERRED INCOME

Deferred income relates to:

- (a) Definitive agreements with respect to the postassurance collaboration with AXA Life Insurance Singapore Private Limited (“AXA”) commenced on 19 January 2017. Deferred income received from AXA is recognised in profit or loss over the period of 10 years till 19 January 2025; and
- (b) Capital grants received from the Universal Postal Union, National Trade Union Congress and Economic Development Board. Deferred capital grants are recognised in profit or loss over the periods necessary to match the depreciation of the assets purchased.

The current and non-current portion of the deferred income for the Group and the Company at the balance sheet date are S\$7,413,000 (2016: S\$7,268,000) and S\$49,545,000 (2016: S\$56,785,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

27. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
		(Restated)		
Deferred income tax assets				
– To be recovered within one year	1,024	1,351	–	–
– To be recovered after one year	5,194	4,193	–	–
	6,218	5,544	–	–
Deferred income tax liabilities				
– To be settled within one year	4,079	5,199	1,353	1,473
– To be settled after one year	58,468	60,836	21,250	17,726
	62,547	66,035	22,603	19,199

Details of restatement of prior year comparatives are provided in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

27. DEFERRED INCOME TAXES (continued)

Movement in the deferred income tax account is as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
		(Restated)		
Beginning of financial year	60,491	31,799	19,199	17,278
Acquisition of subsidiaries	-	27,033	-	-
Disposal of subsidiaries (Note 12)	-	(320)	-	-
Currency translation differences	1,062	(117)	-	-
Tax (credited)/charged to profit or loss (Note 10(a))	(4,170)	2,096	3,404	1,921
Revaluation of properties, plant and equipment transferred to investment properties	(1,054)	-	-	-
End of financial year	56,329	60,491	22,603	19,199

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of S\$155,354,000 (2016: S\$91,975,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowances have no expiry dates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

27. DEFERRED INCOME TAXES (continued)

Deferred income tax liabilities

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation S\$'000	Others S\$'000	Total S\$'000
2017			
Beginning of financial year	27,128	39,091	66,219
Currency translation differences	201	528	729
Charged/(credited) to profit or loss	12,650	(7,759)	4,891
Revaluation of property, plant and equipment transferred to investment properties (Note 30(b)(v))	–	(1,054)	(1,054)
End of financial year	<u>39,979</u>	<u>30,806</u>	<u>70,785</u>
2016 (Restated)			
Beginning of financial year	20,343	16,109	36,452
Currency translation differences	(524)	19	(505)
Acquisition of subsidiaries	4,510	24,125	28,635
Disposal of subsidiaries	(533)	(1)	(534)
Charged to profit or loss	3,332	(1,161)	2,171
End of financial year	<u>27,128</u>	<u>39,091</u>	<u>66,219</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

27. DEFERRED INCOME TAXES (continued)

Group (continued)

Deferred income tax assets

	Provisions S\$'000	Tax losses S\$'000	Total S\$'000
2017			
Beginning of financial year	(3,216)	(2,512)	(5,728)
Currency translation difference	24	309	333
(Credited)/charged to profit or loss	(9,637)	576	(9,061)
End of financial year	<u>(12,829)</u>	<u>(1,627)</u>	<u>(14,456)</u>
2016			
Beginning of financial year	(1,806)	(2,847)	(4,653)
Currency translation difference	53	335	388
Acquisition of subsidiaries	(1,602)	–	(1,602)
Disposal of subsidiaries	214	–	214
Credited to profit or loss	(75)	–	(75)
End of financial year	<u>(3,216)</u>	<u>(2,512)</u>	<u>(5,728)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

27. DEFERRED INCOME TAXES (continued)

Company

Deferred income tax liabilities

	Accelerated tax depreciation S\$'000	Others S\$'000	Total S\$'000
2017			
Beginning of financial year	18,731	632	19,363
Charged/(credited) to profit or loss	3,606	(180)	3,426
End of financial year	<u>22,337</u>	<u>452</u>	<u>22,789</u>
2016			
Beginning of financial year	17,144	243	17,387
Charged to profit or loss	1,587	389	1,976
End of financial year	<u>18,731</u>	<u>632</u>	<u>19,363</u>

Company

Deferred income tax assets

	Provisions S\$'000
2017	
Beginning of financial year	(164)
Credited to profit or loss	(22)
End of financial year	<u>(186)</u>
2016	
Beginning of financial year	(109)
Credited to profit or loss	(55)
End of financial year	<u>(164)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES

	Number of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital S\$'000	Treasury shares S\$'000
Group and Company				
2017				
Beginning of financial year	2,163,001	(2,046)	448,775	(2,116)
– New shares issued	107,554	–	183,960	–
Employee share option scheme				
– New shares issued	4,529	–	6,021	–
– Treasury shares re-issued	–	865	–	889
End of financial year	2,275,084	(1,181)	638,756	(1,227)
2016				
Beginning of financial year	2,149,518	(2,744)	429,980	(2,831)
Employee share option scheme				
– New shares issued	13,483	–	18,795	–
– Treasury shares re-issued	–	698	–	715
End of financial year	2,163,001	(2,046)	448,775	(2,116)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

On 10 January 2017, the Company issued 107,553,907 ordinary shares for a total consideration of S\$183,960,000 (net of transaction costs of S\$3,184,000) for cash to provide funds for the expansion of the Group's operations. The newly issued shares rank pari passu in all respects with the previously issued shares.

(a) Treasury shares

The Company re-issued 865,000 (2016: 698,000) treasury shares during the financial year pursuant to the Singapore Post Share Option Scheme at exercise prices at S\$1.03 (2016: S\$1.03) each. The cost of the treasury shares re-issued amounted to S\$889,000 (2016: S\$715,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES (continued)

(b) Share options

The Singapore Post Share Option Scheme was adopted on 21 March 2003, and a new scheme, known as Singapore Post Share Option Scheme 2012 was adopted on 29 June 2012; collectively known as “The Scheme”. The Scheme is administered by the Compensation Committee comprising Mrs Fang Ai Lian (Chairman¹), Mr Simon Claude Israel and Mr Zulkifli Bin Baharudin during the financial year ended 31 March 2017.

Employees (including executive directors) and non-executive directors, subject to certain conditions, are eligible to participate in the Scheme. The Scheme provides a means to recruit, retain and give recognition to employees, and to give recognition to non-executive directors, who have contributed to the success and development of the Company and/or the Group.

The principal terms of the Scheme are as follows:

- The exercise price of the granted options is equal to the average of the last dealt prices for the share on the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the five (5) consecutive trading days immediately preceding the date of grant of that option.
- The value of the share option is determined using the Trinomial option pricing model (taking into account relevant assumptions).
- Granted options shall be exercisable, in whole or in part, during the exercise period applicable to that option and in accordance with the vesting schedule applicable to that option or other conditions (if any) that may be imposed by the Compensation Committee in relation to that option. Options may be exercised, in whole or in part in respect of 1,000 shares or any multiple thereof, by a participant giving notice in writing, accompanied by a remittance for the aggregate subscription cost in respect of the shares for which that option is exercised. The method of settlement could be in cheque, cashier’s order, banker’s draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. There are no restrictions on the eligibility of the persons to whom the options have been granted to participate in any other share option or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

¹ Mrs Fang Ai Lian was appointed as the chairperson of the Compensation Committee on 10 October 2016 in place of Mr Tan Yam Pin who stepped down as chairman and member of the Compensation Committee on 14 July 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES (continued)

(b) Share options (continued)

- The vesting schedule for the share options granted to eligible employees (including executive directors) effective from 20 May 2014 are as follow:

<u>Vesting period</u>	<u>Proportion of Total Share Options that are exercisable</u>
Before/On first anniversary of date of grant	0 per cent
After first anniversary and before second anniversary of date of grant	Up to 30.0 per cent of grant
On/After second anniversary and before third anniversary of date of grant	Up to another 30.0 per cent of grant OR Up to 60.0 per cent of grant if share options were not exercised after the first vesting year
On/After third anniversary till tenth anniversary of date of grant	Balance OR 100.0 per cent of grant if share options were not exercised after the first and second vesting years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES (continued)

(b) Share options (continued)

- The share options granted to eligible employees (including executive directors) effective 26 June 2006 to 10 March 2014 have a four-year vesting schedule and the details are as follows:

<u>Vesting period</u>	<u>Proportion of Total Share Options that are exercisable</u>
Before/On first anniversary of date of grant	0 per cent
After first anniversary and before second anniversary of date of grant	Up to 25.0 per cent of grant
On/After second anniversary and before third anniversary of date of grant	Up to another 25.0 per cent of grant OR Up to 50.0 per cent of grant if share options were not exercised after the first vesting year
On/After third anniversary and before fourth anniversary of date of grant	Up to another 25.0 per cent of grant OR Up to 75.0 per cent of grant if share options were not exercised after the first and second vesting years
On/After fourth anniversary till tenth anniversary of date of grant	Balance OR 100.0 per cent of grant if share options were not exercised after the first, second and third vesting years

- On 11 May 2012, 17 January 2014, 7 March 2014 and 1 April 2014, performance share options were granted to key management staff. Vesting of these options is based on the Company's performance against a set of stretched targets on the Group's profit and the Company target share price performance.
- The total number of shares over which options may be granted under the Scheme on any date, when added to the nominal amount of shares issued and issuable and in respect of all options granted under the Scheme, shall not exceed 5.0 per cent of the issued share capital of the Company on the day preceding that date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES (continued)

(b) Share options (continued)

Since the adoption of the Scheme to 31 March 2016, a total of 171,626,936 share options were granted. Particulars of the options were set out in the Directors' Report for the respective financial years.

During the financial year ended 31 March 2017, 7,061,000 share options were granted. At the end of the financial year, details of the options granted and the number of unissued ordinary shares of the Company under options outstanding are as follows:

		Number of ordinary shares under options outstanding						
Date of grant	Exercise Period	Exercise Price	Balance	Granted	Options exercised	Options forfeited	Balance	
			At 1.4.16	during financial year			At 31.3.17	
			('000)	('000)	('000)	('000)	('000)	
Options Granted Under Singapore Post Share Options Scheme								
For employees (including executive directors)								
26.06.06 ⁽¹⁾	27.06.07 to 26.06.16	S\$1.048	27	–	27	–	–	
26.06.07	27.06.08 to 26.06.17	S\$1.278	196	–	–	–	196	
30.06.08	01.07.09 to 30.06.18	S\$1.100	280	–	90	–	190	
29.06.09 ⁽¹⁾	30.06.10 to 29.06.19	S\$0.890	10	–	10	–	–	
29.06.10	30.06.11 to 29.06.20	S\$1.140	533	–	20	–	513	
26.07.11	27.07.12 to 26.07.21	S\$1.100	855	–	189	–	666	
19.03.12 ⁽¹⁾	20.03.13 to 19.03.22	S\$0.980	200	–	200	–	–	
10.05.12 ⁽¹⁾	11.05.13 to 10.05.22	S\$1.030	200	–	200	–	–	
11.05.12	19.05.14 to 11.05.22	S\$1.030	1,050	–	–	–	1,050	
10.08.12	11.08.13 to 10.08.22	S\$1.070	2,590	–	1,066	–	1,524	
03.09.12 ⁽¹⁾	04.09.13 to 03.09.22	S\$1.080	50	–	50	–	–	
07.05.13	08.05.13 to 07.05.23	S\$1.290	75	–	–	–	75	
17.01.14	18.01.17 to 17.01.24	S\$1.350	11,316	–	1,991	1,723	7,602	
07.03.14	08.03.17 to 07.03.24	S\$1.330	500	–	–	–	500	
10.03.14	11.03.15 to 10.03.24	S\$1.330	80	–	–	–	80	
01.04.14	02.04.17 to 01.04.24	S\$1.360	200	–	–	–	200	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES (continued)

(b) Share options (continued)

Date of grant	Exercise Period	Exercise Price	Number of ordinary shares under options outstanding				Balance At 31.3.17 ('000)
			Balance At 1.4.16 ('000)	Granted during financial year ('000)	Options exercised ('000)	Options forfeited ('000)	
Options Granted Under Singapore Post Share Options Scheme							
For employees (including executive directors)							
20.05.14	21.05.15 to 20.05.24	S\$1.450	7,689	–	686	1,370	5,633
07.08.14	08.08.15 to 07.08.24	S\$1.760	708	–	–	140	568
28.11.14	29.11.15 to 28.11.24	S\$1.920	200	–	–	200	–
07.04.15	08.04.16 to 07.04.25	S\$1.960	1,588	–	–	1,588	–
13.05.15	14.05.16 to 13.05.25	S\$1.910	950	–	–	–	950
19.05.15	20.05.16 to 19.05.25	S\$1.890	15,933	–	–	2,976	12,957
12.06.15	13.06.16 to 12.06.25	S\$1.880	40	–	–	–	40
20.05.16	21.05.17 to 20.05.27	S\$1.570	–	7,061	–	374	6,687
Total Share Options			45,270	7,061	4,529	8,371	39,431

⁽¹⁾ All outstanding share options granted on 26 June 2006, 29 June 2009, 19 March 2012, 10 May 2012 and 3 September 2012 had been exercised before the expiry date.

No option has been granted to controlling shareholders of the Company or their associates.

No key management personnel or employee has received options of 5% or more of the total number of shares available under the Scheme during the financial year. No other director or employee of the Company and its subsidiaries (as defined in the SGX-ST Listing Manual) has received options of 5% or more of the total number of shares available to all directors and employees of the Company and its subsidiaries under the Scheme during the financial year.

No option was granted at a discount during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES (continued)

(b) Share options (continued)

Restricted Share Plan

The Singapore Post Restricted Share Plan 2013 was implemented with the approval of shareholders at the Extraordinary General Meeting held on 28 June 2013. The duration of the Plan is 10 years commencing from 28 June 2013.

The Plan is a share incentive scheme. It is proposed on the basis that it is important to retain staff whose contributions are essential to the well-being and prosperity of the Group and to give recognition to key employees and directors of the Group and Associated Companies who contribute to the growth of the Group. The Plan will enable grants of fully paid Shares to be made to non-executive directors of the Group and Associated Companies.

The release schedule for the shares granted to eligible employees (excluding non-executive directors) is as follows:

Vesting Period	Vesting Date	Percentage of Shares that will be Released on Vesting Date
From award date to date before first anniversary of award date	First anniversary of award date	30% (rounded to nearest whole Share)
From first anniversary of award date to date before second anniversary of award date	On second anniversary of date of award	30% (rounded to nearest whole Share)
From second anniversary of award date to date before third anniversary of award date	On third anniversary of date of award	Balance 40%

- 100% of the restricted shares granted to non-executive directors vest after one year from the date of grant.

Since the adoption of The Plan to 31 March 2016, a total of 3,402,479 restricted shares were granted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES (continued)

(b) Share options (continued)

During the financial year ended 31 March 2017, 2,436,639 restricted shares were granted. Details of the restricted shares granted and cancelled and the number of unvested restricted shares outstanding as at the end of the financial year are as follows:

Date of Grant	Balance As At 1.4.16 ('000)	Share Awards Granted ('000)	Share Awards Vested ('000)	Share Awards Cancelled ('000)	Balance As At 31.3.17 ('000)
05.08.13	401	–	365	28	8
20.05.14	443	–	189	21	233
19.05.15	662	–	198	68	396
03.08.15	112	–	112	–	–
20.05.16	–	2,437	–	419	2,018
Total Shares	1,618	2,437	864	536	2,655

Of the outstanding options (including Performance Share Option Plan but excluding Restricted Share Plan) for 39,431,000 (2016: 45,270,000) shares, 17,219,000 (2016: 10,407,000) options are exercisable as at 31 March 2017. Options exercised in the financial year ended 31 March 2017 resulted in 4,529,000 (2016: 13,483,000) new ordinary shares being issued for options with average exercise price of S\$1.247 (2016: S\$1.289), rounded to 3 decimal places. Options were exercised throughout the year. The weighted average share price during the financial year was S\$1.49 (2016: S\$1.76).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

28. SHARE CAPITAL AND TREASURY SHARES (continued)

(b) Share Options (continued)

Following is the details of the significant inputs into the valuation model to determine fair value of the share incentive granted during the financial year.

Type of Share Options	Singapore Post Share Option Scheme 2012	Restricted Share Plan
2017		
Total fair value of options granted during financial year	S\$989,225	S\$2,840,681
Valuation Model	Trinomial option Pricing model	Adjusted Share Price model
Weighted average share price at the grant dates	S\$1.58	S\$1.58
Weighted average exercise price	S\$1.57	S\$1.55
Expected volatility	14%	–
Expected option life	10 years	3 years
Annual risk-free interest rate (per annum)	1.6%	0.9%
Expected dividend yield	4.5%	4.5%
2016		
Total fair value of options granted during financial year	S\$3,373,539	S\$1,361,024
Valuation Model	Trinomial option Pricing model	Adjusted Share Price model
Weighted average share price at the grant dates	S\$1.871	S\$1.872
Weighted average exercise price	S\$1.896	S\$1.882
Expected volatility	16%	–
Expected option life	5 years	10 years
Annual risk-free interest rate (per annum)	1.7%	0.9%
Expected dividend yield	3.4%	3.5%

The volatility measured was based on the historical volatility of the rate of returns of the Company's shares since listing date of 13 May 2003.

The fair value is within Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

29. PERPETUAL SECURITIES

On 2 March 2012, the Company issued senior perpetual cumulative securities (the “perpetual securities”) with an aggregate principal amount of S\$350,000,000. Incremental cost incurred amounting to S\$4,397,000 incurred were recognised in equity as a deduction from proceeds.

Such perpetual securities bear distributions at a rate of 4.25% per annum, payable semi-annually. Subject to the relevant terms and conditions in the offering memorandum, the Company may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the Company is considered to have no contractual obligations to repay its principal or to pay any distributions and the perpetual securities do not meet the definition for classification as a financial liability under FRS 32 Financial Instruments: Disclosure and Presentation. The whole instrument is presented within equity, and distributions are treated as dividends.

During the financial year, distributions amounting to S\$14,875,000 (2016: S\$14,915,000) were made to perpetual securities holders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. OTHER RESERVES

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
(a) <u>Composition:</u>				
Share option reserve	8,990	6,904	8,990	6,904
Fair value reserve	(659)	(1,105)	(659)	(1,105)
Currency translation reserve	(17,841)	(25,042)	-	-
Other capital reserve	37,447	37	-	-
Asset valuation reserve	43,850	26,464	28,918	28,914
	71,787	7,258	37,249	34,713
(b) <u>Movements:</u>				
(i) Share option reserve				
Beginning of financial year	6,904	4,980	6,904	4,980
Employee share option scheme:				
- Value of employee services (Note 5)	3,351	4,053	3,351	4,053
- Issue of shares	(376)	(1,414)	(376)	(1,414)
- Re-issuance of treasury shares	(889)	(715)	(889)	(715)
End of financial year	8,990	6,904	8,990	6,904
(ii) Fair value reserve				
Beginning of financial year	(1,105)	(468)	(1,105)	(468)
Fair value gain/(loss)	446	(637)	446	(637)
End of financial year	(659)	(1,105)	(659)	(1,105)
(iii) Currency translation reserve				
Beginning of financial year	(25,042)	(3,534)	-	-
Acquisition of non-controlling Interests (Note 20)	23	-	-	-
Partial divestment of a subsidiary	405	-	-	-
Reclassification on disposal of subsidiaries, associated companies and joint venture	73	(2,026)	-	-
Net currency translation differences of financial statements of foreign subsidiaries, associated companies and joint ventures	6,797	(18,913)	-	-
Less: Non-controlling interests	(97)	(569)	-	-
End of financial year	(17,841)	(25,042)	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

30. OTHER RESERVES (continued)

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
(b) <u>Movements:</u> (continued)				
(iv) Other capital reserve				
Beginning of financial year	37	35	-	-
Acquisition of non-controlling interests (Note 20)	(1,622)	-	-	-
Partial divestment of a subsidiary (Note 12)	39,032	-	-	-
Transfer from retained earnings of subsidiaries to statutory reserves	-	2	-	-
End of financial year	37,447	37	-	-
(v) Asset valuation reserve				
Beginning of financial year	26,464	6,435	28,914	1,290
Revaluation gain on property, plant and equipment upon transfer to investment property (Note 22, Note 27)	17,386	20,029	4	27,624
End of financial year	43,850	26,464	28,918	28,914

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

31. RETAINED EARNINGS

- (a) Retained profits of the Group are distributable except for accumulated retained profits of associated companies and joint ventures amounting to S\$9,295,000 (2016: S\$18,871,000) and the amount of S\$1,227,000 (2016: S\$2,116,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of S\$1,227,000 (2016: S\$2,116,000) utilised to purchase treasury shares.
- (b) Movement in retained earnings for the Company is as follows:

	Company	
	2017	2016
	S\$'000	S\$'000
Beginning of financial year	780,232	688,597
Net profit	11,819	273,535
Dividends paid (Note 32)	(119,548)	(166,985)
Reserved distribution to perpetual securities (Note 29)	(14,875)	(14,915)
End of financial year	657,628	780,232

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

32. DIVIDENDS

	Group and Company	
	2017	2016
	S\$'000	S\$'000
<i>Ordinary dividends paid</i>		
Final exempt (one-tier) dividend paid in respect of the previous financial year of 1.50 cents (2016: 2.50 cents) per share	54,075	53,777
Special exempt (one-tier) dividend paid in respect of the previous financial year of Nil (2016: 0.75 cent) per share	–	16,133
Interim exempt (one-tier) dividend paid in respect of the first quarter of current financial year of 1.50 cents (2016: 1.50 cents) per share	32,457	32,291
Interim exempt (one-tier) dividend paid in respect of the second quarter of current financial year of 1.00 cent (2016: 1.50 cents) per share	21,648	32,375
Interim exempt (one-tier) dividend paid in respect of the third quarter of current financial year of 0.50 cent (2016: 1.50 cents) per share	11,368	32,409
	119,548	166,985

At the Annual General Meeting on 20 July 2017, a final exempt (one-tier) dividend of 0.50 cent per share amounting to S\$11.4 million will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 March 2018.

33. CONTINGENT LIABILITIES

A foreign subsidiary has tax-related contingent liabilities arising from certain tax compliance issues which, due to inherent uncertainties, is not possible to make an accurate quantification of such liability at this juncture. The Company had notified the relevant regulatory authorities regarding these tax compliance issues. These tax-related contingent liabilities are subject to an indemnity claim by the Group against the vendor under the sale and purchase agreement entered into between the Company and the vendor for which the acquisition of the foreign subsidiary was made.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

34. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Property, plant and equipment	111,762	246,774	103,286	215,974

(b) Operating lease commitments – where the Group is a lessee

The Group and Company leases various post offices, warehouse space and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Not later than one year	38,776	35,454	9,413	12,597
Between one and five years	65,278	60,750	11,307	16,586
Later than five years	43,513	53,112	2,209	3,456
	147,567	149,316	22,929	32,639

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

34. COMMITMENTS (continued)

- (c) Operating lease commitments – where the Group is a lessor

The Group and Company leases out various retail and office space under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Not later than one year	44,214	34,059	39,575	33,760
Between one and five years	58,558	54,117	55,143	53,723
Later than five years	3,750	4,686	3,750	4,686
	106,522	92,862	98,468	92,169

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance. The Group uses financial instruments such as interest rate swaps and currency forwards to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board Risk Committee then performs oversight responsibilities to ensure the financial risks are managed in accordance with the objectives and underlying principles approved by the Board of Directors.

(a) Market risk

(i) *Currency risk*

The currency transaction risk of the Group arises mainly from the international mail business, which generates inpayments and outpayments denominated in foreign currencies. The currency exposure is primarily in Special Drawing Rights ("SDR"), Euro ("EUR") and United States Dollar ("USD"). SDR is an International Monetary Fund unit of account used for valuing international transactions, which is defined in terms of a basket of currencies. The actual settlement is usually in US Dollars. The Group uses foreign currency purchases and currency forwards to manage the currency risk. These instruments are used mainly to hedge underlying exposures and the instruments are not entered into for speculative reasons.

In addition, the Group is exposed to currency translation risk on net assets in foreign subsidiaries, associated companies and joint ventures. Currency exposure to the net assets in foreign subsidiaries, associated companies and joint ventures where a divestment is not foreseeable is not hedged by the Group.

Group Treasury's risk management policy is to hedge planned divestment of overseas investments using currency forwards to manage the currency risk. These instruments are used mainly to hedge underlying exposures and the instruments are not entered into for speculative reasons.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

The Group's currency exposure based on the information provided to key management is as follows:

	SGD S\$'000	SDR S\$'000	EUR S\$'000	USD S\$'000	HKD S\$'000	AUD S\$'000	MYR S\$'000	Others S\$'000	Total S\$'000
Group									
<i>As at 31 March 2017</i>									
Financial assets									
Cash and cash equivalents	259,026	-	4,926	59,105	8,834	12,319	2,144	20,260	366,614
Trade and other receivables	102,197	5,710	5,009	37,129	8,936	21,859	1,436	23,822	206,098
Other financial assets	3,639	-	-	266	1,251	183	137	878	6,354
Financial asset	40,049	-	-	-	-	-	-	262	40,311
Derivative financial instruments	-	-	-	-	-	-	16,079	-	16,079
	404,911	5,710	9,935	96,500	19,021	34,361	19,796	45,222	635,456
Financial liabilities									
Derivative financial instruments	-	-	(357)	(597)	-	-	-	(101)	(1,055)
Borrowings	(346,805)	-	-	(11,497)	-	-	(4,809)	(874)	(363,985)
Trade and other payables	(195,099)	(145,249)	(3,412)	(46,194)	(2,709)	(22,482)	(1,376)	(23,025)	(439,546)
	(541,904)	(145,249)	(3,769)	(58,288)	(2,709)	(22,482)	(6,185)	(24,000)	(804,586)
Net financial assets/(liabilities)	(136,993)	(139,539)	6,166	38,212	16,312	11,879	13,611	21,222	
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(136,993)	-	5,284	(18,027)	12,768	10,363	(2,468)	15,896	
Add/(Less): Currency forwards	-	79,565	-	(85,340)	-	-	-	-	
Currency exposure	-	(59,974)	882	(29,101)	3,544	1,516	16,079	5,326	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD S\$'000	SDR S\$'000	EUR S\$'000	USD S\$'000	HKD S\$'000	AUD S\$'000	MYR S\$'000	Others S\$'000	Total S\$'000
Group (continued)									
<i>As at 31 March 2016</i>									
(Restated)									
Financial assets									
Cash and cash equivalents	50,926	-	14,258	11,241	10,452	10,779	3,219	25,765	126,640
Trade and other receivables	119,562	6,263	6,450	33,863	8,256	19,830	1,441	19,863	215,528
Other financial assets	4,190	-	-	321	1,136	45	40	799	6,531
Financial asset	46,210	-	-	-	-	-	-	-	46,210
Derivative financial instruments	846	-	-	-	-	-	-	-	846
	<u>221,734</u>	<u>6,263</u>	<u>20,708</u>	<u>45,425</u>	<u>19,844</u>	<u>30,654</u>	<u>4,700</u>	<u>46,427</u>	<u>395,755</u>
Financial liabilities									
Derivative financial instruments	-	-	(207)	(465)	-	-	-	(129)	(801)
Borrowings	(263,531)	-	-	(9,423)	-	-	(5,887)	(1,431)	(280,272)
Trade and other payables	(202,909)	(104,233)	(4,896)	(43,968)	(3,140)	(22,341)	(2,256)	(34,161)	(417,904)
	<u>(466,440)</u>	<u>(104,233)</u>	<u>(5,103)</u>	<u>(53,856)</u>	<u>(3,140)</u>	<u>(22,341)</u>	<u>(8,143)</u>	<u>(35,721)</u>	<u>(698,977)</u>
Net financial assets/ (liabilities)	(244,706)	(97,970)	15,605	(8,431)	16,704	8,313	(3,443)	10,706	
Less: Net financial assets/ (liabilities) denominated in the respective entities' functional currencies	(244,706)	-	4,702	(14,523)	10,464	7,992	(3,373)	14,795	
Add: Currency forwards	-	64,115	10,498	6,731	-	423	-	-	
Currency exposure	-	(33,855)	21,401	12,823	6,240	744	(70)	(4,089)	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

The Company's currency exposure based on the information provided to key management is as follows:

	SGD S\$'000	SDR S\$'000	EUR S\$'000	USD S\$'000	AUD S\$'000	MYR S\$'000	Others S\$'000	Total S\$'000
Company								
<i>As at 31 March 2017</i>								
Financial assets								
Cash and cash equivalents	245,017	-	972	54,510	25	-	2,655	303,179
Trade and other receivables	534,448	5,710	-	32,437	-	-	5,831	578,426
Other financial assets	2,359	-	-	-	-	-	-	2,359
Financial asset	39,702	-	-	-	-	-	-	39,702
Derivative financial instruments	-	-	-	-	-	16,142	-	16,142
	821,526	5,710	972	86,947	25	16,142	8,486	939,808
Financial liabilities								
Derivative financial instruments	-	-	(357)	(597)	-	-	(101)	(1,055)
Borrowings	(320,061)	-	-	-	-	-	-	(320,061)
Trade and other payables	(210,502)	(145,249)	-	-	-	-	-	(355,751)
	(530,563)	(145,249)	(357)	(597)	-	-	(101)	(676,867)
Net financial assets/(liabilities)	290,963	(139,539)	615	86,350	25	16,142	8,385	
Less: Net financial assets/ (liabilities) denominated in the respective entities' functional currencies	290,963	-	-	-	-	-	-	-
Add/(Less): Currency forwards	-	79,565	-	(85,340)	-	-	-	-
Currency exposure	-	(59,974)	615	1,010	25	16,142	8,385	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	SGD S\$'000	SDR S\$'000	EUR S\$'000	USD S\$'000	AUD S\$'000	MYR S\$'000	Others S\$'000	Total S\$'000
Company (continued)								
<i>As at 31 March 2016</i> (Restated)								
Financial assets								
Cash and cash equivalents	28,292	-	10,005	3,510	21	-	7,798	49,626
Trade and other receivables	751,649	6,263	-	-	-	-	-	757,912
Other financial assets	2,362	-	-	-	-	-	-	2,362
Financial asset	45,612	-	-	-	-	-	-	45,612
Derivative financial instruments	846	-	-	-	-	-	-	846
	<u>828,761</u>	<u>6,263</u>	<u>10,005</u>	<u>3,510</u>	<u>21</u>	<u>-</u>	<u>7,798</u>	<u>856,358</u>
Financial liabilities								
Derivative financial instruments	-	-	(129)	(493)	-	-	(137)	(759)
Borrowings	(236,044)	-	-	-	-	-	-	(236,044)
Trade and other payables	(170,199)	(104,233)	-	-	-	-	-	(274,432)
	<u>(406,243)</u>	<u>(104,233)</u>	<u>(129)</u>	<u>(493)</u>	<u>-</u>	<u>-</u>	<u>(137)</u>	<u>(511,235)</u>
Net financial assets/(liabilities)	422,518	(97,970)	9,876	3,017	21	-	7,661	
Less: Net financial assets/ (liabilities) denominated in the respective entities' functional currencies	422,518	-	-	-	-	-	-	
Add: Currency forwards	-	64,115	5,639	6,731	423	-	-	
Currency exposure	-	(33,855)	15,515	9,748	444	-	7,661	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the SDR changes against the SGD by 3% (2016: 2%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(decrease)	
	Profit after tax	
	2017	2016
	S\$'000	S\$'000
<hr/>		
<u>Group</u>		
SDR against SGD		
– strengthened	(1,515)	(562)
– weakened	1,515	562
	<hr/>	<hr/>
<u>Company</u>		
SDR against SGD		
– strengthened	(1,515)	(562)
– weakened	1,515	562
	<hr/>	<hr/>

If the EUR changes against the SGD by 4% (2016: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(decrease)	
	Profit after tax	
	2017	2016
	S\$'000	S\$'000
<hr/>		
<u>Group</u>		
EUR against SGD		
– strengthened	29	889
– weakened	(29)	(889)
	<hr/>	<hr/>
<u>Company</u>		
EUR against SGD		
– strengthened	20	644
– weakened	(20)	(644)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk (continued)*

If the USD changes against the SGD by 4% (2016: 4%) with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(decrease)	
	Profit after tax	
	2017	2016
	S\$'000	S\$'000
<hr/>		
<u>Group</u>		
USD against SGD		
– strengthened	(936)	426
– weakened	936	(426)
	<hr/>	<hr/>
<u>Company</u>		
USD against SGD		
– strengthened	64	324
– weakened	(64)	(324)
	<hr/>	<hr/>

(ii) *Fair value interest rate risks*

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's interest income and operating cash flows are substantially independent of changes in market interest rates.

The Group's policy is to minimise the interest expense consistent with maintaining an acceptable level of exposure to interest rate fluctuations. A target mix of fixed and floating debt based on the assessment of interest rate trends is used to achieve this objective. The Group was exposed to fair value interest rate risk from its bonds and fixed rate notes.

As at 31 March 2017 and 2016, if the interest rate had increased/decreased by 1% with all other variables, including tax rate being held constant, it would have insignificant impact on the profit after tax for the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits, trade receivables, investments in financial assets and financial instruments used in hedging activities. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management and at the Group level. The trade receivables of the Group and the Company comprise 1 debtor (2016: 1 debtor) that individually represented 18% to 27% of trade receivables. Revenues of S\$161,198,000 (2016: S\$71,227,000) are derived from an associated company. These revenues are attributable to the Logistics segment.

Bank deposits are placed in banks which are regulated. The Group limits its credit risk exposure in respect of investments in financial assets and derivative financial instruments by dealing with counterparties with high credit quality.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
<u>By geographical areas</u>				
Singapore	56,373	75,105	115,720	133,685
Other countries	134,757	102,934	54,034	40,721
	191,130	178,039	169,754	174,406
<u>By types of customers</u>				
Related parties	47,891	34,645	123,733	120,240
Non-related parties:				
– Government bodies	6,321	6,936	6,321	6,885
– Banks	6,360	8,704	6,109	8,448
– Overseas postal administrations	5,615	6,167	5,615	6,167
– Other companies	124,943	121,587	27,976	32,666
	191,130	178,039	169,754	174,406

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

Bank deposits, investments in financial assets and financial instruments used in hedging activities that are neither past due nor impaired are mainly deposited and transacted with high credit-ratings counterparties. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Past due up to 3 months	69,076	64,668	42,459	38,658
Past due over 3 months	5,143	8,872	1,058	2,302
	74,219	73,540	43,517	40,960

The carrying amount of trade receivables individually and collectively determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Gross amount	5,665	5,390	951	1,741
Less: Allowance for impairment	(5,665)	(5,390)	(951)	(1,741)
	-	-	-	-
Beginning of financial year	5,390	5,273	1,741	1,566
Allowance made	1,356	472	-	351
Allowance utilised	(1,081)	(355)	(790)	(176)
End of financial year	5,665	5,390	951	1,741

The impaired trade receivables arise mainly from sales to certain customers that are in significant financial difficulty.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

The Group and Company manage the liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments, having an adequate amount of both committed and uncommitted credit facilities and the ability to close market positions at short notice.

The table below analyses the maturity profile of the Group's and Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows.

	Less than 1 year S\$'000	Between 1 and 2 years S\$'000	Between 2 and 5 years S\$'000	Over 5 years S\$'000
<u>Group</u>				
At 31 March 2017				
Trade and other payables	(395,084)	(41,888)	-	-
Borrowings	(155,786)	(7,000)	(219,881)	-
Gross settled currency forwards	(1,055)	-	-	-
	(551,925)	(48,888)	(219,881)	-
At 31 March 2016 (Restated)				
Trade and other payables	(385,679)	(29,907)	-	-
Borrowings	(78,090)	(7,000)	(220,138)	-
Gross settled currency forwards	(801)	-	-	-
	(464,570)	(36,907)	(220,138)	-
<u>Company</u>				
At 31 March 2017				
Trade and other payables	(353,681)	(2,070)	-	-
Borrowings	(124,743)	(7,000)	(207,000)	-
Gross settled currency forwards	(1,055)	-	-	-
	(479,479)	(9,070)	(207,000)	-
At 31 March 2016 (Restated)				
Trade and other payables	(274,432)	-	-	-
Borrowings	(40,000)	(7,000)	(214,000)	-
Gross settled currency forwards	(759)	-	-	-
	(315,191)	(7,000)	(214,000)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the dividend policy, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets.

Management monitors capital based on gearing ratio. In the management of the debt and capital structure, the Group and Company aim to sustain a strong investment-grade credit profile.

The gearing ratio is calculated as net debt divided by total equity. Net debt/(cash) is calculated as borrowings less cash and cash equivalents.

	Group		Company	
	2017	2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Net (cash)/debt	(2,629)	153,632	16,882	186,418
Total equity	<u>1,757,718</u>	<u>1,561,503</u>	<u>1,679,232</u>	<u>1,608,430</u>
Gearing ratio	<u>(0.1%)</u>	<u>10%</u>	<u>1%</u>	<u>12%</u>

The Group and Company have no externally imposed capital requirements for the financial years ended 31 March 2017 and 2016.

(e) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid price; the appropriate quoted market prices used for financial liabilities are the current asking prices. The instruments are presented within Level 1 of the fair value hierarchy.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and make assumptions based on market conditions existing at each balance sheet date. Where appropriate, quoted market price or dealer quotes for similar instruments are used.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation of financial assets and liabilities (continued)

The fair values of currency forwards are determined using actively quoted forward exchange rates. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

These investments are classified as Level 2 and comprise derivative financial instruments.

The fair value of contingent consideration payable is estimated by using a valuation technique that is not based on observable market data and is accordingly classified as a Level 3 fair value measurement. Refer to Note 24 for details.

The fair values of current and non-current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation of financial assets and liabilities (continued)

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
<u>Group</u>				
2017				
Assets				
Available-for-sale financial assets	3,954	–	5,170	9,124
Held-to-maturity financial assets	31,187	–	–	31,187
Derivative financial instruments	16,011	68	–	16,079
Liabilities				
Derivative financial instruments	–	1,055	–	1,055
Contingent consideration payable	–	–	23,363	23,363
2016 (Restated)				
Assets				
Available-for-sale financial assets	3,508	–	5,159	8,667
Held-to-maturity financial assets	37,543	–	–	37,543
Derivative financial instruments	–	846	–	846
Liabilities				
Derivative financial instruments	–	801	–	801
Contingent consideration payable	–	–	53,216	53,216

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation of financial assets and liabilities (continued)

	Level 1 S\$'000	Level 2 S\$'000	Level 3 S\$'000	Total S\$'000
<u>Company</u>				
2017				
Assets				
Available-for-sale financial assets	3,954	–	4,561	8,515
Held-to-maturity financial assets	31,187	–	–	31,187
Derivative financial instruments	16,011	131	–	16,142
Liabilities				
Derivative financial instruments	–	1,055	–	1,055
2016				
Available-for-sale financial assets	3,508	–	4,561	8,069
Held-to-maturity financial assets	37,543	–	–	37,543
Derivative financial instruments	–	846	–	846
Liabilities				
Derivative financial instruments	–	801	–	801

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation of financial assets and liabilities (continued)

The following table presents the changes in Level 3 instruments:

	Group and Company		Group	
	Held-to-maturity financial assets \$'000	Available-for-sale financial assets \$'000	Contingent consideration \$'000	Total \$'000
2017				
Beginning of financial year (Restated)	-	5,159	53,216	58,375
Fair value losses recognised in				
– Profit or loss	-	-	(196)	(196)
Partial settlement of contingent consideration	-	-	(2,588)	(2,588)
Write-down of contingent consideration (Note 24)	-	-	(27,816)	(27,816)
Currency translation differences	-	11	747	758
End of financial year	-	5,170	23,363	28,533
Total losses for the year included in the profit or loss for assets and liabilities held at the end of the financial year	-	-	(196)	(196)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value estimation of financial assets and liabilities (continued)

	Group and Company		Group	
	Held-to-maturity financial assets \$'000	Available-for-sale financial assets \$'000	Contingent consideration \$'000	Total \$'000
2016 (Restated)				
Beginning of financial year	1,289	414	26,772	28,475
Purchases	–	4,745	–	4,745
Disposal	(1,289)	–	(1,301)	(2,590)
Acquisition of subsidiaries and associates	–	–	28,359	28,359
Fair value gains recognised in				
– Profit or loss	–	–	201	201
Currency translation differences	–	–	(815)	(815)
End of financial year	–	5,159	53,216	58,375
Total gains for the year included in the profit or loss for assets and liabilities held at the end of the financial year	–	–	201	201

There were no transfers between Levels 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

35. FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheets and in Notes 13, 15 and 25 to the financial statements, except for the following:

	Group		Company	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
		(Restated)		(Restated)
Loans and receivables	584,264	355,107	883,964	809,900
Financial liabilities at amortised cost	803,531	698,176	675,812	510,476

(g) Offsetting financial assets and financial liabilities

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:

(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)+(d)	
Related amounts set off in the balance sheet		Related amounts not set off in the balance sheet			
Gross amounts of financial assets S\$'000	Gross amounts of financial liabilities S\$'000	Net amounts of financial assets/ (liabilities) presented in the balance sheet S\$'000	(d)(i), (d)(ii) Financial instruments S\$'000	(d)(ii) Cash collateral pledged S\$'000	Net amount S\$'000

At 31 March 2017

Currency forwards	724	(1,779)	(1,055)	-	-	(1,055)
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There were no financial instruments subject to enforceable master netting arrangement for the year ended 31 March 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

36. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	Group	
	2017	2016
	S\$'000	S\$'000
Services rendered to an associated company	161,198	71,227
Services received from an associated company	76	64
Services rendered to related companies of a substantial shareholder	14,629	14,747
Services received from related companies of a substantial shareholder	1,080	910
Interest received from loans to associated companies	812	26

During the financial year ended 31 March 2017, the Company made payments on behalf of subsidiaries totalling S\$47.5 million (2016: S\$46.2 million) which were subsequently reimbursed.

Outstanding balances at 31 March 2017, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 14 and 24 respectively.

(b) Key management personnel compensation is as follows:

	Group	
	2017	2016
	S\$'000	S\$'000
Salaries and other short-term employee benefits	6,534	7,198
Post-employment benefits – contribution to CPF	68	47
Share-based staff costs	540	721
	7,142	7,966

Included in the above is total compensation to directors of the Company amounting to S\$1,525,000 (2016: S\$1,690,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

37. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the covering Group Chief Executive Officer/Group Chief Financial Officer (“Chief Operating Decision Maker” or “CODM”) that are used to make strategic decisions.

The CODM considers the business from a business segment perspective. From 1 April 2016, the Group has reclassified the reporting of certain business units into three business segments, namely Postal, Logistics and eCommerce. Management manages and monitors the business in these primary business areas:

- Postal** – Postal segment provides comprehensive services for collecting, sorting, transporting and distributing domestic and international mail as well as sale of philatelic products, agency services and financial services. International mail service covers the handling of incoming international mail and outgoing international mail. Mail division also offers ePost hybrid mail service which integrates electronic data communication with traditional mail.
- Logistics** – Logistics segment provides a diverse range of logistics solutions, comprising freight, warehousing, domestic and international distribution, and delivery services. The services include eCommerce logistics, warehousing, fulfilment and distribution, and other value-added services (Quantium Solutions), parcel delivery (SP Parcels), freight forwarding (Famous Holdings) and self-storage solutions (General Storage).
- eCommerce** – eCommerce segment provides front-end eCommerce solutions.

Other operations include the provision of commercial property rental and investment holding; but these are not included within the reportable operating segments, as they are not included in the reports provided to the CODM. The results of these operations are included in the “all other segments” column.

In line with the change in reporting structure of the Group as set out above, segment information for the financial year ended 31 March 2016 has been reclassified to conform to current year’s presentation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

37. SEGMENT INFORMATION (continued)

The segment information provided to the CODM for the reportable segments for the years ended 31 March 2017 and 31 March 2016 are as follows:

	Postal S\$'000	Logistics S\$'000	eCommerce S\$'000	All other segments S\$'000	Eliminations S\$'000	Total S\$'000
2017						
Revenue:						
- External	518,637	562,785	267,080	-	-	1,348,502
- Inter-segment	25,504	74,016	2	-	(99,522)	-
	544,141	636,801	267,082	-	(99,522)	1,348,502
Other income and gains (net)						
Rental, property-related and miscellaneous income						
- External	1,105	2,900	317	42,029	-	46,351
- Inter-segment	-	-	-	30,326	(30,326)	-
	1,105	2,900	317	72,355	(30,326)	46,351
Operating profit/(loss)	150,707	23,596	(33,790)	(82,156)	-	58,357
Depreciation and amortisation	9,249	9,419	15,857	16,493	-	51,018
Segment assets	103,117	667,184	183,816	1,408,877	-	2,362,994
Segment assets includes:						
Investment in associated companies						
	-	62,367	-	55,416	-	117,783
Intangible assets						
	-	136,058	264,625	-	-	400,683
Additions to:						
- Property, plant and equipment	6,693	13,595	21,171	64,166	-	105,625
- Investment properties	-	-	-	97,818	-	97,818

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

37. SEGMENT INFORMATION (continued)

	Postal S\$'000	Logistics S\$'000	eCommerce S\$'000	All other segments S\$'000	Eliminations S\$'000	Total S\$'000
2016 (Restated)						
Revenue:						
– External	500,956	552,173	98,413	–	–	1,151,542
– Inter-segment	35,280	73,799	10	–	(109,089)	–
	536,236	625,972	98,423	–	(109,089)	1,151,542
Other income and gains/(losses) (net)						
Rental, property-related and miscellaneous income/(losses)						
– External	1,063	2,910	(658)	48,050	–	51,365
– Inter-segment	–	–	–	33,977	(33,977)	–
	1,063	2,910	(658)	82,027	(33,977)	51,365
Operating profit	157,324	38,812	(7,300)	95,423	–	284,259
Depreciation and amortisation	8,758	9,092	4,146	9,890	–	31,886
Segment assets	118,542	670,626	334,931	1,214,327	–	2,338,426
Segment assets includes:						
Investment in associated companies						
	–	70,238	–	76,163	–	146,401
Intangible assets	227	338,999	254,758	–	–	593,984
Additions to:						
– Property, plant and equipment	5,270	14,381	7,365	163,115	–	190,131
– Investment property	–	3	–	88,980	–	88,983

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

37. SEGMENT INFORMATION (continued)

Sales between segments are carried out at market terms. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

(a) Reconciliation of segment profits

The CODM assesses the performance of the operating segments based on a measure of operating profit, which is profit before interest, tax and share of results of associated companies and joint ventures. Interest income and finance expenses are not allocated to segments.

A reconciliation of operating profit to profit before tax is provided as follows:

	2017 S\$'000	2016 S\$'000
Operating profit for reportable segments	140,513	188,836
Other segments operating profit	(82,156)	95,423
Finance expense	(5,674)	(10,365)
Interest income	3,439	4,268
Share of (loss)/profit of associated companies and joint ventures	(1,177)	9,066
Profit before tax	54,945	287,228

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

37. SEGMENT INFORMATION (continued)

(b) Reconciliation of segment assets

Reportable segments' assets are reconciled to total assets as follows:

Segment assets are measured in a manner consistent with that of the financial statements. The CODM does not review balance sheet items by reportable segments, but rather monitors them at the Group level. All assets are allocated to reportable segments other than derivative financial instruments and financial assets, held-to-maturity. Cash and cash equivalents are allocated to reportable segments where applicable.

	2017 S\$'000	2016 S\$'000
Segment assets for reportable segments	954,117	1,124,099
Other segments assets	1,408,877	1,214,327
Unallocated:		
Cash and cash equivalents	297,808	41,602
Financial assets, held-to-maturity	39,702	45,612
Derivative financial instruments	16,079	846
Total assets	2,716,583	2,426,486

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

37. SEGMENT INFORMATION (continued)

(c) Revenue from major products and services

Revenue from external customers is derived from the provision of mail, logistics solutions, agency and financial services and front-end eCommerce solutions.

	2017 S\$'000	2016 S\$'000
Domestic and International Mail services	518,637	500,956
Domestic and International distribution and delivery services	562,785	552,173
Retail and eCommerce sale of products and services	267,080	98,413
Revenue	1,348,502	1,151,542

(d) Geographical information

The Group's three business segments operate in four main geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore where 50% (2016: 56%) of its revenues are generated. The operations in this area comprise principally of the core postal business, post office products and services, courier activities and investment holding.
- The United States – the operations in this area are principally front-end related e-commerce businesses.
- Australia – The operations in this area are principally delivery services and e-commerce logistics solutions.
- Other countries – the operations include warehousing and logistics delivery in Japan and Hong Kong, and freight forwarding businesses in Europe and New Zealand.

	Revenue	
	2017 S\$'000	2016 S\$'000
Singapore	667,474	646,063
The United States	236,337	66,639
Australia	188,087	173,724
Other countries	256,604	265,116
	1,348,502	1,151,542

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

38. BUSINESS COMBINATIONS

During the financial year ended 31 March 2016, the Group acquired L+S Self Storage Pte Ltd (“LSSS”) (formerly known as Store Friendly Self Storage Group Pte Ltd) and Jagged Peak, Inc. (“JP”). The fair values of assets and liabilities of LSSS and JP from the acquisitions had initially been determined in the financial statements of the Group for the financial year ended 31 March 2016 based on provisional fair values. The Group completed the Purchase Price Allocation (“PPA”) exercise in the financial year ended 31 March 2017 for LSSS and JP and the effects of the PPA exercise, together with the revision to contingent consideration payable, is summarised below. These adjustments are accounted for as if they had been recognised on acquisition date and adjusted in the comparative financial statements as prior year adjustments. The effects to the 31 March 2016 Group balance sheet are as follows:

	As previously reported S\$’000	After adjustment S\$’000	Increase/ (Decrease) S\$’000
As at 31 March 2016			
Assets			
Goodwill	493,504	482,322	(11,182)
Intangible assets, excluding goodwill	89,689	111,662	21,973
Trade and other receivables	210,287	210,177	(110)
Net increase			10,681
Liabilities			
Trade and other payables – current	385,712	385,679	(33)
Trade and other payables – non current	30,190	32,225	2,035
Deferred income tax liabilities	57,356	66,035	8,679
Net increase			10,681

There is no material effect to the 31 March 2016 Group financial results.

For the acquisition of Rotterdam Harbour Holding B.V. and TG Acquisition Corporation completed in the financial year ended 31 March 2016, there were no material revisions to the provisional fair values arising from the completion of the PPA exercise in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2017 and which the Group has not early adopted:

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 April 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

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

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 April 2018) (continued)

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- (i) Variable consideration – FRS 115 requires an estimate of variable consideration to be included in the transaction price at the inception of the transaction, but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved; and
- (ii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under FRS 115.

At this stage, the Group anticipates that the adoption of the new standard in future periods will not have a material impact on the Group's financial statements in the period of initial adoption.

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 April 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets held by the Group include:

- equity instruments currently classified as AFS for which fair value through OCI election is available; and
- bond instruments classified as held-to-maturity or loans and receivables and measured at amortised cost appear to meet the conditions for classification at amortised cost under FRS 109.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

- FRS 109 Financial instruments (effective for annual periods beginning on or after 1 April 2018) (continued)

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. The Group does not expect the new guidance to have significant impact on the Group's accounting for financial liabilities.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of FRS 109. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. The new model may result in an earlier recognition of credit losses for the Group.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

- FRS 116 *Leases* (effective for annual periods beginning on or after 1 April 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of S\$147.6 million (Note 34(b)). The Group has performed a preliminary assessment to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

40. COMPARATIVES

Certain comparative figures were reclassified from other income and gains (net) of S\$109.2 million and administrative and other expenses of S\$13.9 million to exceptional items, in order to conform to current year's presentation and better reflect the nature or magnitude of these items of income or expenses. The reclassification does not have a material impact on the financial position of the Group and the Company as at 31 March 2016.

41. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 15 May 2017 in accordance with a resolution of the Board of Directors of Singapore Post Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017	2016	2017	2016
			%	%	%	%
SUBSIDIARIES						
<u>Held by the Company</u>						
SingPost eCommerce II Pte Ltd.	Online sale of luxury products	Singapore	100	100	-	-
SingPost eCommerce Pte. Ltd.	eCommerce specialising in the provision of online sale of products	Singapore	100	100	-	-
SingPost Logistics Holding Pte Ltd	Investment holding	Singapore	100	100	-	-
Singapore Post Enterprise Private Limited	Investment holding	Singapore	100	100	-	-
SingPost Investments Pte Ltd	Investment holding	Singapore	100	100	-	-
SingPost Logistics Investments Pte. Ltd.	Investment holding	Singapore	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017	2016	2017	2016
			%	%	%	%
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u>						
SP Jagged Peak LLC ⁽²⁾	Investment holding	United States	100	100	-	-
Jagged Peak, Inc ⁽²⁾	eCommerce logistics enabler for high-velocity consumer products	United States	100	71.1	-	28.9
Jagged Peak Canada, Inc ⁽²⁾	eCommerce logistics enabler for high-velocity consumer products	Canada	100	71.1	-	28.9
SingPost Distribution Pte. Ltd.	Provision of business mail solutions and distribution of mail	Singapore	100	100	-	-
SP Commerce Holdings, Inc ⁽²⁾	Investment holding	United States	100	100	-	-
SP Commerce, Inc ⁽²⁾	Provision of global sale & marketing services	United States	100	100	-	-
TG Acquisition Corporation ⁽²⁾	Investment holding	United States	97.3	96.4	2.7	3.6
TradeGlobal Holdings, Inc ⁽²⁾	eCommerce enablement provider	United States	97.3	96.4	2.7	3.6

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017	2016	2017	2016
			%	%	%	%
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
TradeGlobal North America Holding, Inc. ⁽²⁾	eCommerce enablement provider	United States	97.3	96.4	2.7	3.6
TradeGlobal LLC ⁽²⁾	eCommerce enablement provider	United States	97.3	96.4	2.7	3.6
TradeGlobal Asia Holdings Limited ⁽²⁾	eCommerce enablement provider	Hong Kong	97.3	96.4	2.7	3.6
Trade Global Europe GmbH ⁽²⁾	eCommerce enablement provider	Germany	97.3	96.4	2.7	3.6
Netrada Trade and Consulting (Shanghai) Co Ltd ⁽²⁾	eCommerce enablement provider	China	97.3	96.4	2.7	3.6
SingPost Logistics Enterprise Pte Ltd	Investment holding	Singapore	100	100	–	–
SingPost Logistics Australia Holdings Pty Ltd	Investment holding	Australia	100	100	–	–
Quantum Solutions International Pte. Ltd.	Investment holding, provision of management and consultancy services to related entities	Singapore	66	100	34	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017 %	2016 %	2017 %	2016 %
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
Quantum Solutions (Singapore) Pte. Ltd.	Provision of delivery services and eCommerce logistics solutions	Singapore	66	100	34	–
Quantum Mail Logistics Solutions (India) Private Limited	Provision of delivery services and eCommerce logistics solutions	India	66	100	34	–
Quantum Express Solutions (India) Private Limited	Provision of delivery services and eCommerce logistics solutions	India	66	100	34	–
Quantum Solutions (Australia) Pty Limited	Provision of delivery services and eCommerce logistics solutions	Australia	66	100	34	–
Quantum Solutions (Hong Kong) Limited	Provision of delivery services and eCommerce logistics solutions	Hong Kong	66	100	34	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017	2016	2017	2016
			%	%	%	%
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
Quantum Solutions (Japan) Inc.	Provision of delivery services and eCommerce logistics solutions	Japan	66	100	34	–
Quantum Solutions International (Malaysia) Sdn Bhd	Provision of delivery services and eCommerce logistics solutions	Malaysia	66	100	34	–
Quantum Solutions (New Zealand) Pty Limited	Provision of delivery services and eCommerce logistics solutions	New Zealand	66	100	34	–
Quantum Solutions (Philippines) Inc +	Provision of delivery services and eCommerce logistics solutions	Philippines	26.4	40	73.6	60
Quantum Solutions (Taiwan) Co., Ltd	Provision of delivery services and eCommerce logistics solutions	Taiwan	66	100	34	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017	2016	2017	2016
			%	%	%	%
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
Quantum Solutions (Thailand) Co., Ltd.	Provision of delivery services and eCommerce logistics solutions	Thailand	66	100	34	–
PT Quantum Solutions Logistics Indonesia +	Provision of delivery services and eCommerce logistics solutions	Indonesia	32.34	49	67.66	51
CouriersPlease Holdings Pty Limited	Provision of delivery services and eCommerce logistics solutions	Australia	100	100	–	–
CouriersPlease Australia Pty Limited	Provision of delivery services and eCommerce logistics solutions	Australia	100	100	–	–
CouriersPlease Pty Limited	Provision of delivery services and eCommerce logistics solutions	Australia	100	100	–	–
SingPost Storage Company Ltd	Investment holding	Mauritius	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017	2016	2017	2016
			%	%	%	%
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
SingPost Investments (Tampines) Pte Ltd	Investment holding and real estate activities with owned or leased property	Singapore	100	100	-	-
SingPost Investments (Toh Guan) Pte Ltd	Investment holding	Singapore	100	100	-	-
SingPost Investments (Ecommerce Logistics) Pte Ltd	Investment holding	Singapore	100	100	-	-
SingPost Centre (Retail) Pte Ltd	Investment holding	Singapore	100	100	-	-
SingPost eCommerce Logistics Holdings Pte Ltd	Investment holding	Singapore	100	100	-	-
General Storage Company Pte Ltd	Investment holding & provision of management services	Singapore	100	100	-	-
Lock + Store (Chai Chee) Pte Ltd	Self storage solutions and warehousing	Singapore	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017 %	2016 %	2017 %	2016 %
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
Lock + Store (Tanjong Pagar) Pte Ltd	Self storage solutions	Singapore	100	100	-	-
Lock + Store (Ayer Rajah) Pte Ltd	Self storage solutions	Singapore	100	100	-	-
The Store House Limited ⁽³⁾	Self storage solutions	Hong Kong	100	100	-	-
The Store House Operating Company Limited ⁽³⁾	Self storage management services	Hong Kong	75	75	25	25
Lock and Store (Glenmarie) Sdn. Bhd.	Self storage solutions and warehousing	Malaysia	100	100	-	-
L+S Self Storage Pte Ltd ⁽¹⁾	Self storage solutions	Singapore	100	100	-	-
Japan Self Storage Company Ltd	Dormant	Japan	-	60	-	40
SP Parcels Pte Ltd	Courier activities other than national post activities	Singapore	100	100	-	-
Famous Holdings Pte Ltd**	Investment holding and provision of management services	Singapore	100.0	62.5	-	37.5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017 %	2016 %	2017 %	2016 %
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
Famous Air & Sea Services Pte Ltd**	Freight forwarding	Singapore	100.0	62.5	-	37.5
FPS Global Logistics Pte Ltd**	Freight forwarding	Singapore	100.0	62.5	-	37.5
FPS Famous Pacific Shipping Sdn Bhd ^{(4)**}	Freight forwarding	Malaysia	100.0	62.5	-	37.5
Famous Pacific Shipping (WA) Pty Ltd **	Freight collections transshipments	Australia	100.0	62.5	-	37.5
F.S. Mackenzie Limited ^{(5)**}	Freight forwarding	United Kingdom	100.0	62.5	-	37.5
Famous Pacific Shipping (NZ) Limited ^{(6)**}	Freight forwarding	New Zealand	90.0	56.25	10.0	43.75
Mercury Worldwide (NZ) Limited ^{(2)**}	Freight forwarding	New Zealand	90.0	56.25	10.0	43.75
Eazyshipping (NZ) Limited ^{(2)**}	Freight forwarding	New Zealand	45.0	28.12	55.0	71.88
FPS Logistics (USA) Inc. ^{(7)**}	Logistics management and services	USA	100.0	62.5	-	37.5
Sino Famous Intertrans Co Ltd ^{(8)**}	Freight forwarding	China	100.0	62.5	-	37.5

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017	2016	2017	2016
			%	%	%	%
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
Famous Container Lines Co Ltd ^{(8)**}	Freight forwarding	China	100.0	62.5	–	37.5
Shinyei Shipping Co Ltd**	Freight forwarding	Japan	89.0	55.6	11.0	44.4
Tras – Inter Co. Ltd ^{(9)**}	Customs brokerage and freight forwarding	Japan	89.0	55.6	11.0	44.4
Rotterdam Harbour Holding B.V. ^{(10)+**}	Investment holdings	Netherlands	80.0	50.0	20.0	50.0
FPS Famous Pacific Shipping B.V. ^{(2)+**}	Logistics services	Netherlands	80.0	50.0	20.0	50.0
Trans Ocean Pacific Forwarding B.V. ^{(2)+**}	Logistics services	Netherlands	80.0	50.0	20.0	50.0
EWC East Way Commodities B.V. ^{(2)+**}	Trading company and purchase organisation for oceanfreight services	Netherlands	80.0	50.0	20.0	50.0
FPS Famous Pacific Shipping Germany GmbH ^{(2)+**}	Sales company for logistics services	Germany	80.0	50.0	20.0	50.0

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held			
			by the Group		by the NCI	
			2017	2016	2017	2016
			%	%	%	%
SUBSIDIARIES (continued)						
<u>Held by subsidiaries</u> (continued)						
FPS Famous Pacific Shipping s.r.o. ^{(2)+**}	Logistics services	Netherlands	40.8	25.5	59.2	74.5
SP eCommerce (Thailand) Co Ltd ⁽¹¹⁾	eCommerce specialising in the provision of online shopping platforms and services	Thailand	100	100	-	-
SP eCommerce (Korea) Co Ltd ⁽¹¹⁾	eCommerce specialising in the provision of online shopping platforms and services	Korea	100	100	-	-
SP eCommerce (Malaysia) Sdn. Bhd	eCommerce specialising in the provision of online shopping platforms and services	Malaysia	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held by the Group	
			2017 %	2016 %
ASSOCIATED COMPANIES				
<u>Held by the Company</u>				
GD Express Carrier Berhad ^{(12)*}	Provision of express delivery and customised logistics services	Malaysia	11.22	11.23
<u>Held by subsidiaries</u>				
Postea, Inc. ⁽²⁾	Provision of technology and support in postal, courier and other distribution markets	USA	27	27
Indo Trans Logistics Corporation ⁽¹³⁾	Provision of integrated logistics, freight and transport management and aviation services	Vietnam	30	30
Dash Logistics Company Ltd ^{(11)*}	Provision of integrated logistics, freight and transport management and aviation services	Vietnam	51	51
Shenzhen 4PX Information and Technology Co Ltd. ⁽¹⁴⁾	Provision of international express delivery services, international freight forwarding, import and export of goods and technology	China	20.14	35.91

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Name	Principal activities	Country of incorporation	Percentage of effective equity held by the Group	
			2017 %	2016 %

ASSOCIATED COMPANIES (continued)

Held by subsidiaries (continued)

Efficient E-Solutions Berhad ⁽¹⁵⁾	Provision of data print, record management, data and document processing	Malaysia	20.81	20.81
Hubbed Holdings Pty Ltd ⁽¹⁶⁾	eCommerce and logistics retail network	Australia	30	30
Morning Express & Logistics Holding Ltd ⁽¹⁷⁾	Provision of courier services and provision of management services to its related company	Hong Kong	33	33
E Link Station Ltd ⁽¹⁷⁾	Provision of redemption services	Hong Kong	50	50

JOINT VENTURES

Held by subsidiaries

PT Trio Specocommerce Indonesia ⁽²⁾	eCommerce specialising in the provision of online sale of products	Indonesia	33	33
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2017

42. LISTING OF COMPANIES IN THE GROUP (continued)

Notes

⁽¹⁾ Formerly known as Store Friendly Self Storage Group Pte Ltd

All companies as at 31 March 2017 are audited by member firms of PricewaterhouseCoopers International Limited, except for the following:

⁽²⁾ Not required to be audited for the financial year ended 31 March 2017

⁽³⁾ Audited by Cheng & Cheng Limited, Hong Kong

⁽⁴⁾ Audited by Thiang & Co, Malaysia

⁽⁵⁾ Audited by Blick Rothenberg LLP, United Kingdom

⁽⁶⁾ Audited by KPMG LLP, New Zealand

⁽⁷⁾ Audited by DNW & Associates Inc. United States of America

⁽⁸⁾ Audited by Tianjin Guangxin Certified Public Accountants Co., Ltd, China

⁽⁹⁾ Audited by HLB Meisei LLC, Japan

⁽¹⁰⁾ Audited by Crowe Horwath Peak, The Netherlands

⁽¹¹⁾ Audited by local statutory auditors in the countries of incorporation

⁽¹²⁾ Audited by Deloitte KassimChan, Malaysia

⁽¹³⁾ Audited by KPMG Limited, Vietnam

⁽¹⁴⁾ Audited by Deloitte Touche Tohmatsu, Certified Public Accountants LLP, Shenzhen Branch, China

⁽¹⁵⁾ Audited by PKF International, Malaysia

⁽¹⁶⁾ Audited by Assura Group

⁽¹⁷⁾ Audited by Esmond W.T. Leung & Co

⁺ It is considered to be a subsidiary of the Company as the Company can exercise control over its financial and operating policies and voting rights

^{*} It is considered to be an associate of the Company as the Company can exercise significant influence over its financial and operating policies and voting rights.

^{**} Arising from the full write-back of the contingent consideration in relation to the acquisition of a subsidiary assessed to be no longer payable (Note 9), this subsidiary is now deemed to be a wholly-owned subsidiary by the Group. Accordingly, the Group's effective interest in the entities held by this subsidiary has been re-assessed.

SGX LISTING MANUAL REQUIREMENTS

For the Financial Year Ended 31 March 2017

1. MATERIAL CONTRACTS

There are no material contracts entered into by SingPost or any of its subsidiaries involving the interests of the Chief Executive Officer, each director or controlling shareholder (as defined in the SGX Listing Manual), 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.

2. AUDITOR'S REMUNERATION

(a) Auditors' fees

	2017	2016
	S\$'000	S\$'000
<hr/>		
Fees on audit services paid/payable to:		
– Auditor of the Company*	1,747	1,298
– Other auditors	213	291
Fees on non-audit services paid/payable to:		
– Auditor of the Company*	511	974
– Other auditors	20	405
	<u>2,491</u>	<u>2,968</u>

* Includes the network of member firms of PricewaterhouseCoopers International Limited.

(b) Appointment of auditors

The Group has complied with Rule 712 and Rule 715 or 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

(c) Review of the provision of non-audit services by the auditors

The Audit Committee has undertaken a review of non-audit services provided by the auditor and they would not, in the opinion of the Audit Committee's opinion, affect their independence.

(d) Internal controls

Please refer to information disclosed under Principle 12 of the Corporate Governance Report.

SGX LISTING MANUAL REQUIREMENTS

For the Financial Year Ended 31 March 2017

3. INTERESTED PERSON TRANSACTIONS

During the full year ended 31 March 2017, the following interested person transactions were entered into by the Group:

	Aggregate value of all interested person transactions during the financial period (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Sales				
Mediacorp Group	-	-	-	799*
Postea Group	-	-	-	198*
Singapore Airlines Group	-	-	-	1,704*
Singapore Telecommunications Group	-	-	14,366*	5,621*
SP Services Ltd	-	-	1,157	1,218
Starhub Group	-	-	759	860
	-	-	16,282	10,400

SGX LISTING MANUAL REQUIREMENTS

For the Financial Year Ended 31 March 2017

3. INTERESTED PERSON TRANSACTIONS (continued)

	Aggregate value of all interested person transactions during the financial period (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	2017 S\$'000	2016 S\$'000	2017 S\$'000	2016 S\$'000
Purchases				
CapitaLand Group	-	-	10,920*	-
Certis Cisco Group	-	-	450	162*
HarbourFront Centre Pte Ltd	-	-	490*	-
PSA Corporation Limited	-	-	-	1,808*
SATS Group	-	-	-	57,239*
SembCorp Group	-	-	5,524*	3,267
Singapore Airlines Group	-	-	4,588	1,540
Singapore Telecommunications Group	-	-	724*	365*
	-	-	22,696	64,381
Total interested person transactions	-	-	38,978	74,781

Note

All the transactions set out in the above table were based on the Group's interested person transactions register. They were either based on contractual values for the duration of the contracts (which vary from 27 days to 15 years) or annual values for open-ended contracts.

* Include contracts of duration exceeding one year.

SHAREHOLDING STATISTICS

As at 31 May 2017

No. of Issued Shares:	2,275,084,525
No. of Issued Shares excluding Treasury Shares:	2,273,692,720
No. of Treasury Shares held:	1,391,805
No. of Subsidiary Holdings held:	Nil
Percentage of the aggregate no. of Treasury Shares and Subsidiary Holdings held:	0.06%
Class of Shares:	Ordinary Shares
No. of Shareholders:	39,534

VOTING RIGHTS (EXCLUDING TREASURY SHARES)

On show of hands – each member present in person and each proxy shall have one vote.

On poll – every member present in person or by proxy shall have one vote for every share he holds or represents. (The Company cannot exercise any voting rights in respect of shares held by it as treasury shares)

Substantial Shareholders	No. of Shares	
	Direct Interest	Deemed Interest
Temasek Holdings (Private) Limited	–	502,595,285 ⁽¹⁾
Singapore Telecommunications Limited	494,000,000	–
Alibaba Investment Limited	327,649,907	–
Alibaba Group Holding Limited	–	327,649,907 ⁽²⁾
SoftBank Group Corp.	–	327,649,907 ⁽³⁾

Notes

⁽¹⁾ Deemed through its subsidiaries, Singapore Telecommunications Limited, ST Asset Management Ltd., an investment fund managed by SeaTown Holdings International Pte. Ltd., and its associated company, DBS Group Holdings Ltd.

⁽²⁾ Deemed through its subsidiary, Alibaba Investment Limited.

⁽³⁾ Deemed through Alibaba Group Holding Limited which is the holding company of Alibaba Investment Limited.

ANALYSIS OF SHAREHOLDERS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	
			(Excluding Treasury Shares)	%*
1 – 99	36	0.09	990	0.00
100 – 1,000	4,841	12.25	4,518,904	0.20
1,001 – 10,000	23,579	59.64	128,622,326	5.66
10,001 – 1,000,000	11,024	27.88	525,924,241	23.13
1,000,001 and above	54	0.14	1,614,626,259	71.01
	<u>39,534</u>	<u>100.00</u>	<u>2,273,692,720</u>	<u>100.00</u>

Note

* the percentage of issued ordinary shares is calculated based on the number of issued ordinary shares as at 31 May 2017, excluding any ordinary shares held in treasury as at that date.

SHAREHOLDING STATISTICS

As at 31 May 2017

MAJOR SHAREHOLDERS LIST – TOP 20

No.	Name	No. of Shares Held	% *
1	Singapore Telecommunications Limited	494,000,000	21.73
2	DB Nominees (Singapore) Pte Ltd	343,033,127	15.09
3	DBS Nominees (Private) Limited	230,691,086	10.15
4	Citibank Nominees (Singapore) Pte Ltd	196,841,675	8.66
5	HSBC (Singapore) Nominees Pte Ltd	53,319,182	2.34
6	Raffles Nominees (Pte) Ltd	38,618,352	1.70
7	DBSN Services Pte Ltd	38,103,381	1.68
8	United Overseas Bank Nominees (Private) Limited	33,339,977	1.47
9	OCBC Nominees Singapore Private Limited	14,876,700	0.65
10	BNP Paribas Securities Services	14,271,520	0.63
11	Phillip Securities Pte Ltd	12,371,294	0.54
12	OCBC Securities Private Limited	11,903,851	0.52
13	Maybank Kim Eng Securities Pte Ltd	10,785,969	0.47
14	NTUC Fairprice Co-operative Ltd	10,000,000	0.44
15	UOB Kay Hian Private Limited	8,173,255	0.36
16	CIMB Securities (Singapore) Pte Ltd	6,777,174	0.30
17	HL Bank Nominees (Singapore) Pte Ltd	6,613,000	0.29
18	Toh Lam Tiong	6,500,000	0.29
19	BNP Paribas Nominees Singapore Pte Ltd	6,009,323	0.26
20	Societe Generale Singapore Branch	5,792,584	0.25
		<hr/>	
		1,542,021,450	67.82

Note

* the percentage of issued ordinary shares is calculated based on the number of issued ordinary shares as at 31 May 2017, excluding any ordinary shares held in treasury as at that date.

SHAREHOLDING HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 31 May 2017, approximately 63.29% of the issued ordinary shares (excluding ordinary shares held in treasury) are held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

CONTACT POINTS

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COMPANY SECRETARY

Genevieve Tan McCully (Mrs)

SHARE REGISTRAR

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AUDITORS

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8 Cross Street #17-00
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Singapore 048424

Tel: +65 6236 3388
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AUDIT PARTNER: Daniel Khoo
Appointed with effect from financial year ended 31 March 2013



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