

Financial Statements

86	Directors' Statement	98	Statements of Financial Position
91	Independent Auditors' Report	100	Statements of Changes in Equity
96	Consolidated Income Statement	103	Consolidated Statement of Cash Flows
97	Consolidated Statement of Comprehensive Income	104	Notes to the Financial Statements

DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited consolidated financial statements of SATS Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the Directors:

- (a) The financial statements set out on pages 96 to 184 give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

2. DIRECTORS

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

Euleen Goh Yiu Kiang	Chairman
Alexander Charles Hungate	
Achal Agarwal	
Thierry Breton	
Chia Kim Huat	
Koh Poh Tiong	
Michael Kok Pak Kuan	
Jessica Tan Soon Neo	
Tan Soo Nan	
Yap Chee Meng	
Yap Kim Wah	

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company as stated below:

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Ordinary shares				
Alexander Charles Hungate	495,236	1,255,636	–	–
Euleen Goh Yiu Kiang	22,774	22,774	–	–
Michael Kok Pak Kuan	30,000	30,000	–	–
Tan Soo Nan	10,000	10,000	–	–
Chia Kim Huat	2,190	2,190	–	–
Award under SATS Restricted Share Plan (“RSP”)				
Alexander Charles Hungate ⁽¹⁾	351,400	354,200	–	–
Award under SATS Performance Share Plan (“PSP”)				
Alexander Charles Hungate ⁽²⁾	1,480,000	1,650,000	–	–

⁽¹⁾ The final number of RSP award will range from 0% to 120% of the initial grant and is contingent on the achievement of pre-determined target over a one-year performance condition and will vest equally over a three-year period. During the financial year, 161,000 shares were awarded and 190,400 shares were vested.

⁽²⁾ The final number of PSP will range from 0% to 150% of the initial grant and is contingent on the achievements of pre-determined targets over a three-year performance conditions period. During the financial year, 550,000 shares were awarded and 570,000 shares were vested.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 April 2018.

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

5. DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' STATEMENT

6. SHARE-BASED PAYMENTS

(i) Employee Share Option Plan

The SATS Employee Share Option Plan (the “**Share Option Plan**”), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees, was adopted in connection with the initial public offering undertaken by the Company in 2000 and a summary of which was set out in the Prospectus issued by the Company dated 4 May 2000. The Share Option Plan was modified at an Extraordinary General Meeting held on 7 July 2001 and was subsequently modified by the Company (as announced on 4 June 2003) and at Extraordinary General Meetings held on 19 July 2003 and 20 July 2004.

Under the Share Option Plan, all options to be issued will have a term no longer than 10 years from the date of grant. The exercise price of the option will be the average of the closing prices of the Company's ordinary shares on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the five market days immediately preceding the date of grant. The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any right to participate in any share issue of any other company.

Under the Employee Share Option Scheme, options will vest two years after the date of grant. Under the Senior Executive Share Option Scheme, options will vest:

- (a) one year after the date of grant for 25% of the ordinary shares subject to the options;
- (b) two years after the date of grant for an additional 25% of the ordinary shares subject to the options;
- (c) three years after the date of grant for an additional 25% of the ordinary shares subject to the options; and
- (d) four years after the date of grant for the remaining 25% of the ordinary shares subject to the options.

No options have been granted to Directors of the Company, controlling shareholders of the Company or their associates. No employee has received 5% or more of the total number of options available under the Share Option Plan. The Company has ceased to issue further grants of share options since the last grant in July 2008.

At the end of the financial year, options to take up 752,500 unissued ordinary shares in the Company were outstanding:

Date of grant	Balance at 1.4.2017	Forfeited/ Lapsed	Exercised	Balance at 31.3.2018	Exercise price	Exercisable period
02.07.2007	2,195,000	(824,400)	(1,370,600)	–	\$2.76	02.07.2009 - 01.07.2017
01.07.2008	1,091,900	(37,600)	(301,800)	752,500	\$1.92	01.07.2010 - 30.06.2018
	3,286,900	(862,000)	(1,672,400)	752,500		

6. SHARE-BASED PAYMENTS (cont'd)

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

At the Extraordinary General Meeting of the Company held on 19 July 2005, the shareholders approved the adoption of two new share plans, namely the RSP and the PSP, in addition to the Share Option Plan. Both share plans which expired in July 2015 were subsequently approved during the 41st Annual General Meeting held on 23 July 2014 for further extension of 10 years to July 2025.

From FY2013-14 onwards, the RSP final number of award will range from 0% to 120% of the initial grant and is contingent on the achievement of pre-determined targets over a one-year performance period and will vest equally over a three-year period. The PSP final number of award will range from 0% to 150% of the initial grant and is contingent on the achievement of pre-determined targets over a three-year performance period.

At the date of this report, the Remuneration and Human Resource Committee which administers the Share Option Plan, the RSP and PSP comprises the following Directors:

Euleen Goh Yiu Kiang	Chairman
Koh Poh Tiong	Member
Michael Kok Pak Kuan	Member

No shares have been granted to controlling shareholders or their associates under the RSP and PSP.

The details of the shares awarded under the RSP and PSP during the year are as follows:

RSP		Number of restricted shares			
Date of grant	Balance at 1.4.2017/ Date of grant	Vested	Forfeited	Adjustments [#]	Balance at 31.3.2018
06.08.2014	491,900	(491,900)	–	–	–
03.08.2015	1,050,400	(538,600)	(16,800)	–	495,000
01.08.2016	1,345,000	(535,000)	(32,300)	267,500	1,045,200
01.08.2017	1,424,000	–	(47,500)	–	1,376,500
	4,311,300	(1,565,500)	(96,600)	267,500	2,916,700

[#] Adjustments due to the performance factor at the end of the performance period upon meeting stated performance target.

PSP		Number of performance shares			
Date of grant	Balance at 1.4.2017/ Date of grant	Vested	Forfeited	Adjustments [#]	Balance at 31.3.2018
20.10.2014	1,046,000	(1,569,000)	–	523,000	–
02.11.2015	1,570,000	–	–	–	1,570,000
01.08.2016	1,583,000	–	–	–	1,583,000
01.08.2017	1,622,000	–	–	–	1,622,000
	5,821,000	(1,569,000)	–	523,000	4,775,000

[#] Adjustments due to the performance factor at the end of the performance period upon meeting stated performance targets.

DIRECTORS' STATEMENT

6. SHARE-BASED PAYMENTS (cont'd)

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") (cont'd)

Based on the Monte Carlo simulation model, the estimated fair values at the date of grant for each share granted during the year under the RSP ranges from \$4.39 to \$4.71 (2017: \$3.99 to \$4.28) and the estimated weighted average fair values at the date of grant for each share granted during the year under the PSP are \$1.70 (2017: \$2.54).

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

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

The number of contingent shares granted but not released as at 31 March 2018 were 2,916,700 (2017: 2,887,300) and 4,775,000 (2017: 4,199,000) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from 1,540,200 to 3,192,000 (2017: 1,542,300 to 3,156,300) and zero to a maximum of 7,162,500 (2017: zero to maximum 6,298,500) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

7. AUDIT COMMITTEE

The Audit Committee performed the functions specified in the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Corporate Governance Report.

8. INTERNAL CONTROL STATEMENT

Taking into account the views of the Audit Committee and the Board Risk and Safety Committee in the exercise of their responsibilities under their respective terms of reference, the framework of management controls, the internal control policies and procedures established and maintained by the Group's Management, the reviews conducted by the internal and external auditors and the documented governance assurance, the Board opines, with the concurrence of the Audit Committee, that the systems of internal controls and risk management (addressing financial, operational, compliance and information technology risks) which the Group consider relevant and material to its current business scope and environment were adequate and effective as at the date of the report.

However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

9. AUDITORS

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

On behalf of the Board of Directors,

EULEEN GOH YIU KIANG
Chairman

ALEXANDER CHARLES HUNGATE
Executive Director / President and Chief Executive Officer

Dated this 28 May 2018

INDEPENDENT AUDITORS' REPORT

Members of the Company SATS Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of SATS Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position of the Group and the Company as at 31 March 2018, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 96 to 184.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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 the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT OF GOODWILL

Refer to note 2.15 'Impairment of non-financial and financial assets' and note 3.5 'Impairment of non-financial assets' for relevant accounting policies and discussion of significant accounting estimates, and note 16 'Intangible assets' for the key assumptions used in impairment testing of goodwill.

The key audit matter	How the matter was addressed in our audit
<p>The Group had goodwill of \$112 million and \$19 million allocated to the SATS Food Services ("SFS") and the TFK Corporation ("TFK") cash generating units ("CGUs") respectively as at 31 March 2018.</p> <p>These CGUs are tested for impairment annually. Management applies the value-in-use (discounted cash flow) method to determine the recoverable amount of each CGU. Any shortfall of the recoverable amounts against the carrying amounts would be recognised as impairment losses. As at 31 March 2018, the recoverable amounts of the CGUs were higher than their carrying amounts.</p> <p>The recoverable amounts are determined based on estimates of forecasted revenues, growth rates, profit margins, tax rates and discount rates. These estimates require judgement and the determination of the recoverable amounts is a key focus area for our audit.</p>	<p>We assessed the governance process over the determination of estimates for forecasted revenues, growth rates, profit margins, tax rates and discount rates.</p> <p>We challenged management's estimates applied in the value-in-use models based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance, regional indices and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of the secured and lost contracts, and the analyses of the impact to the headroom when breakeven or independently derived discount rates were applied.</p>

INDEPENDENT AUDITORS' REPORT

FINDINGS

We observed that management has established governance processes over the estimates for forecasted revenues, growth rates, profit margins, tax rates and discount rates. We found the estimates applied in the value-in-use models to be reasonable and the cash flows to be in accordance with approved plans.

IMPAIRMENT OF ASSOCIATES AND JOINT VENTURES

Refer to note 2.15 'Impairment of non-financial and financial assets' and note 3.5 'Impairment of non-financial assets' for relevant accounting policies and discussion of significant accounting estimates, and note 18 'Investment in associates' and note 19 'Investment in joint ventures' for details of accounting for associates and joint ventures.

The key audit matter	How the matter was addressed in our audit
<p>The carrying value of associates and joint ventures amounted to \$849 million, which accounted for 36.1% of the Group's total assets as at 31 March 2018.</p>	<p>We assessed the determination of the CGUs and the assessment of indicators of impairment based on our understanding of the nature of the Group's business and the economic environment in which its CGUs operate.</p>
<p>Management determines at the end of each reporting period the existence of any objective evidence that indicate the Group's investments in associates or joint ventures may be impaired. If there are indicators of impairment, the deficit between the recoverable amount of the associate or joint venture and its carrying value would be recognised in profit or loss.</p>	<p>We studied recent analyst market reports to obtain an understanding of the actual growth rates and outlook of the industries in which the CGUs operate. We reviewed the CGUs' historical and current performances, and held discussions with management to understand their assessment of the future performance of the CGUs.</p>
<p>The identification of different CGUs, assessment of indicators of impairment and where such indicators exist, the determination of the recoverable amounts of the CGUs require judgement. The determination of the recoverable amounts when value-in-use is applicable requires estimates of forecasted revenues, growth rates, profit margins, tax rates and discount rates.</p>	<p>Where indicators of impairment exist, we challenged management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance, regional indices and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when breakeven or independently derived discount rates were applied.</p>

FINDINGS

We concluded that management's identification of CGUs and assessment of indicators of impairment were appropriate.

Where indicators of impairment existed, we found the estimates applied in the value-in-use models to be consistent with historical forecasts and performance and industry data and the estimated cash flows to be in accordance with approved plans.

ACCOUNTING FOR BUSINESS COMBINATIONS

Refer to note 2.4 'Basis of consolidation and business combinations' and note 2.5 'Subsidiaries, associates and joint ventures' for relevant accounting policies and note 17 'Investment in subsidiaries', note 18 'Investment in associates' and note 19 'Investment in joint ventures' for details of accounting for business combinations.

The key audit matter	How the matter was addressed in our audit
<p>As part of the Group's strategy in streamlining and growing its business operations, the Group had made a number of business acquisitions and divestments during the financial year. These transactions were effected primarily by the transfer of cash or other assets, or incurring liabilities, in exchange for equity interests.</p>	<p>We assessed the governance process over the determination of the appropriate accounting treatment to be adopted for acquisitions and divestments.</p>
<p>Such transactions could be complex and judgement was required in determining if these acquisitions and divestments resulted in the Group either having control, joint control or significant influence over the investee upon completion of the transactions. There was also inherent uncertainty in the determination of the fair values of the deemed and contingent consideration, assets transferred, identifiable assets and liabilities acquired and assumed in the transactions.</p>	<p>We assessed management's processes for selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the external valuation report. We considered management's methodology in arriving at the fair values of deemed and contingent consideration, assets transferred, identifiable assets and liabilities acquired and assumed in the transactions to determine if they were appropriate.</p>
	<p>We reviewed the sale and purchase agreements and other related documents in relation to the transactions to determine if the classification of the acquisitions as subsidiaries, joint ventures or associates was appropriate.</p>

FINDINGS

We observed that management has established governance processes over the determination of appropriate accounting treatment for acquisitions and divestments. The Group's acquisitions and divestments were appropriately classified.

Estimates used in the determination of the fair values of the deemed and contingent consideration, assets transferred, identifiable assets and liabilities acquired and assumed were supported appropriately.

OTHER INFORMATION

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

We have obtained all other information prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

INDEPENDENT AUDITORS' REPORT

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.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

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 controls 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Lau Kam Yuen.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

28 May 2018

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 March 2018

	Note	2017-18 \$'000	2016-17 \$'000
Revenue	4	1,724,584	1,729,365
Expenditure			
Staff costs	5	(833,348)	(856,651)
Cost of raw materials		(252,455)	(257,878)
Licence fees		(84,238)	(67,471)
Depreciation and amortisation charges		(78,468)	(73,498)
Company premise and utilities expenses		(103,471)	(109,591)
Other costs		(146,237)	(133,651)
		(1,498,217)	(1,498,740)
Operating profit	6	226,367	230,625
Interest on borrowings	7	(808)	(1,240)
Interest income	7	4,195	4,641
Share of results of associates/joint ventures, net of tax		71,155	65,197
Other non-operating income, net	8	20,677	9,841
Profit before tax		321,586	309,064
Income tax expense	9	(56,051)	(48,300)
Profit for the year		265,535	260,764
Profit attributable to:			
Owners of the Company		261,465	257,935
Non-controlling interests		4,070	2,829
		265,535	260,764
Earnings per share (cents)			
Basic	10	23.4	23.2
Diluted	10	23.2	23.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2018

	2017-18 \$'000	2016-17 \$'000
Profit for the year	265,535	260,764
Other comprehensive (loss)/income:		
<u>Items that will not be reclassified to profit or loss:</u>		
Actuarial loss on defined benefit plan	(918)	(57)
<u>Items that are or may be reclassified subsequently to profit or loss:</u>		
Share of changes in equity of an associate	–	3,903
Net fair value changes on available-for-sale assets	(233)	39
Foreign currency translation differences	(34,275)	17,697
Reclassification of foreign currency translation to profit or loss	1,812	–
	(32,696)	21,639
Other comprehensive (loss)/income for the year, net of tax	(33,614)	21,582
Total comprehensive income for the year	231,921	282,346
Total comprehensive income attributable to:		
Owners of the Company	227,188	276,794
Non-controlling interests	4,733	5,552
Total comprehensive income for the year	231,921	282,346

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2018

	Note	GROUP		COMPANY	
		31.3.2018 \$'000	31.3.2017 \$'000	31.3.2018 \$'000	31.3.2017 \$'000
Equity attributable to owners of the Company					
Share capital	12	367,947	367,947	367,947	367,947
Treasury shares	12	(32,814)	(30,374)	(32,814)	(30,374)
Share-based compensation reserve	13	15,004	12,610	15,004	12,610
Statutory reserve	13	9,230	8,314	–	–
Foreign currency translation reserve	13	(143,410)	(111,130)	–	–
Revenue reserve		1,430,950	1,361,966	1,159,596	1,133,294
Other reserves	13	(12,826)	(5,854)	(13,819)	(10,556)
		1,634,081	1,603,479	1,495,914	1,472,921
Non-controlling interests		132,535	87,697	–	–
Total equity		1,766,616	1,691,176	1,495,914	1,472,921
Non-current assets					
Property, plant and equipment	14	560,114	538,655	27,928	15,867
Investment properties	15	8,912	10,396	229,466	252,847
Intangible assets	16	157,506	157,948	4,169	3,326
Investment in subsidiaries	17	–	–	536,472	536,219
Investment in associates	18	604,080	590,114	320,723	305,910
Investment in joint ventures	19	244,714	80,733	165,023	12,014
Long-term investments	20	19,987	25,292	–	–
Loan to subsidiaries	17	–	–	312,420	328,753
Deferred tax assets	21	10,693	11,602	–	–
Defined benefit plan	30	747	–	–	–
Other non-current assets	22	6,589	8,150	–	–
		1,613,342	1,422,890	1,596,201	1,454,936

	Note	GROUP		COMPANY	
		31.3.2018 \$'000	31.3.2017 \$'000	31.3.2018 \$'000	31.3.2017 \$'000
Current assets					
Trade and other receivables	23	298,546	271,220	79,812	61,827
Prepayments and deposits		16,173	17,365	2,305	2,047
Amounts due from associates/ joint ventures	18,19	4,605	6,743	2,538	3,774
Loan to subsidiaries	17	–	–	217	900
Inventories	24	22,523	21,914	198	231
Cash and short-term deposits	25	373,278	505,804	211,592	300,686
Assets of disposal groups classified as held for sale	26	19,896	33,466	7,564	28,960
		735,021	856,512	304,226	398,425
Current liabilities					
Trade and other payables	27	331,611	316,148	203,235	229,723
Amounts due to joint ventures	19	3,493	4,878	–	–
Income tax payable		57,314	58,576	12,623	14,703
Term loans	28	9,850	9,998	–	–
Loan from subsidiaries	17	–	–	58,000	–
Finance leases	29	285	427	–	–
Liabilities of disposal group classified as held for sale	26	–	5,073	–	–
		402,553	395,100	273,858	244,426
Net current assets		332,468	461,412	30,368	153,999
Non-current liabilities					
Deferred tax liabilities	21	61,636	55,454	26,160	25,840
Term loans	28	96,034	97,481	96,034	97,481
Finance leases	29	251	721	–	–
Defined benefit plan	30	–	2,250	–	–
Other payables	27	21,273	37,220	8,461	12,693
		179,194	193,126	130,655	136,014
Net assets		1,766,616	1,691,176	1,495,914	1,472,921

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2018

GROUP	Note	Attributable to owners of the Company												
		Share Capital	Share Treasury Shares	Share-Based Compensation Reserve	Statutory Reserve*	Foreign Currency Translation Reserve	Revenue Reserve	Capital Reserve	Gain/(Loss) on Reissuance of Treasury Shares	Fair Value Reserve	Total	Non-controlling Interests	Total Equity	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2017		367,947	(30,374)	12,610	8,314	(111,130)	1,361,966	4,638	(10,556)	64	1,603,479	87,697	1,691,176	
Profit for the year		-	-	-	-	-	261,465	-	-	-	261,465	4,070	265,535	
Other comprehensive income for the year		-	-	-	-	(32,280)	(1,854)	-	-	(143)	(34,277)	663	(33,614)	
Total comprehensive income for the year		-	-	-	-	(32,280)	259,611	-	-	(143)	227,188	4,733	231,921	
Contributions by and distributions to owners														
Share-based payment		-	-	10,636	-	-	-	-	-	-	10,636	-	10,636	
Share options lapsed		-	-	(556)	-	-	556	-	-	-	-	-	-	
Treasury shares reissued pursuant to equity compensation plans		-	15,312	(7,686)	-	-	-	-	(3,263)	-	4,363	-	4,363	
Purchase of treasury shares		-	(17,752)	-	-	-	-	-	-	-	(17,752)	-	(17,752)	
Dividends, net	11	-	-	-	-	-	(190,267)	-	-	-	(190,267)	-	(190,267)	
Total contributions by and distributions to owners		-	(2,440)	2,394	-	-	(189,711)	-	(3,263)	-	(193,020)	-	(193,020)	
Others														
Share of other changes in equity of associated companies		-	-	-	-	-	-	(3,566)	-	-	(3,566)	-	(3,566)	
Capital contributions from non-controlling interests		-	-	-	-	-	-	-	-	-	-	41,385	41,385	
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1,280)	(1,280)	
Transfer to statutory reserve		-	-	-	916	-	(916)	-	-	-	-	-	-	
Balance at 31 March 2018		367,947	(32,814)	15,004	9,230	(143,410)	1,430,950	1,072	(13,819)	(79)	1,634,081	132,535	1,766,616	

* Certain countries in which some of the associates are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves. The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2018

GROUP	Note	Attributable to owners of the Company											
		Share Capital	Treasury Shares	Share-Based Compensation Reserve	Statutory Reserve*	Foreign Currency Translation Reserve	Revenue Reserve	Capital Reserve	Gain/(Loss) on Reissuance of Treasury Shares	Fair Value Reserve	Total	Non-controlling Interests	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2016		367,947	(47,199)	12,348	8,097	(126,644)	1,278,903	4,567	(7,293)	35	1,490,761	74,349	1,565,110
Profit for the year		-	-	-	-	-	257,935	-	-	-	257,935	2,829	260,764
Other comprehensive income for the year		-	-	-	-	15,514	3,316	-	-	29	18,859	2,723	21,582
Total comprehensive income for the year		-	-	-	-	15,514	261,251	-	-	29	276,794	5,552	282,346
Contributions by and distributions to owners													
Share-based payment		-	-	9,705	-	-	-	-	-	-	9,705	-	9,705
Share options lapsed		-	-	(247)	-	-	247	-	-	-	-	-	-
Treasury shares reissued pursuant to equity compensation plans		-	18,210	(9,196)	-	-	-	-	(3,263)	-	5,751	-	5,751
Purchase of treasury shares		-	(1,385)	-	-	-	-	-	-	-	(1,385)	-	(1,385)
Dividends, net	11	-	-	-	-	-	(178,218)	-	-	-	(178,218)	-	(178,218)
Total contributions by and distributions to owners		-	16,825	262	-	-	(177,971)	-	(3,263)	-	(164,147)	-	(164,147)
Others													
Share of other changes in equity of associated companies		-	-	-	-	-	-	71	-	-	71	-	71
Capital contributions from non-controlling interests		-	-	-	-	-	-	-	-	-	-	8,681	8,681
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(885)	(885)
Transfer to statutory reserve		-	-	-	217	-	(217)	-	-	-	-	-	-
Balance at 31 March 2017		367,947	(30,374)	12,610	8,314	(111,130)	1,361,966	4,638	(10,556)	64	1,603,479	87,697	1,691,176

* Certain countries in which some of the associates are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves. The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2018

COMPANY	Note	Share Capital	Treasury Shares	Share-Based Compensation Reserve	Revenue Reserve	Gain/(Loss) on Reissuance of Treasury Shares	Total Equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2017		367,947	(30,374)	12,610	1,133,294	(10,556)	1,472,921
Profit for the year		–	–	–	216,013	–	216,013
Total comprehensive income for the year		–	–	–	216,013	–	216,013
Contributions by and distributions to owners							
Share-based payment		–	–	10,636	–	–	10,636
Share options lapsed		–	–	(556)	556	–	–
Treasury shares reissued pursuant to equity compensation plans		–	15,312	(7,686)	–	(3,263)	4,363
Purchase of treasury shares		–	(17,752)	–	–	–	(17,752)
Dividends, net	11	–	–	–	(190,267)	–	(190,267)
Total contributions by and distributions to owners		–	(2,440)	2,394	(189,711)	(3,263)	(193,020)
Balance at 31 March 2018		367,947	(32,814)	15,004	1,159,596	(13,819)	1,495,914
Contributions by and distributions to owners							
Share-based payment		–	–	9,705	–	–	9,705
Share options lapsed		–	–	(247)	247	–	–
Treasury shares reissued pursuant to equity compensation plans		–	18,210	(9,196)	–	(3,263)	5,751
Purchase of treasury shares		–	(1,385)	–	–	–	(1,385)
Dividends, net	11	–	–	–	(178,218)	–	(178,218)
Total contributions by and distributions to owners		–	16,825	262	(177,971)	(3,263)	(164,147)
Balance at 31 March 2017		367,947	(30,374)	12,610	1,133,294	(10,556)	1,472,921

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2018

	Note	2017-18 \$'000	2016-17 \$'000
Cash flows from operating activities			
Profit before tax		321,586	309,064
Adjustments for:			
Interest and investment income, net		(3,401)	(4,058)
Depreciation and amortisation charges		78,468	73,498
Unrealised foreign exchange loss/(gain)		7,585	(991)
Share of results of associates/joint ventures, net of tax		(71,155)	(65,197)
Gain on disposal of property, plant and equipment		(326)	(600)
Gain on disposal of assets held for sale		(15,543)	(9,301)
Write-back of earn-out consideration		(4,528)	–
Loss on divestment/dilution of interest in associates		–	717
Share-based payment expense		10,636	9,705
Gain on sale of investment		(266)	–
Other non-cash items		34	794
Operating cash flows before working capital changes		323,090	313,631
Changes in working capital:			
Increase in receivables		(24,263)	(2,271)
Decrease in prepayments and deposits		1,192	1,099
(Increase)/decrease in inventories		(609)	377
(Decrease)/Increase in payables		(1,790)	30,420
Decrease in amounts due from associates/joint ventures, net		753	8,569
Cash generated from operations		298,373	351,825
Interest paid to third parties		(1,526)	(1,593)
Income taxes paid		(51,301)	(41,308)
Net cash from operating activities		245,546	308,924
Cash flows from investing activities			
Capital expenditure	25	(99,233)	(88,124)
Dividends from associates/joint ventures		25,203	41,618
Dividends from long-term investment, gross		–	657
Proceeds from divestment of interest in associates		–	221
Proceeds from disposal of assets held for sale		34,791	20,644
Proceeds from disposal of property, plant and equipment		904	2,196
Investment in associates/joint ventures		(151,124)	(75,304)
Decrease/(increase) in long term investments		3,893	(24,535)
Interest received from deposits		3,363	2,987
Net cash used in investing activities		(182,203)	(119,640)
Cash flows from financing activities			
Repayment of term loans		–	(6,627)
Repayment of finance leases and related charges		(606)	(445)
Proceeds from borrowings		–	366
Proceeds from exercise of share options		4,363	5,749
Dividends paid		(190,267)	(178,218)
Purchase of treasury shares		(17,752)	(1,385)
Capital contributions from non-controlling interests		8,751	8,681
Dividends paid to non-controlling interests		(1,280)	(885)
Net cash used in financing activities		(196,791)	(172,764)
Net (decrease)/increase in cash and cash equivalents		(133,448)	16,520
Effect of exchange rate changes		(1,640)	1,983
Cash and cash equivalents at beginning of financial year		508,366	489,863
Cash and cash equivalents at end of financial year	25	373,278	508,366

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

The consolidated financial statements for the financial year ended 31 March 2018 were authorised for issue in accordance with a resolution of the Directors on 28 May 2018.

1. GENERAL

SATS Ltd. (the “**Company**” or “**SATS**”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The registered office and principal place of business of the Company is located at 20 Airport Boulevard, SATS Inflight Catering Centre 1, Singapore 819659.

The Company is principally an investment holding company. Its other activities include rental of premises and provision of management services to related companies.

The principal activities of the subsidiaries are disclosed in Note 17 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“**FRS**”).

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

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

2.2 Changes in accounting policies and estimates

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which were effective for annual financial periods beginning on or after 1 April 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Disclosure Initiative (Amendments to FRS 7)

From 1 April 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 March 2018. Comparative information has not been presented (Note 28).

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective (cont'd)

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2017 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have a significant effect on the financial statements of the Company in future financial periods, the Company has commenced the process of assessing the transition options, and the potential impact of these changes on its financial statements. The Company does not plan to adopt these standards early.

The Group is required to adopt FRS 109 Financial Instruments and FRS 115 Revenue from Contracts with Customers from 1 April 2018. The Group has assessed the estimated impact that the initial application of FRS 109 and FRS 115 will have on its financial statements. The Group expects no significant impact of these changes to its financial statements.

Applicable to Financial Year 2018-19 financial statements

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 Revenue, FRS 11 Construction Contracts, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for the Construction of Real Estate, INT FRS 118 Transfers of Assets from Customers and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its FY2018-19 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

During FY2017-18, the Group completed its assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on its opening equity.

FRS 109 Financial Instruments

FRS 109 replaces most of the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

During FY2017-18, the Group completed its assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact to its net assets and net profit. The Group plans to adopt the standard when it becomes effective in FY2018-19 without restating comparative information.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014, that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 March 2019 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 First-time adoption of International Financial Reporting Standards for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 Revenue from Contracts with Customers and SG-IFRS 9 Financial Instruments will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group will perform detailed analysis of certain available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

Applicable to Financial Year 2019-20 financial statements

FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17 Leases, INT FRS 104 Determining whether an Arrangement contains a Lease, INT FRS 15 Operating Leases – Incentives, and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down.

The Group plans to adopt the standard when it becomes effective in FY2019-20. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients.

The Group expects that the impact on adoption of IFRS 16 Leases to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in FY2018-19 as described above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's and the Company's financial statements.

- Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 102);
- Transfers of Investment Property (Amendments to FRS 40);
- Deletion of short-term exemptions for first-time adopters (Amendments to FRS 101);
- Measuring an Associate or Joint Venture at Fair Value (Amendments to FRS 28);
- Applying FRS 109 Financial Instruments with FRS 104 Insurance Contract (Amendments to FRS 104);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 110 and FRS 28);
- INT FRS 122 Foreign Currency Transactions and Advance Consideration; and
- INT FRS 123 Uncertainty over Income Tax Treatments.

2.4 Basis of consolidation and business combinations

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or revenue reserve, as appropriate.

Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

Business combinations (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10. In instances where the latter amount exceeds the former, the excess is recognised as negative goodwill in profit or loss on the acquisition date.

2.5 Subsidiaries, associates and joint ventures

Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control and the joint arrangement provides the Group with rights to the net assets of the arrangement.

The Group accounts for its investment in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of the results of the operations of the associates or joint ventures. Distributions received from the associates or joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interests in the associates or joint ventures.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Subsidiaries, associates and joint ventures (cont'd)

Associates and joint ventures (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

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

The most recently available audited financial statements of the associates and joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.6 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.7 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Foreign currency (cont'd)

Consolidated financial statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into Singapore Dollars at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.20. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Property, plant and equipment are depreciated on a straight-line basis at rates which are calculated to write-down their costs to their estimated residual values at the end of their operational lives. Operational lives and residual values are reviewed annually in the light of experience and changing circumstances, and adjusted as appropriate at each balance sheet date. The estimated useful lives are as follows:

Freehold buildings	– 50 to 55 years
Leasehold land and buildings	– according to the lease period or 30 years whichever is the shorter
Office fittings and fixtures and office and commercial equipment	– 1 to 12 years
Fixed and mobile ground support equipment and motor vehicles	– 1 to 12 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Investment properties

Investment properties are properties that are either owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties.

Investment properties are stated at cost, net of depreciation and any accumulated impairment losses. Depreciation is provided on the straight line basis so as to write off the cost of the investment properties over its estimated useful lives of 10 to 30 years. Operational lives and residual values are reviewed annually in the light of experience and changing circumstances, and adjusted as appropriate at each balance sheet date.

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

Transfers are made to or from investment property only when there is a change in use. Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

2.10 Intangible assets

Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

The cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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

Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The Group and Company do not have other intangible assets with indefinite useful life.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Intangible assets (cont'd)

Other intangible assets (cont'd)

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is de-recognised.

a) Software development

Software development is stated at cost less accumulated amortisation and impairment losses, if any. The cost is amortised using the straight-line method over the estimated useful life of 3 to 5 years.

b) Licences

Licences comprise the abattoir licence which was acquired in a business combination. The abattoir licence is amortised on a straight line basis over its estimated useful life of 14 years.

c) Customer relationships

Customer relationships were acquired in business combinations. The customer relationships are amortised on a straight line basis over its estimated useful life of 10 years.

2.11 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial assets (cont'd)

Subsequent measurement (cont'd)

b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

c) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

The fair value of quoted investments is generally determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions or reference to the current market value of another instrument (which is substantially the same). For investments where there is no active market and where fair value cannot be reliably measured, they are measured at cost less impairment loss.

De-recognition

A financial asset is de-recognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

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

2.12 Inventories

Inventories, which consist mainly of equipment spare parts and food supplies, are stated at the lower of cost and net realisable value. Costs are determined using the weighted average cost basis, and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Inventories (cont'd)

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Cash and short-term deposits

Cash and short-term deposits are defined as cash on hand and demand deposits.

Cash on hand and demand deposits are classified and accounted for as loans and receivables.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand and short-term deposits in banks, net of outstanding bank overdrafts.

2.14 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

2.15 Impairment of non-financial and financial assets

Non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of non-financial and financial assets (cont'd)

Non-financial assets (cont'd)

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

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

a) Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account are written off against the carrying value of the financial asset.

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

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

b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Impairment of non-financial and financial assets (cont'd)

Financial assets (cont'd)

c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.16 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit and loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process. Financial liabilities that are carried at fair value through profit and loss are subsequently measured at fair value.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Financial liabilities (cont'd)

Offsetting of financial instruments

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

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance costs.

2.18 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22.

2.19 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Taxes (cont'd)

Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Taxes (cont'd)

Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Employee benefits

Equity compensation plans

The Group has in place an Employee Share Option Plan (the "Plan") for the granting of share options to senior executives and all other employees to subscribe for ordinary shares in the Company. The exercise price approximates the market value of the ordinary shares on the date of grant.

The Group has also implemented the Restricted Share Plan and Performance Share Plan for awarding of fully paid ordinary shares to key senior management and senior executives, when and after pre-determined performance or service conditions are accomplished. Details of the plans are disclosed in Note 12 to the financial statements.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.21 Employee benefits (cont'd)

Defined contribution plans

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

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

a) Rendering of services

Revenue from ground handling, inflight and institutional catering, aviation security services, airline laundry, airport cargo delivery management services and cruise terminal services is recognised upon rendering of services. Revenue from manufacturing and exporting chilled and frozen processed foods is recognised upon delivery and acceptance of goods sold.

b) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

c) Dividend income

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

d) Interest income

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

2.23 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants receivable are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expense are offset against the related expenses.

2.24 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity (Note 12). No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.25 Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to profit or loss.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. For more details, refer to Note 28.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.26 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management of the Group. The senior management are responsible for allocating resources and assessing performance of the operating segments. Additional disclosures on each of these segments are shown in Note 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Related parties

A related party is defined as follows:

- (i) A person or a close member of that person's family is related to the Group and Company if that person:
 - (a) has control or joint control over the Company;
 - (b) has significant influence over the Company; or
 - (c) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (ii) An entity is related to the Group and the Company if any of the following conditions applies:
 - (a) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (c) both entities are joint ventures of the same third party;
 - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (f) the entity is controlled or jointly controlled by a person identified in (i); or
 - (g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect that application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed below.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.1 Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3.2 Useful lives of property, plant and equipment and investment properties

The Group reviews the useful lives of property, plant and equipment and investment properties, in accordance with the accounting policies stated in Note 2.8 and Note 2.9 respectively.

Judgement is required in determining the useful lives of property, plant and equipment and investment properties. In determining useful lives, which is based on the period over which an asset is expected to be available for efficient use, the Group considers factors like insurance coverage requirement, maintenance and repair cost, technical or commercial obsolescence, the asset replacement policy and legal or similar limits to the use of the property, plant and equipment and investment properties.

3.3 Defined benefit plan

The costs of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds in the respective currencies with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 30.

3.4 Employee compensation plans

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

3.5 Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use for calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 16 to the financial statements.

3.6 Consolidation; whether the Group has control over an investee

In determining whether the Group has control over an investee requires management judgement. In exercising its judgement, management considers the proportion of its ownership interest and voting rights, the Group's decision making authority over the investee, as well as the Group's overall exposure to variable returns.

4. REVENUE

Revenue comprises revenue from Food Solutions, Gateway Services, rental income and other services provided by the Company and the Group. Food Solutions refers to inflight and institutional catering, food processing, distribution and airline laundry services while Gateway Services includes ground handling, airport cargo delivery, management services, aviation security services and cruise terminal services. It excludes dividends, interest income and, in respect of the Group, intra-group transactions.

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Food Solutions	946,638	973,347
Gateway Services	776,510	754,601
Others (rental and other services)	1,436	1,417
	1,724,584	1,729,365

5. STAFF COSTS

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Salaries, bonuses and other costs*	736,317	759,862
CPF and other defined contributions	84,524	84,572
Share-based compensation expense (Note 12)	10,636	9,705
Defined benefit plan (Note 30)	1,871	2,512
	833,348	856,651

* Included in salaries, bonuses and other costs are contract labour expenses of \$126,027,000 (2017: \$113,402,000).

6. OPERATING PROFIT

	GROUP	
	2017-18 \$'000	2016-17 \$'000
The following items have been included in arriving at operating profit:		
Directors' fees (Note 31)	1,005	867
Audit fee paid to auditors of the Company	528	435
Audit fee paid to other auditors	295	240
Non-audit fee paid to auditors of the Company	73	71
Non-audit fee paid to other auditors of the Company	24	19
(Write-back)/allowance of doubtful receivables and bad debts written off, net	(166)	711
Maintenance of equipment and vehicles	39,432	40,093
IT expenses	19,997	22,005
Lease of ground support equipment	8,335	7,859
Rental for leasehold land and premises	16,713	15,310
Exchange loss/(gain), net	7,585	(991)

7. INTEREST ON BORROWINGS AND INTEREST INCOME

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Interest expenses on loan from third parties	(808)	(1,240)
Interest income from third parties	4,195	4,641
	3,387	3,401

8. OTHER NON-OPERATING INCOME, NET

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Dividends from long-term investment, gross	14	657
Gain on disposal of property, plant and equipment	326	600
Gain on disposal of assets held for sale	15,543	9,301
Write-back of earn-out consideration	4,528	–
Loss on divestment/dilution of interest in associates	–	(717)
Gain on sales of investment	266	–
	20,677	9,841

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

9. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2018 and 2017 are:

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Current income tax :		
Current income taxation	49,142	46,384
(Over)/under provision in respect of prior years	(1,483)	131
	47,659	46,515
Deferred income tax (Note 21):		
Origination and reversal of temporary differences	5,025	2,820
Under/(over) provision of deferred taxation in respect of prior years	323	(3,543)
Withholding tax expenses on share of results of associates/joint ventures	3,044	2,508
Income tax expense recognised in profit or loss	56,051	48,300

Reconciliation of effective tax rate

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Profit before tax	321,586	309,064
Taxation at statutory tax rate of 17% (2017: 17%)	54,670	52,541
Adjustments:		
Non-deductible expenses	13,295	12,268
Effect of different tax rates in other countries	3,055	1,286
Effect of reduction in tax rate	(46)	80
Tax rebate	(452)	(1,624)
(Over)/under provision of current taxation in respect of prior years	(1,483)	131
Under/(over) provision of deferred taxation in respect of prior years	323	(3,543)
Utilisation of previously unrecognised tax losses/capital allowances	(1,625)	(273)
Tax exempt income	(6,079)	(6,879)
Effect of share of results of associates/joint ventures	(10,265)	(8,939)
Withholding tax expenses on share of results of associates/joint ventures	3,044	2,508
Deferred tax assets not recognised	1,473	808
Others	141	(64)
Income tax expense recognised in profit or loss	56,051	48,300

10. EARNINGS PER SHARE

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Profit attributable to owners of the Company	261,465	257,935
	GROUP	
	2017-18	2016-17
Weighted average number of ordinary shares in issue used for computing basic earnings per share	1,117,220,366	1,112,239,516
Adjustment for share options, RSP and PSP	7,865,518	8,480,475
Weighted average number of ordinary shares in issue used for computing diluted earnings per share	1,125,085,884	1,120,719,991
Earnings per share (cents)		
Basic	23.4	23.2
Diluted	23.2	23.0

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

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect of share based payment plans of the Company.

11. DIVIDENDS PAID AND PROPOSED

The following exempt (one-tier) dividends were declared and paid by the Group and Company to owners of the Company:

	GROUP AND COMPANY	
	2017-18 \$'000	2016-17 \$'000
Dividends paid:		
Final dividend of 11 cents (2017: 10 cents) per ordinary share in respect of previous financial year	123,113	111,357
Interim dividend of 6 cents (2017: 6 cents) per ordinary share in respect of current financial year	67,154	66,861
	190,267	178,218

Proposed but not recognised as a liability as at 31 March 2018:

	2017-18 \$'000
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:	
Final dividend of 12 cents per ordinary share (one-tier tax exempt)	133,901

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

12. SHARE CAPITAL AND TREASURY SHARES

Share Capital

	GROUP AND COMPANY 31 March			
	2018 Number of shares	2017 Number of shares	2018 \$'000	2017 \$'000
Issued and fully paid share capital				
Ordinary shares				
Balance at beginning and end of the year	1,124,056,275	1,124,056,275	367,947	367,947

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

No ordinary shares were issued pursuant to equity compensation plans during the year and in previous financial year.

Treasury Shares

	GROUP AND COMPANY 31 March			
	2018 Number of shares	2017 Number of shares	2018 \$'000	2017 \$'000
Balance at beginning of the year	9,547,355	15,053,333	30,374	47,199
Shares acquired during the year	3,470,000	295,000	17,752	1,385
Shares reissued pursuant to equity compensation plans during the year	(4,806,900)	(5,800,978)	(15,312)	(18,210)
Balance at end of the year	8,210,455	9,547,355	32,814	30,374

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

During the year, 4,806,900 (2017: 5,800,978) treasury shares were reissued pursuant to the equity compensation plans of which 1,672,400 (2017: 2,405,625) were reissued for the Employee Share Option Plan, 1,565,500 (2017: 2,038,853) were reissued for the Restricted Share Plan, and 1,569,000 (2017: 1,356,500) were reissued for the Performance Share Plan.

Employee Share Option Plan

During the year, 1,672,400 (2017: 2,405,625) options were exercised under the SATS Employee Share Option Plan (the "Plan"), which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees. These options were fully exercised by reissuance of 1,672,400 (2017: 2,405,625) treasury shares.

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Employee Share Option Plan (cont'd)

Information with respect to the number of options granted under the Plan is as follows:

	GROUP 31 March			
	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of the year	3,286,900	\$2.48	6,208,785	\$2.41
Exercised	(1,672,400)	\$2.61	(2,405,625)	\$2.39
Forfeited/Lapsed	(862,000)	\$2.72	(516,260)	\$2.08
Outstanding at end of the year	752,500	\$1.92	3,286,900	\$2.48
Exercisable at end of the year	752,500	\$1.92	3,286,900	\$2.48

Fair values of the options

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted each year under the Plan. The estimate of the fair value of the services received is measured based on a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. There were no options granted during the year and in prior year.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. No other features of options were incorporated into the measurement of fair value.

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Proceeds received from share options exercised	4,363	5,749

Terms of share options outstanding as at 31 March 2018:

Exercise period	Exercise Price	Number Outstanding	Number Exercisable
01.07.2010 – 30.06.2018	\$1.92	752,500	752,500
		752,500 [®]	752,500

[®] The total number of options outstanding includes 57,200 (2017: 381,600) share options not exercised by employees who have retired or ceased to be employed by SATS or any of its subsidiary companies by reason of (i) ill health, injury, disability or death; (ii) redundancy; or (iii) any other reason approved in writing by the Remuneration Committee. The said options are exercisable up to the expiration of the applicable exercise period or the period of five years from the date of retirement or cessation of employment, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Employee Share Option Plan (cont'd)

Details of movements of share options:

Date of grant	Balance at 1.4.2017	Forfeited/ Lapsed	Exercised	Balance at 31.3.2018	Exercise price	Exercisable period
02.07.2007	2,195,000	(824,400)	(1,370,600)	–	\$2.76	02.07.2009 – 01.07.2017
01.07.2008	1,091,900	(37,600)	(301,800)	752,500	\$1.92	01.07.2010 – 30.06.2018
	3,286,900	(862,000)	(1,672,400)	752,500		

The exercise prices for options outstanding at the end of the year is \$1.92 (2017: \$1.92 - \$2.76). The weighted average remaining contractual life for these options is 0.25 years (2017: 0.58 years).

The weighted average share price for options exercised during the year was \$5.09 (2017: \$4.47).

The Company has ceased to issue further grants of share options since the last grant in July 2008.

Share-Based Incentive Plans

The Restricted Share Plan (“RSP”) and Performance Share Plan (“PSP”) are share-based incentive plans for management staff, which were approved by the shareholders of the Company on 19 July 2005. Both share plans which expired in July 2015 were subsequently approved during the 41st Annual General Meeting held on 23 July 2014 for further extension of 10 years to July 2025.

The details of the two plans are described below:

	Restricted Share Plan (“RSP”)	Performance Share Plan (“PSP”)
For grants in FY2014-15 to FY2017-18		
Plan Description	Award of fully-paid ordinary shares of the Company, conditional on achievement of both corporate pre-determined performance targets set over one-year period and individual performance.	Award of fully-paid ordinary shares of the Company, conditional on achievement of both pre-determined performance targets set at the start of a three-year overlapping performance period based on stretched long-term corporate objectives and individual performance.
Performance Conditions	Group ROE [^] performance.	<ul style="list-style-type: none"> • Absolute TSR • Relative TSR
Vesting Condition	Equal vesting over a three-year period.	Vesting based on meeting specified performance conditions over a three-year performance period.
Payout	0% - 120% depending on the achievement based on prior financial year.	0% - 150% depending on the achievement of specified performance targets over the performance period.

[^] ROE denotes Returns on Equity.

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Share-Based Incentive Plans (cont'd)

Fair values of RSP and PSP

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

The following table lists the inputs to the model used for the awards:

RSP	Aug 2017	Aug 2016	Aug 2015
Expected dividend yield (%)	Management's forecast		
Expected volatility (%)	14.5	13.3	14.4
Risk-free interest rate (%)	1.1 – 1.4	0.8 – 1.1	0.8 – 1.3
Expected term (years)	0.9 – 2.9	0.9 – 2.9	0.9 – 2.9
Share price at date of grant (\$)	4.85	4.40	3.82
PSP	Aug 2017	Aug 2016	Nov 2015
Expected dividend yield (%)	Management's forecast		
Expected volatility (%)	14.5	13.3	15.3
Risk-free interest rate (%)	1.44	1.07	1.46
Expected term (years)	2.9	2.9	2.8
Index (for Relative TSR)	MSCI Asia Pac ex-Japan Industrial Index	MSCI Asia Pac ex-Japan Industrial Index	MSCI Asia Pac ex-Japan Industrial Index
Index Volatility (%)	12.95	14.18	13.18
Correlation with Index (%)	1.7	10.9	14.7
Share price at date of grant (\$)	4.85	4.40	3.84

For non-market conditions, achievement factors are determined based on inputs from the Remuneration and Human Resource Committee for the purpose of accrual for the RSP until the achievement of the targets can be accurately ascertained.

The details of the movement of RSP and PSP shares award during the year are as follows:

RSP	Number of restricted shares				
	Balance at 1.4.2017/ Date of grant	Vested	Forfeited	Adjustments[#]	Balance at 31.3.2018
06.08.2014	491,900	(491,900)	–	–	–
03.08.2015	1,050,400	(538,600)	(16,800)	–	495,000
01.08.2016	1,345,000	(535,000)	(32,300)	267,500	1,045,200
01.08.2017	1,424,000	–	(47,500)	–	1,376,500
	4,311,300	(1,565,500)	(96,600)	267,500	2,916,700

[#] Adjustments due to the performance factor at the end of the performance period upon meeting stated performance target.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

12. SHARE CAPITAL AND TREASURY SHARES (cont'd)

Share-Based Incentive Plans (cont'd)

Fair values of RSP and PSP (cont'd)

Based on the Monte Carlo simulation model, the estimated fair values at the date of grant for each share granted during the year under the RSP ranges from \$4.39 to \$4.71 (2017: \$3.99 to \$4.28).

PSP	Number of performance shares				Balance at 31.3.2018
	Balance at 1.4.2017/ Date of grant	Vested	Forfeited	Adjustments [#]	
Date of grant					
20.10.2014	1,046,000	(1,569,000)	–	523,000	–
02.11.2015	1,570,000	–	–	–	1,570,000
01.08.2016	1,583,000	–	–	–	1,583,000
01.08.2017	1,622,000	–	–	–	1,622,000
	5,821,000	(1,569,000)	–	523,000	4,775,000

[#] Adjustments due to the performance factor at the end of the performance period upon meeting stated performance targets.

The estimated weighted average fair values at the date of grant for each share granted during the year under the PSP are \$1.70 (2017: \$2.54) based on the Monte Carlo simulation model.

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

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

The number of contingent shares granted but not released as at 31 March 2018, were 2,916,700 (2017: 2,887,300) and 4,775,000 (2017: 4,199,000) for RSP and PSP respectively. Based on the achievement factor, the actual release of the awards could range from 1,540,200 to 3,192,000 (2017: 1,542,300 to 3,156,300) and zero to a maximum of 7,162,500 (2017: zero to maximum 6,298,500) fully-paid ordinary shares of the Company, for RSP and PSP respectively.

The total amount of share-based compensation expenses recognised in profit or loss based on the fair values determined on grant date and estimation of share grants that will ultimately vest are summarised as follows:

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Share-based compensation expense		
Restricted share plan	6,680	6,518
Performance share plan	3,956	3,187
	10,636	9,705

13. RESERVES

(a) Share-Based Compensation Reserve

Share-based compensation reserve represents the equity-settled share options, restricted and performance shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options, restricted and performance shares, net of cumulative shares vested.

(b) Statutory Reserve

Certain countries in which some of the Group's associates are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The foreign currency translation reserve is also used to record the effect of hedging of net investments in a foreign operation (Note 28).

(d) Fair Value Reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets, until they are disposed or impaired.

(e) Capital Reserve

Capital reserve comprises acquisitions of non-controlling interests that do not result in a change of control.

(f) Gain or Loss on Reissuance of Treasury Shares

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

14. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Office fittings and fixtures \$'000	Fixed ground support equipment \$'000	Mobile ground support equipment \$'000	Office and commercial equipment \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
Cost									
At 1 April 2016	103,850	700,777	130,562	317,806	66,779	43,053	51,374	28,767	1,442,968
Translation	4,885	–	100	31	696	284	502	–	6,498
Reclassifications	–	–	19,042	8,819	1,731	941	–	(30,533)	–
Transfer from/ (to) intangible assets (Note 16)	–	–	281	–	–	(200)	–	12	93
Additions (Note 25)	1,121	49	1,153	4,602	11,027	2,873	5,488	60,431	86,744
Transfer to assets held for sale (Note 26)	–	–	(1,850)	–	(21,622)	(463)	(90)	–	(24,025)
Disposals	(4,042)	–	(1,453)	(272)	(5,733)	(1,417)	(2,011)	–	(14,928)
Impairment	(11,066)	–	–	–	–	–	–	–	(11,066)
At 31 March 2017 and 1 April 2017	94,748	700,826	147,835	330,986	52,878	45,071	55,263	58,677	1,486,284
Translation	(1,660)	–	(1)	(50)	–	(130)	(221)	(145)	(2,207)
Reclassifications	–	5,759	8,403	26,709	210	1,681	83	(42,845)	–
Transfer to intangible assets (Note 16)	–	–	–	–	–	–	–	(200)	(200)
Additions (Note 25)	1,256	1,501	1,827	10,381	15,710	3,345	6,203	53,465	93,688
Disposals	(254)	–	(366)	(328)	(3,847)	(658)	(2,059)	–	(7,512)
At 31 March 2018	94,090	708,086	157,698	367,698	64,951	49,309	59,269	68,952	1,570,053

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP	Freehold land and buildings \$'000	Leasehold land and buildings \$'000	Office fittings and fixtures \$'000	Fixed ground support equipment \$'000	Mobile ground support equipment \$'000	Office and commercial equipment \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
Accumulated depreciation									
At 1 April 2016	16,691	444,823	82,125	289,587	39,524	28,985	24,441	–	926,176
Translation	1,489	–	63	24	544	177	220	–	2,517
Transfers to intangible assets (Note 16)	–	–	–	–	–	(200)	–	–	(200)
Depreciation	5,148	24,562	9,444	7,100	7,086	4,189	5,122	–	62,651
Transfer to assets held for sale (Note 26)	–	–	(1,526)	–	(17,045)	(348)	(80)	–	(18,999)
Disposals	(2,991)	–	(1,291)	(213)	(5,732)	(1,391)	(1,832)	–	(13,450)
Impairment	(11,066)	–	–	–	–	–	–	–	(11,066)
At 31 March 2017 and 1 April 2017	9,271	469,385	88,815	296,498	24,377	31,412	27,871	–	947,629
Translation	(392)	(109)	(3)	(53)	(15)	(101)	(123)	–	(796)
Depreciation	4,932	27,475	11,440	9,168	7,421	4,758	5,186	–	70,380
Disposals	(74)	–	(322)	(320)	(3,847)	(627)	(1,549)	–	(6,739)
Disposal of subsidiary	–	–	(80)	–	(434)	(19)	(2)	–	(535)
At 31 March 2018	13,737	496,751	99,850	305,293	27,502	35,423	31,383	–	1,009,939
Carrying amount									
At 1 April 2016	87,159	255,954	48,437	28,219	27,255	14,068	26,933	28,767	516,792
At 31 March 2017	85,477	231,441	59,020	34,488	28,501	13,659	27,392	58,677	538,655
At 31 March 2018	80,353	211,335	57,848	62,405	37,449	13,886	27,886	68,952	560,114

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY	Fixed ground support equipment \$'000	Mobile ground support equipment \$'000	Office and commercial equipment \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
Cost						
At 1 April 2016	2,767	4	2,529	95	12,686	18,081
Reclassifications	2,422	–	40	–	(2,462)	–
Transfer to investment properties (Note 15)	–	–	–	–	(17,055)	(17,055)
Additions	15	–	2	46	19,377	19,440
Disposals	–	–	(110)	–	–	(110)
At 31 March 2017 and 1 April 2017	5,204	4	2,461	141	12,546	20,356
Reclassifications	–	–	447	–	(447)	–
Transfer to investment properties (Note 15)	–	–	–	–	(5,085)	(5,085)
Additions	8	–	10	57	17,672	17,747
At 31 March 2018	5,212	4	2,918	198	24,686	33,018
Accumulated depreciation						
At 1 April 2016	1,642	–	2,376	72	–	4,090
Depreciation	336	–	169	4	–	509
Disposals	–	–	(110)	–	–	(110)
At 31 March 2017 and 1 April 2017	1,978	–	2,435	76	–	4,489
Depreciation	484	1	104	12	–	601
At 31 March 2018	2,462	1	2,539	88	–	5,090
Carrying amount						
At 1 April 2016	1,125	4	153	23	12,686	13,991
At 31 March 2017	3,226	4	26	65	12,546	15,867
At 31 March 2018	2,750	3	379	110	24,686	27,928

The Group's carrying amount of property, plant and equipment under finance leases is \$561,166 (2017: \$1,154,000). In addition to assets held under finance leases, the Group's property, plant and equipment with a carrying amount of NIL (2017: \$9,737,000) are pledged to secure the Group's bank loans.

15. INVESTMENT PROPERTIES

	GROUP \$'000	COMPANY \$'000
Cost		
At 1 April 2016	53,441	747,857
Translation	412	–
Transfer from property, plant and equipment (Note 14)	–	17,055
Additions	–	188
Disposals	–	(956)
Transfer to assets held for sale (Note 26)	(6,370)	–
At 31 March 2017 and 1 April 2017	47,483	764,144
Translation	1,155	–
Transfer from property, plant and equipment (Note 14)	–	5,085
Additions	–	70
Disposals	(481)	–
At 31 March 2018	48,157	769,299
Accumulated depreciation		
At 1 April 2016	39,512	485,213
Depreciation	1,881	26,869
Disposals	–	(785)
Transfer to assets held for sale (Note 26)	(4,306)	–
At 31 March 2017 and 1 April 2017	37,087	511,297
Translation	1,171	–
Depreciation	1,364	28,536
Disposals	(377)	–
At 31 March 2018	39,245	539,833
Carrying amount		
At 1 April 2016	13,929	262,644
At 31 March 2017	10,396	252,847
At 31 March 2018	8,912	229,466

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

15. INVESTMENT PROPERTIES (cont'd)

Information relating to the fair values of the investment properties of the Group as at 31 March 2018 is as follows:

	Carrying value \$'000	Fair value \$'000
Investment properties	8,912	39,204

The valuation is based on the Direct Comparison Method and the Investment Method that makes reference to sales and gross rental income of similar properties based on prevailing economic conditions.

Information relating to the fair values of the investment properties of the Company rented to third parties as at 31 March 2018 is as follows:

	Carrying value \$'000	Fair value \$'000
Investment properties rented by Company to third parties	2,123	17,500

The valuation is based on the Investment Method that makes reference to gross rental income of similar properties based on prevailing economic conditions.

The remaining investment properties of the Company are rented to the subsidiaries of the Group for their operational needs and therefore the Company does not consider the disclosure of fair value of these investment properties to be relevant.

Investment properties are categorised within level 3 of the fair value hierarchy. A significant increase (decrease) in gross rental income would result in a significantly higher (lower) fair value measurement.

The property rental income earned by the Group and Company for the year ended 31 March 2018 from its investment properties which are leased out under operating leases, amounted to \$4,487,000 and \$47,416,000 (2017: \$4,903,000 and \$47,247,000) respectively.

Direct operating expenses (including repairs and maintenance) incurred on rental-earning investment properties amounted to \$1,103,000 and \$39,229,000 (2017: \$1,177,000 and \$36,728,000) for the Group and Company respectively.

16. INTANGIBLE ASSETS

GROUP	Software Development \$'000	Work in progress \$'000	Goodwill \$'000	Licence \$'000	Customer relationships \$'000	Total \$'000
Cost						
At 1 April 2016	101,170	3,709	130,222	26,814	38,980	300,895
Translation	66	–	762	–	254	1,082
Reclassification	2,495	(2,495)	–	–	–	–
Transfer from/(to) property, plant and equipment (Note 14)	200	(293)	–	–	–	(93)
Additions (Note 25)	408	2,189	–	–	–	2,597
Disposals	(643)	–	–	–	–	(643)
At 31 March 2017 and 1 April 2017	103,696	3,110	130,984	26,814	39,234	303,838
Translation	(25)	246	(285)	–	(56)	(120)
Reclassification	1,752	(1,752)	–	–	–	–
Transfer from property, plant and equipment (Note 14)	–	200	–	–	–	200
Additions (Note 25)	873	5,558	–	–	–	6,431
Disposals	–	(246)	–	–	–	(246)
At 31 March 2018	106,296	7,116	130,699	26,814	39,178	310,103
Accumulated depreciation						
At 1 April 2016	89,752	–	–	13,725	33,721	137,198
Translation	60	–	–	–	(9)	51
Transfer from property, plant and equipment (Note 14)	200	–	–	–	–	200
Amortisation	5,522	–	–	1,915	1,529	8,966
Disposals	(525)	–	–	–	–	(525)
At 31 March 2017 and 1 April 2017	95,009	–	–	15,640	35,241	145,890
Translation	(26)	–	–	–	9	(17)
Amortisation	3,338	–	–	1,915	1,471	6,724
At 31 March 2018	98,321	–	–	17,555	36,721	152,597
Carrying amount						
At 1 April 2016	11,418	3,709	130,222	13,089	5,259	163,697
At 31 March 2017	8,687	3,110	130,984	11,174	3,993	157,948
At 31 March 2018	7,975	7,116	130,699	9,259	2,457	157,506

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

16. INTANGIBLE ASSETS (cont'd)

Customer Relationships and Licence

The customer relationships relate to the economic benefits that are expected to derive from business dealings with the existing customers in the Singapore and Japan operations. These are acquired as part of the acquisition of the subsidiaries. The relationships include catering and supply contracts with customers as well as other non-contractual customer relationships which past transactions provide evidence that the Group is able to benefit from the future economic inflows from such relationships.

Licence refers to the abattoir licence granted by the Agri-Food & Veterinary Authority of Singapore.

Amortisation Expense

The amortisation of software development, licence and customer relationships is included in the "Depreciation and amortisation charges" in the consolidated income statement.

Impairment Testing of Goodwill

Goodwill arising from business combinations have been allocated to the following cash-generating units (CGU) for impairment testing:

- SATS Food Services ("SFS")
- TFK Corporation

The carrying amounts of goodwill allocated to each CGU are as follows:

	SFS 31 March		TFK Corporation 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Goodwill	111,791	111,791	18,908	19,193

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial forecasts approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	SFS 31 March		TFK Corporation 31 March	
	2018 %	2017 %	2018 %	2017 %
Growth rates	1.0	1.0	0.8	0.8
Discount rates	7.0	7.1	7.5	7.5

16. INTANGIBLE ASSETS (cont'd)

Key assumptions used in the value in use calculations

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

Forecast revenue and gross margins - Revenue and gross margins are based on average values achieved in the recent years preceding to the start of the forecast period. These are increased over the forecast period for anticipated retention of customers, expansion in business, synergies and efficiency improvements. The forecast revenue is dependent on the demand from key customers. A reasonable possible change in demand from key customers of the respective CGUs would not have an impact to the carrying value of goodwill in the CGUs.

Growth rates – The forecast growth rates are based on relevant industry outlook and do not exceed the long-term average growth rate for the industries relevant to the CGUs.

Discount rates – Discount rates represent the current market assessment of the risks specific to each CGU. This is the benchmark used by the Group to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each CGU, consideration has been given to the yield on a ten-year government bond at the beginning of the forecast year.

Market share assumptions – In addition to using industry data to estimate the growth rates (as noted above), the management assesses how the CGU's position, relative to its competitors, might change over the forecast period. The management expects its share of the CGUs to be stable over the forecast period.

COMPANY	Software \$'000	Work in progress \$'000	Total \$'000
Cost			
At 1 April 2016	26,859	1,215	28,074
Additions	142	983	1,125
Reclassifications	926	(926)	–
Disposal	(268)	–	(268)
At 31 March 2017 and 1 April 2017	27,659	1,272	28,931
Additions	–	1,740	1,740
Reclassifications	721	(721)	–
At 31 March 2018	28,380	2,291	30,671
Accumulated amortisation			
At 1 April 2016	22,663	–	22,663
Amortisation	3,092	–	3,092
Disposal	(150)	–	(150)
At 31 March 2017 and 1 April 2017	25,605	–	25,605
Amortisation	897	–	897
At 31 March 2018	26,502	–	26,502
Carrying amount			
At 1 April 2016	4,196	1,215	5,411
At 31 March 2017	2,054	1,272	3,326
At 31 March 2018	1,878	2,291	4,169

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

17. INVESTMENT IN SUBSIDIARIES

	COMPANY 31 March	
	2018 \$'000	2017 \$'000
Unquoted shares, at cost	536,472	536,219

The names of the subsidiaries are set out below and the country of incorporation and place of business is Singapore, unless otherwise stated:

Name of companies (Country of incorporation)	Principal activities (Place of business)	31 March			
		Cost of investment		Equity held	
		2018 \$'000	2017 \$'000	2018 %	2017 %
Held by the Company					
SATS Airport Services Pte Ltd ^a	Airport ground handling services	16,500	16,500	100	100
SATS Catering Pte Ltd ^a	Inflight catering services	14,000	14,000	100	100
SATS Security Services Private Limited ^a	Security handling services	3,000	3,000	100	100
SATS Aero Laundry Pte. Ltd. ^a	Providing and selling laundry and linen services	2,515	2,515	100	100
SATS Aerolog Express Pte. Ltd. ^a (Formerly known as Aerolog Express Pte Ltd)	Airport cargo delivery management services	1,340	1,340	100	100
Country Foods Pte. Ltd. ^a	Manufacturing and sale of chilled and frozen food, and providing food catering services	11,030	11,030	100	100
SATS Asia-Pacific Star Pte. Ltd. ^a (Formerly known as Asia-Pacific Star Private Limited)	Airport ground handling services and inflight catering services	#	#	100	100
SATS HK Limited ^b (Hong Kong)	Ramp services, passenger handling services and operations control services (Hong Kong)	–	–	–	100
SATS Food Services Pte. Ltd. ^a	Food processing and distribution services	487,260	487,260	100	100
SATS Investments Pte. Ltd. ^a	Investment holding	#	#	100	100

17. INVESTMENT IN SUBSIDIARIES (cont'd)

		31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	Principal activities (Place of business)	2018 \$'000	2017 \$'000	2018 %	2017 %
Held by the Company (cont'd)					
SATS (India) Co. Private Limited ^b (India)	Business development and marketing and product development (India)	228	228	100	100
SATS Investments (II) Pte. Ltd. ^a	Investment holding	#	#	100	100
Cemerlang Pte. Ltd. ^a	Investment holding	#	#	100	100
SATS Services Sdn. Bhd. ^b (Malaysia)	Shared services to the Company and its subsidiaries (Malaysia)	201	201	100	100
SATS Saudi Arabia ^b (Saudi Arabia)	Cargo handling (Saudi Arabia)	145	145	80	80
Ready To Travel Pte. Ltd. ^{a,g}	Provide services that facilitate travel	100	–	100	–
SATS Ground Services Singapore Pte. Ltd. ^{a,h}	Ground handling	153	–	20	–
SATS Group Services Sdn Bhd. ^{b,i} (Malaysia)	Investment holding (Malaysia)	#	–	100	–
		536,472	536,219		

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	GROUP 31 March	
		Equity held	
		2018 %	2017 %
Held through SATS Airport Services Pte Ltd			
SATS-Creuers Cruise Services Pte. Ltd. ^a	Management of international cruise terminal	60	60
SATS Saudi Arabia ^b (Saudi Arabia)	Cargo handling (Saudi Arabia)	20	20
Held through SATS Food Services Pte. Ltd.			
Primary Industries Private Limited and its subsidiaries ^a	Provision of abattoir services	78.5	78.5
– Hog Auction Market Pte Ltd ^a	Auctioneers of pigs	78.5	78.5
Primary Industries (Qld) Pty Ltd ^b (Australia)	Provision of land logistics and food solutions (Australia)	100	100
Shanghai ST Food Industries Co., Limited ^c (People's Republic of China)	Manufacture and sale of frozen foodstuffs (People's Republic of China)	100	100
SFI Food Pte. Ltd. ^a	Provision of technical and management services for agri–food business	100	100
SG IPF Pte Ltd ^{a,m}	Investment holding	–	100
SFI Manufacturing Private Limited ^a	Supply of food products and catering services	100	100
SATS Delaware North Pte. Ltd. ^a	Catering and food and beverages services at Singapore Sports Hub	70	70
SATS Yihai Kerry Kunshan Food Co., Ltd. ^b (People's Republic of China)	Supply high quality and safe food to the Chinese market (People's Republic of China)	60	60
Held through SATS Investments Pte. Ltd.			
TFK Corporation ^{b,e} (Japan)	Inflight catering services (Japan)	59.4	59.4
Food And Allied Support Services Corporation Pte. Ltd. ^a	Remote catering	51	51

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	GROUP 31 March	
		Equity held	
		2018 %	2017 %
Held through SATS Investments Pte. Ltd. (cont'd)			
SATS Investments Turkey Havacılık Yatırımları Anonim Şirketi ⁱ (Turkey)	Investment holding (Turkey)	100	–
SATS Food Turkey Gıda Hizmetleri Anonim Şirketi ⁱ (Turkey)	Food-related projects (Turkey)	100	–
Held through TFK Corporation			
Inflight Foods Co., Ltd. ^{e,k} (Japan)	Preparation and sale of inflight meals, frozen foods, seafood, meat and rice products and vegetables and fruits (Japan)	59.4	59.4
Narita Dry Ice Co., Ltd. ^{e,k} (Japan)	Manufacture and sale of dry ice and ice cubes and sale of refrigerant and packaging material (Japan)	59.4	59.4
New Tokyo Service Co., Ltd ^{e,k} (Japan)	Inflight catering services, and provision of manpower to inflight catering operators (Japan)	59.4	59.4
Tokyo Flight Kitchen Restaurantes LTDA ^{e,l} (Brazil)	Real estate management (Brazil)	–	59.4
TFK International (N.Z.) Limited ^e (New Zealand) (in liquidation)	Restaurant and inflight meal (New Zealand)	59.4	59.4
Held through Food And Allied Support Services Corporation Pte. Ltd.			
FASSCO International (Australia) Pty Ltd (Australia)	Catering, housekeeping and other allied services (Australia)	51	51
FASSCO International (India) Private Limited ^d (India)	Catering, housekeeping and other allied services (India)	51	51
FASSCO Catering Services LLC ^{b,f} (Abu Dhabi)	Catering and allied services (Abu Dhabi)	25	25

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

17. INVESTMENT IN SUBSIDIARIES (cont'd)

- ^a Audited by KPMG, Singapore.
^b Audited by member firms of KPMG International in the respective countries.
^c Audited by Shanghai YMD Certified Public Accountants (LLP).
^d Audited by Devaki S. Kalamkar and Associates.
^e Percentage of equity held excludes Treasury Shares held by TFK Corporation.
^f Held through Food And Allied Support Services Corporation Pte. Ltd. (a subsidiary) which has dividend right of 97% in the subsidiary company.
^g Incorporated on 19 April 2017.
^h Incorporated on 5 September 2017, with 20% equity interest held by SATS Ltd and 40% held through one of the joint ventures of the Group (Note 19).
ⁱ Incorporated on 30 October 2017.
^j Incorporated on 17 January 2018.
^k Not required to be audited under the laws of their countries of incorporation.
^l Divested on 27 March 2018.
^m Subsequent to restructuring in July 2017, SG IPF Pte Ltd is reclassified as a joint venture (Note 19).

Amount is less than \$1,000.

On 30 October 2017, the Company has entered into a Share Swap Agreement (“SWA”) with Ground Team Red Holdings Sdn. Bhd. (“GTRH”), being a wholly owned subsidiary of AirAsia Berhad (“AirAsia”) as at the date of the transaction, to sell 80% of its interest in SATS Ground Services Singapore Pte. Ltd. (“SGSS”) to GTRH, in return for 11.4% equity stake in GTRH. Additionally, the Company has also entered into a Share Sale Agreement (“SSA”) with AirAsia to acquire a 38.6% equity stake in GTRH from AirAsia for a consideration of \$119,300,000. Upon completion of the SWA and SSA on 4 January 2018, the Group effectively holds 50% interest in GTRH as a joint venture as well as a 60% interest in SGSS as a subsidiary of the Group. As a result of the SWA, \$32,634,000, being the preliminary fair valuation of 40% SGSS, has been recognised as capital contribution from non-controlling interests in the statements of changes in equity.

Interest in subsidiaries with material non-controlling interest (NCI)

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

Name of subsidiaries (Place of business)	Proportion of ownership interest held by non-controlling interest %	Profit/(loss) allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
TFK Corporation and its subsidiaries (“TFK”) (Japan)				
31 March 2018	40.6	4,399	(61,977)	253
31 March 2017	40.6	3,049	(58,380)	258

17. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statement of comprehensive income:

	TFK	
	2017-18 \$'000	2016-17 \$'000
Revenue	239,396	259,477
Profit before income tax	12,440	5,392
Income tax (expense)/credit	(4,103)	1,708
Profit after tax	8,337	7,100
Other comprehensive income	860	7,645
Total comprehensive profit	9,197	14,745

Summarised statement of financial position as at 31 March:

	TFK	
	2018 \$'000	2017 \$'000
Current		
Assets	98,635	83,303
Liabilities	51,491	51,667
Net current assets	47,144	31,636
Non-current		
Assets	131,559	142,086
Liabilities	7,144	10,738
Net non-current assets	124,415	131,348
Net assets	171,559	162,984

Other summarised information:

	TFK	
	2017-18 \$'000	2016-17 \$'000
Net cash in flows from operations	11,403	21,262
Acquisition of significant property, plant and equipment	(3,577)	(3,031)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

17. INVESTMENT IN SUBSIDIARIES (cont'd)

COMPANY

Loan to and from subsidiaries

Loans to subsidiaries amounting to \$312,637,000 (2017: \$329,653,000) comprise the following:

- (i) An amount of NIL (2017: \$2,912,000) which is unsecured, bears interest at 5% per annum and fully paid up on 31 January 2018;
- (ii) An amount of \$217,000 (2017: \$217,000) which is unsecured, bears interest at 3% per annum and is repayable by 31 March 2019; and
- (iii) The remaining loans amounting to \$312,420,000 (2017: \$326,524,000) are unsecured, non-interest bearing, repayable on demand and not expected to be repaid in the next twelve months.

	COMPANY	
	2018 \$'000	2017 \$'000
Loan to subsidiaries:		
Non-current	312,420	328,753
Current	217	900
	312,637	329,653

Loan from subsidiaries is unsecured, bears interest at 1 month SIBOR less 0.3% per annum and repayable on demand.

	COMPANY 31 March	
	2018 \$'000	2017 \$'000
Loan from subsidiaries:		
Current	58,000	–

18. INVESTMENT IN ASSOCIATES

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Quoted shares, at cost	116,428	116,428	–	–
Unquoted shares, at cost	433,741	412,143	331,167	316,354
Impairment loss	(3,313)	(3,313)	(10,444)	(10,444)
Share of post-acquisition results of associates	241,325	196,311	–	–
Accumulated amortisation of goodwill and intangible assets	(53,835)	(46,291)	–	–
Share of statutory reserves of associates	9,147	8,242	–	–
Share of changes recognised directly in associates' equity	(11,518)	1,122	–	–
Foreign currency translation adjustments	(127,895)	(94,528)	–	–
	604,080	590,114	320,723	305,910

18. INVESTMENT IN ASSOCIATES (cont'd)

Amortisation of intangible assets

Customer-related intangible assets that arose from the acquisition of associates are recorded as part of the investment in associates. The useful lives of these intangible assets with definite useful lives were determined to be 2.5 to 15 years and these assets are amortised on a straight-line basis over their respective useful lives. The amortisation expense is included in the "Share of results of associates/joint ventures, net of tax" in the consolidated income statement.

Amounts due from associates

The amounts due from associates amounting to \$627,000 (2017: \$1,820,000) are unsecured, trade-related and are repayable on demand.

Associates

		GROUP 31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	Principal activities (Place of business)	2018 \$'000	2017 \$'000	2018 %	2017 %
Held by the Company					
Maldives Inflight Catering Private Limited ^{a,o} (Republic of Maldives)	Inflight catering services (Republic of Maldives)	287	287	35.0	35.0
Beijing Airport Inflight Kitchen Limited ^{b,o} (People's Republic of China)	Inflight catering services (People's Republic of China)	13,882	13,882	28.0	28.0
Beijing Aviation Ground Services Co., Ltd ^{c,o} (People's Republic of China)	Airport ground handling services (People's Republic of China)	5,710	5,710	28.0	28.0
Aviserv Limited ^{d,o} (Ireland)	Inflight catering services (Pakistan)	3,313	3,313	49.0	49.0
Tan Son Nhat Cargo Services Joint Stock Company Limited ^{e,o} (Formerly known as Tan Son Nhat Cargo Services Limited) (Vietnam)	Air cargo handling services (Vietnam)	979	979	15.0	15.0
Asia Airfreight Terminal Company Limited ^{f,t} (Hong Kong)	Air cargo handling services (Hong Kong)	85,099	85,099	45.0	45.0
Servair-SATS Holding Company Pte Ltd ^{g,o} (Singapore)	Investment holding company (Singapore)	509	509	49.0	49.0
MacroAsia Catering Services, Inc. ^{h,o} (Philippines)	Inflight catering services (Philippines)	11,604	11,604	33.0	33.0

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

18. INVESTMENT IN ASSOCIATES (cont'd)

Associates (cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	GROUP 31 March			
		Cost of investment		Equity held	
		2018 \$'000	2017 \$'000	2018 %	2017 %
Held by the Company (cont'd)					
Taj Madras Flight Kitchen Private Limited ⁱ (India)	Inflight catering services (India)	1,901	1,901	30.0	30.0
Singapore Airport Duty-Free Emporium (Private) Limited ^j (Singapore)	Inactive (Singapore)	1,560	1,560	24.0	24.0
Evergreen Airline Services Corporation ^{k,o} (Taiwan)	Airport ground handling services (Taiwan)	5,404	5,404	20.0	20.0
Evergreen Air Cargo Services Corporation ^{l,o} (Taiwan)	Air cargo handling services (Taiwan)	16,163	16,163	25.0	25.0
Taj SATS Air Catering Limited ⁱ (India)	Catering services (India)	24,646	24,646	49.0	49.0
PT Jasa Angkasa Semesta, Tbk ^{m,o} (Indonesia)	Ground and cargo handling (Indonesia)	105,532	105,532	49.8	49.8
Evergreen Sky Catering Corporation ^{k,o} (Taiwan)	Inflight catering services (Taiwan)	39,765	39,765	25	25
SATS HK Limited ^r (Hong Kong)	Ramp services, passenger handling services and operations control services (Hong Kong)	14,813	–	49	–
Unquoted shares held by Company, at cost		331,167	316,354		
Held through TFK Corporation					
Tasco Foods Co., Ltd. (Japan)	Production and sales of confectionery (Japan)	2,748	2,748	29.6	29.6
Held through SATS Investments Pte. Ltd.					
Brahim's SATS Investment Holdings Sdn. Bhd. ^{o,p} (Malaysia)	Investment holding Company (Malaysia)	49,057	49,057	49.0	49.0
Oman Air SATS Cargo LLC ^{o,q} (Oman)	Air cargo handling services (Oman)	23,038	23,038	33.0	33.0

18. INVESTMENT IN ASSOCIATES (cont'd)

Associates (cont'd)

		GROUP 31 March			
		Cost of investment		Equity held	
Name of companies (Country of incorporation)	Principal activities (Place of business)	2018 \$'000	2017 \$'000	2018 %	2017 %
Held through SATS Food Services Pte. Ltd.					
Jilin Zhong Xin Chia Tai Food Co., Ltd. ^{n,o,s} (Formerly known as Jilin Zhong Xin Cheng Food Co., Ltd.) (People's Republic of China)	Operate and manage pig farm, abattoir, pork-processing, feed mill and other projects (People's Republic of China)	–	9,578	–	30.0
Held through SATS Investments (II) Pte. Ltd. & Cemerlang Pte. Ltd.					
PT Cardig Aero Services Tbk ^{m,o} (Indonesia)	Aviation support and catering services (Indonesia)	116,428	116,428	41.7	41.7
Held through SATS Investments (II) Pte. Ltd.					
Mumbai Cargo Service Center Airport Private Limited (India)	Air cargo handling services (India)	16,363	–	49	–
Held through SATS Catering Pte. Ltd.					
PT Purantara Mitra Angkasa Dua ^{m,o} (Indonesia)	Aviation catering services (Indonesia)	11,368	11,368	20	20
		550,169	528,571		

^a Audited by KPMG, Maldives.

^b Audited by Ruihua Certified Public Accountants Co., Ltd.

^c Audited by BDO China Shu Lun Pan CPAs, Beijing.

^d Audited by Fitzgerald & Associates, Ireland.

^e Audited by Ernst & Young Vietnam Limited.

^f Audited by KPMG, Hong Kong.

^g Audited by Deloitte and Touche LLP, Singapore.

^h Audited by Sycip Gorres Velayo & Co.

ⁱ Audited by Deloitte Haskins & Sells.

^j Audited by KPMG, Singapore.

^k Audited by Deloitte and Touche, Taiwan.

^l Audited by PricewaterhouseCoopers, Taiwan.

^m Audited by Amir Abadi Jusuf, Aryanto, Mawar & Rekan, Indonesia.

ⁿ Audited by Ji Lin Hua Tai Certified Public Accountants Co., Ltd (People's Republic of China).

^o Financial year end on 31 December.

^p Audited by PricewaterhouseCoopers, Malaysia.

^q Audited by Deloitte and Touche (M.E.) & Co. LLC, Oman.

^r Audited by PricewaterhouseCoopers, Hong Kong.

^s Held as an associate of SG IPF Pte Ltd ("SG IPF") subsequent to the restructuring in July 2017. SG IPF was previously a subsidiary of the Group prior to July 2017.

^t 4% equity interest in Asia Airfreight Terminal was transferred to assets held for sale.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

18. INVESTMENT IN ASSOCIATES (cont'd)

Associates (cont'd)

The Group has not recognised losses relating to Beijing Aviation Ground Services Co.,Ltd (“BGS”) where its share of losses exceeds the Group’s interest in this associate and its cumulative share of unrecognised losses at the end of the reporting period was \$7,740,000 (2017: \$8,983,000). The Group’s share of profit for the current year was \$1,243,000 (2017: share of loss \$1,471,000). The Group has no obligation in respect of these unrecognised losses.

On 5 February 2016, SATS Ltd. completed the acquisition of 49% equity interest in Brahim’s SATS Investment Holdings Sdn. Bhd (“BSIH”) at a base consideration of RM110,000,000 (\$37,456,000) and additional earn-out consideration and outperformance consideration (“earn-out consideration”) of up to RM108,000,000 (\$34,101,000) on which is conditional upon certain agreed financial targets being achieved. The Group has recorded a potential earn-out consideration of \$11,600,000 in FY2016-17. As at 31 March 2018, the amount was classified under investment in associates and current liabilities.

On 20 February 2017, SATS Ltd. completed the acquisition of an additional 10% stake in its long term investment, Evergreen Sky Catering Corporation (“ESCC”), thereby increasing the total shareholdings in ESCC from 15% to 25%. The purchase price allocation exercise was finalised in FY2017-18 and an additional amount of \$11,600,000, being the surplus from the finalisation of the valuation was recognised in the current year’s income statement.

Corporate Guarantee

The Group has provided a proportionate guarantee up to a maximum amount of approximately \$43,900,000 (2017: NIL) to financial institutions for providing credit and banking facilities to an associate, which is liable for in the event of default by the associate.

The Group’s material investments in associates are summarised below:

	31 March	
	2018 \$'000	2017 \$'000
PT Jasa Angkasa Semesta, Tbk (“PT Jas”)	53,683	59,545
Asia Airfreight Terminal Company Limited (“AAT”)	118,605	121,208
PT Cardig Aero Services Tbk (“PT Cas”)	109,962	123,088
Evergreen Sky Catering Corporation (“ESCC”)	70,464	57,390
Other associates	251,366	228,883
	604,080	590,114
Fair value of PT Cas based on the quoted market price at 31 March (Level 1 in the fair value hierarchy)	57,390	72,102

Aggregate information about the Group’s investments in associates that are not individually material are as follows:

	2017-18 \$'000	2016-17 \$'000
Share of profits after tax	17,576	34,110
Other comprehensive income	(6,517)	3,050
Total comprehensive income	11,059	37,160

18. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information in respect of PT Jas, AAT, PT Cas and ESCC, based on their respective FRS financial statements and a reconciliation with the carrying amount of the investment in consolidated financial statements are as follows:

Summarised statement of comprehensive income:

	PT Jas		AAT		PT Cas		ESCC	
	2017-18 \$'000	2016-17 \$'000	2017-18 \$'000	2016-17 \$'000	2017-18 \$'000	2016-17 \$'000	2017-18 \$'000	2016-17 \$'000
Revenue	151,668	133,345	123,078	111,381	206,794	187,065	149,094	136,189
Profit after tax	36,427	32,691	13,864	14,701	13,248	13,216	27,161	24,833
Other comprehensive income	(2,483)	(1,121)	–	–	(1,335)	(779)	(2,460)	(1,126)
Total comprehensive income	33,944	31,570	13,864	14,701	11,913	12,437	24,701	23,707

Summarised statement of financial position as at 31 March:

	PT Jas		AAT		PT Cas		ESCC	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current assets	38,274	34,120	135,653	131,336	81,168	116,407	53,200	62,040
Non-current assets excluding goodwill	42,706	40,409	131,970	137,190	100,606	57,666	259,020	171,392
Goodwill	–	–	–	–	1,626	1,797	–	–
Total assets	80,980	74,529	267,623	268,526	183,400	175,870	312,220	233,432
Current liabilities	35,904	40,720	22,294	18,050	59,968	51,657	29,706	24,261
Non-current liabilities	24,197	10,306	12,197	13,871	45,779	38,366	46,361	5,383
Total liabilities	60,101	51,026	34,491	31,921	105,747	90,023	76,067	29,644
Net assets	20,879	23,503	233,132	236,605	77,653	85,847	236,153	203,788

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

18. INVESTMENT IN ASSOCIATES (cont'd)

	PT Jas		AAT		PT Cas		ESCC	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Net assets excluding goodwill	20,879	23,503	233,132	236,605	76,027	84,050	236,153	203,788
Less: Non-controlling interest	–	–	–	–	14,125	17,637	–	–
	20,879	23,503	233,132	236,605	61,902	66,413	236,153	203,788
Proportion of the Group's ownership	49.8%	49.8%	45.0%	45.0%	41.7%	41.7%	25.0%	25.0%
Group's share of net assets	10,398	11,703	104,909	106,472	25,782	27,661	59,038	50,947
Goodwill on acquisition and intangible assets	43,285	47,842	13,696	14,736	84,180	95,427	11,426	6,443
Carrying amount of the investment	53,683	59,545	118,605	121,208	109,962	123,088	70,464	57,390
Group's interest in net assets of investee at beginning of the year/at acquisition date	59,545	57,203	121,208	128,699	123,088	114,058	57,390	39,766
Group's share of:								
Profit	18,141	16,278	6,794	7,203	3,093	3,012	16,164	16,713
Other comprehensive income/(loss)	(7,149)	1,341	(9,628)	4,362	(12,137)	6,980	(1,861)	911
Movement in other reserves	–	–	–	–	(3,566)	44	–	–
Equity stake held for sale	–	–	231	(10,774)	–	–	–	–
Total comprehensive income/(loss)	10,992	17,619	(2,603)	791	(12,610)	10,036	14,303	17,624
Dividends received during the year	(16,854)	(15,277)	–	(8,282)	(516)	(1,006)	(1,229)	–
Carrying amount of interest in investee at end of the year	53,683	59,545	118,605	121,208	109,962	123,088	70,464	57,390

19. INVESTMENT IN JOINT VENTURES

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Unquoted shares, at cost	202,182	45,513	165,023	12,014
Post-acquisition revenue reserve capitalised as share capital	3,090	3,090	–	–
Fair value remeasurement on retained interest	13,306	13,306	–	–
Share of post-acquisition revenue reserve	32,852	25,937	–	–
Accumulated amortisation of intangible assets	(980)	–	–	–
Foreign currency translation	(5,736)	(7,113)	–	–
	244,714	80,733	165,023	12,014

Amortisation of intangible assets

Customer-related intangible assets that arose from the acquisition of joint ventures are recorded as part of the investment in joint ventures. The useful lives of these intangible assets with definite useful lives were determined to be 15 years and these assets are amortised on a straight-line basis over their respective useful lives. The amortisation expense is included in the “Share of results of associates/joint ventures, net of tax” in the consolidated income statement.

Amounts due from/to joint ventures

The amounts due from joint ventures amounting to \$3,978,000 (2017: \$4,923,000) and amount due to joint ventures amounting to \$3,493,000 (2017: \$4,878,000) are unsecured, trade-related and are repayable on demand.

Joint ventures

Name of companies (Country of incorporation)	Principal activities (Place of business)	GROUP 31 March			
		Cost of investment		Equity held	
		2018 \$'000	2017 \$'000	2018 %	2017 %
Held by the Company					
Air India SATS Airport Services Private Limited ^a (India)	Ground handling and cargo handling services (India)	12,014	12,014	50.0	50.0
Ground Team Red Holdings Sdn. Bhd. ^d (Malaysia)	Investment holding company (Malaysia)	153,009	–	50.0	–
Unquoted shares held by Company, at cost		165,023	12,014		

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

19. INVESTMENT IN JOINT VENTURES (cont'd)

Joint ventures (cont'd)

Name of companies (Country of incorporation)	Principal activities (Place of business)	GROUP 31 March			
		Cost of investment		Equity held	
		2018 \$'000	2017 \$'000	2018 %	2017 %
Held through SATS Food Services Pte. Ltd.					
SATS BRF Food Pte. Ltd. ^b (Singapore)	Meat processing, manufacturing of branded food products (Singapore)	24,480	24,480	51.0	51.0
SG IPF Pte. Ltd. ^b (Singapore)	Investment holding (Singapore)	9,837	–	60.0	–
Held through SATS Asia-Pacific Star Private Limited					
DFASS SATS Pte. Ltd. ^{b,c} (Singapore)	Inflight duty-free and duty-paid sales, offer mail order and pre-order service, supply liquor for in flight pantry services, and operate ground based duty-free and duty-paid retail sales (Singapore)	2,706	9,019	15.0	50.0
Held through SATS Airport Services Pte Ltd					
SATS PPG Singapore Pte. Ltd. ^b (Singapore)	Manage and operate airport lounge (Singapore)	136	–	50.0	–
		202,182	45,513		

^a Audited by BSR & Co, LLP, India.

^b Audited by KPMG, Singapore.

^c The cost of investment of 35% equity interest pending sale completion transaction was transferred to assets held for sale as at March 2018 (Note 26).

^d In the process of appointing auditor.

19. INVESTMENT IN JOINT VENTURES (cont'd)

The Group's material investments in joint ventures are summarised below:

	31 March	
	2018 \$'000	2017 \$'000
Air India SATS Airport Services Private Limited ("AISATS")	38,935	35,180
SATS BRF Food Pte. Ltd. ("SBRF")	33,836	34,562
Ground Team Red Holding Sdn. Bhd. ("GTRH")	157,694	–
Other joint ventures	14,249	10,991
	244,714	80,733

Aggregate information about the Group's investments in joint ventures that are not individually material are as follows:

	2017-18 \$'000	2016-17 \$'000
Share of profits after tax	2,324	1,972
Other comprehensive income	315	–
Total comprehensive income	2,639	1,972

Although the Group holds an ownership interest of 51% in SATS BRF Food Pte. Ltd. ("SBRF"), the Group determined that it only has joint control by virtue of the equal voting rights over the financial and operating policies of the company.

The summarised financial information in respect of Air India SATS Airport Services Private Limited ("AISATS"), SATS BRF Food Pte. Ltd. ("SBRF") and Ground Team Red Holdings Sdn Bhd ("GTRH") based on their respective FRS financial statements and a reconciliation with the carrying amount of the investment in consolidated financial statements are as follows:

	AISATS		SBRF		GTRH*	
	2017-18 \$'000	2016-17 \$'000	2017-18 \$'000	2016-17 \$'000	2017-18 \$'000	2016-17 \$'000
Revenue	138,762	126,828	222,067	254,194	27,928	–
Operating expenses	(125,781)	(113,398)	(223,521)	(258,923)	(23,014)	–
Interest expenses	(2,053)	(1,909)	(28)	6	–	–
Profit/(loss) before tax	10,928	11,521	(1,482)	(4,723)	4,914	–
Income tax expenses	2,862	(1,361)	58	(97)	(1,088)	–
Profit/(loss) after tax	13,790	10,160	(1,424)	(4,820)	3,826	–
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	13,790	10,160	(1,424)	(4,820)	3,826	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

19. INVESTMENT IN JOINT VENTURES (cont'd)

Summarised statement of financial position as at 31 March:

	AISATS		SBRF		GTRH*	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash and cash equivalents	3,355	8,992	7,090	15,786	2,849	–
Inventories	2,285	1,117	21,429	22,902	–	–
Other receivable	–	–	315	–	–	–
Trade receivable	49,989	42,204	27,576	30,130	8,747	–
Current assets	55,629	52,313	56,410	68,818	11,596	–
Non-current assets	83,331	72,850	4,008	5,377	6,536	–
Total assets	138,960	125,163	60,418	74,195	18,132	–
Current liabilities	47,291	43,113	20,163	32,517	8,339	–
Non-current liabilities	13,800	11,690	–	–	–	–
Total liabilities	61,091	54,803	20,163	32,517	8,339	–
Net assets	77,869	70,360	40,255	41,678	9,793	–
Net assets excluding goodwill	77,869	70,360	40,255	41,678	9,793	–
Less: Non-controlling interest	–	–	–	–	(175)	–
	77,869	70,360	40,255	41,678	9,618	–
Proportion of the Group's ownership	50.0%	50.0%	51.0%	51.0%	50.0%	–
Group's share of net assets	38,935	35,180	20,530	21,256	4,809	–
Fair value remeasurement on retained interest	–	–	13,306	13,306	–	–
Goodwill on acquisition and intangible assets	–	–	–	–	152,885	–
Carrying amount of the investment	38,935	35,180	33,836	34,562	157,694	–
Group's interest in net assets of investee at beginning of the year/at acquisition date	35,180	28,848	34,562	37,020	153,009	–
Group's share of total comprehensive income for the year	4,167	6,947	(726)	(2,458)	4,685	–
Dividends received during the year	(412)	(615)	–	–	–	–
Carrying amount of interest in investee at end of the year	38,935	35,180	33,836	34,562	157,694	–

* The figures disclosed include Ground Team Red Sdn. Bhd. ("GTR") being a subsidiary of GTRH.

20. LONG-TERM INVESTMENTS

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Unquoted equity investment, at cost	305	414	–	–
Loan, secured	19,632	24,827	–	–
Others	50	51	–	–
	19,987	25,292	–	–

The secured loan of \$19,632,000 (2017: \$24,827,000) refers to an investment in a 5-year secured loan of US \$14,963,000 (2017: US \$17,800,000) with interest rate of 6.5% per annum.

21. DEFERRED TAXATION

	GROUP			
	Statement of Financial Position 31 March		Consolidated Income Statement	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Deferred tax liabilities				
Differences in depreciation and amortisation for tax purposes	41,025	45,116	(4,517)	(1,568)
Identified intangible assets	2,793	3,587	770	804
Unremitted foreign dividend and interest income	6,222	6,459	237	–
Provisions	(1,525)	(3,132)	48	3,175
Defined benefit plan	(1,835)	(2,498)	–	(234)
Unutilised tax losses/capital allowances	–	(6,438)	–	121
Undistributed earnings of associates/ joint ventures	15,309	12,486	(5,917)	(4,166)
Other temporary differences	(353)	(126)	130	(150)
	61,636	55,454		
Deferred tax assets				
Provisions	2,228	339	4,566	(80)
Unutilised tax losses	6,570	1,127	7,054	(13)
Differences in depreciation and amortisation for tax purposes	1,895	10,136	(10,763)	326
	10,693	11,602		
			(8,392)	(1,785)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

21. DEFERRED TAXATION (cont'd)

	COMPANY	
	Statement of Financial Position 31 March	
	2018 \$'000	2017 \$'000
Deferred tax liabilities		
Differences in depreciation and amortisation for tax purposes	21,377	20,769
Provision	(1,438)	(1,388)
Unremitted foreign dividend and interest income	6,221	6,459
	26,160	25,840

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses and capital allowances of approximately \$13,014,000 (2017: \$19,800,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2017: NIL) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 11).

22. OTHER NON-CURRENT ASSETS

Other non-current assets relate mainly to long-term prepayments and lease deposits.

23. TRADE AND OTHER RECEIVABLES

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade and other receivables:				
Trade receivables	146,107	124,033	1,710	2,435
Staff loans	61	24	40	23
Sundry receivables	12,310	12,348	931	1,621
Amounts due from related parties – Trade	140,068	134,815	–	–
Amounts due from related companies – Non-trade	–	–	77,131	57,748
	298,546	271,220	79,812	61,827

Trade receivables are generally on 30 – 90 day terms.

23. TRADE AND OTHER RECEIVABLES (cont'd)

The table below is an analysis of trade receivables and trade amounts due from related parties:

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Not past due and not impaired	204,511	203,793	1,316	1,647
Past due but not impaired				
Less than 30 days	29,815	25,693	148	119
30 days to 60 days	17,818	10,348	27	65
61 days to 90 days	6,823	5,955	15	139
More than 90 days	27,208	13,059	204	465
	81,664	55,055	394	788
	286,175	258,848	1,710	2,435
Other impaired trade receivables				
– individually assessed	1,408	2,533	146	251
Less: Accumulated impairment losses	(1,408)	(2,533)	(146)	(251)
	–	–	–	–
Total trade receivables, net	286,175	258,848	1,710	2,435

Trade receivables denominated in foreign currencies at 31 March are as follows:

	GROUP		COMPANY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
United States Dollar	1,387	3,563	–	–

The carrying amount of trade receivables impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade receivable is ascertained to be uncollectible, it is written off against the allowance account.

Significant financial difficulties of the debtors, probability that the debtors will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days aging of receivables balances) are considered indicators that the amounts owing by the debtors are impaired. Individual trade receivable is written off when management deems the amount not collectible.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

23. TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables are stated after impairment. Analysis of the impairment account is as follows:

	GROUP		COMPANY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at 1 April	1,740	2,270	251	44
Exchange differences	(37)	17	–	–
Write-off against provisions	(116)	(71)	(77)	–
(Write-back)/charge to income statement	(210)	449	(28)	207
Transfer to assets held for sale	–	(925)	–	–
Disposal of subsidiary	31	–	–	–
Balance at 31 March	1,408	1,740	146	251
Bad debts write-off directly to income statement	44	262	–	8

Staff loans

There is no interest charge on the staff loans for FY2017-18 and FY2016-17.

Sundry receivables

Sundry receivables are unsecured, interest-free and repayable upon demand.

Amounts due from related parties

The amounts due to the Group are trade-related, with a credit term of 45 days. The amounts due to the Company are unsecured, interest-free and are repayable upon demand.

24. INVENTORIES

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Food supplies and dry stores	12,384	11,770	–	–
Technical spares	9,776	9,773	–	–
Other consumables	363	371	198	231
Total inventories at lower of cost or net realisable value	22,523	21,914	198	231

	GROUP		COMPANY	
	2017-18 \$'000	2016-17 \$'000	2017-18 \$'000	2016-17 \$'000
Income Statement:				
Inventories recognised as an expense	260,528	268,068	–	–
Inclusive of the following charge:				
– Inventories written down	87	153	–	–

25. CASH AND SHORT-TERM DEPOSITS

- (a) Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts in statements of financial position:

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Fixed deposits	247,747	393,978	190,693	285,941
Cash and bank balances	125,531	114,388	20,899	14,745
Cash and cash equivalents included in the consolidated statement of cash flows	373,278	508,366	211,592	300,686
Cash transferred to asset held for sale	–	(2,562)	–	–
Cash and short-term deposits per statement of financial position	373,278	505,804	211,592	300,686

- (b) Analysis of capital expenditure cash flows:

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Additions of property, plant and equipment (Note 14)	93,688	86,744
Additions of intangible assets (Note 16)	6,431	2,597
Accrual for additions of property, plant and equipment (Note 27)	(886)	(1,217)
Cash invested in property, plant and equipment and intangible assets	99,233	88,124

Cash at banks earns interest at floating rates based on daily bank deposit rates ranging from 0.00% to 1.58% (2017: 0.00% to 1.3%) per annum. Short-term deposits are made for varying periods of between 2 days and 365 days depending on the expected cash requirements of the Group, and earn interest at the effective interest rate ranging from 0.1% to 2.81% (2017: 0.1% to 2.95%) per annum.

- (c) Cash and short-term deposits denominated in foreign currencies at 31 March are as follows:

	GROUP		COMPANY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Australian Dollar	2,040	605	–	–
United States Dollar	28,430	16,187	7,247	4,020
Japanese Yen	457	–	457	–

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

26. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

In FY2017, the Company announced the sale of 4% of the issued shares of Asia Airfreight Terminal Company Limited ("AAT") owned by the Company to Holistic Capital Investment Limited. Subsequently in March 2018, the Company signed a supplementary agreement in relation to the sale and purchase agreement of which the term of completion shall be extended to 30 June 2018. The Group and Company has classified the assets of \$10,543,000 (2017: \$10,774,000) and \$7,564,000 (2017: \$7,564,000) respectively to assets held for sale in line with this impending dilution.

On 8 March 2018, the Company announced that SATS Asia-Pacific Star Pte. Ltd. ("APS"), a wholly-owned subsidiary, has entered into a non-binding Points of Agreement with Singapore Airlines Limited ("SIA") and DFASS (Singapore) Pte. Ltd. ("DFASS") for SIA to subscribe for a 70% equity stake in DFASS SATS Pte. Ltd. Upon completion of the transaction, each of DFASS and APS will hold 15% of the share capital in DFASS SATS Pte. Ltd. Pending the completion of the transaction, the Group has transferred the net assets of \$9,353,000 to assets held for sale.

On 17 March 2017, the Company entered into a sale and purchase agreement in relation to the sale of 51% of the issued shares of SATS HK Limited ("SHK") owned by the Company to Voltaire Capital Investment Limited. Pending the completion of the said transaction, the Group has classified assets and liabilities for SHK, amounting to \$21,330,000 and \$5,073,000 respectively, as held for sale as at 31 March 2017. The Company has also transferred its cost of investment, loan and interest receivable totaling to \$21,396,000 to assets held for sale as at 31 March 2017. Upon completion of the sale on 31 July 2017 with a gain of \$5,186,000 recorded, the Company owns 49% of the total issued ordinary shares in the capital of SHK. SHK is classified as associated company as at 31 March 2018.

As at 31 March 2017, the Company's Japan subsidiary, TFK Corporation classified an investment property amounting to \$1,362,000 as assets held for sale pending the completion of the negotiations with a third party. The sale of the investment property was completed in July 2017 whilst its Brazil investment property company was sold in March 2018, with a net gain of \$8,543,000.

The assets classified as held for sale as at 31 March are as follows:

	GROUP		COMPANY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Assets:				
Property, plant and equipment	–	5,026	–	–
Investment properties	–	2,064	–	–
Deferred tax	–	2,024	–	–
Prepayment	–	1,707	–	–
Loan and interest receivable	–	–	–	16,239
Trade and other receivables	–	9,309	–	–
Cash and short-term deposits	–	2,562	–	–
Investment in associates/joint ventures	19,896	10,774	7,564	12,721
Assets of disposal groups classified as held for sale	19,896	33,466	7,564	28,960
Liabilities:				
Trade creditors	–	2,836	–	–
Other liabilities	–	2,237	–	–
Liabilities of disposal groups classified as held for sale	–	5,073	–	–

27. TRADE AND OTHER PAYABLES

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current:				
Trade payables	166,555	146,054	14,956	14,176
Other payables:				
Tender deposits	4,835	4,487	2,731	2,461
Accrued expenses	147,443	155,080	20,772	23,034
Purchase of property, plant and equipment	5,691	4,805	120	666
Others	3,414	2,655	–	–
	161,383	167,027	23,623	26,161
Amounts due to related companies	3,673	3,067	1,115	1,086
Deposits placed by subsidiaries	–	–	163,541	188,300
Trade and other payables	331,611	316,148	203,235	229,723
Non-current:				
Provision of earn-out considerations	–	16,128	–	4,528
Others	21,273	21,092	8,461	8,165
Other payables	21,273	37,220	8,461	12,693

These amounts are non-interest bearing. Trade payables are normally settled on 60-day terms while other current payables have an average term of three to six months.

Trade and other payables denominated in foreign currencies as at 31 March are as follows:

	GROUP		COMPANY	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Australian Dollar	450	426	–	–
Great Britain Pound	212	212	–	–
Euro	482	106	–	–
United States Dollar	494	519	220	40

Amounts due to related companies

These amounts are trade-related, unsecured, non-interest bearing and repayable on demand. Purchases from related companies are made at agreed terms.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

28. TERM LOANS

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Unsecured:				
Repayable within one year	9,850	8,748	–	–
Repayable after one year	96,034	97,481	96,034	97,481
	105,884	106,229	96,034	97,481
Secured:				
Repayable within one year	–	1,250	–	–
Total term loans	105,884	107,479	96,034	97,481
Outstanding as at 31 March				
	Effective interest rate	Maturity date	2018 \$'000	2017 \$'000
Unsecured term loans:				
JPY floating rate	0.44% to 0.74%	May 2018, June 2018, July 2018 and November 2021	104,653	104,979
JPY fixed rate	0.76%	July 2018	1,231	1,250
			105,884	106,229
Secured term loans:				
JPY floating rate	–	–	–	1,250

As at 31 March 2018, there are four (2017: four) and two (2017: two) unsecured loans, held by the Group and the Company, respectively. The unsecured loans, held by the Company, have an effective interest rate of 0.44% per annum and maturity date of November 2021.

There is no (2017: one) secured term loan held by the Group as at 31 March 2018 and the loan as at 31 March 2017 was secured on the property, plant and equipment and other assets of a subsidiary (Note 14).

Hedge of net investments in foreign operations

Included in loans as at 31 March 2018 were term loans of JPY7.8 billion (2017: JPY7.8 billion), approximately \$96 million (2017: \$97.5 million), which have been designated as a hedge of the net investment in its subsidiary, TFK Corporation in Japan, and is being used to hedge the Group's exposure to foreign exchange risk on this investment. Foreign exchange gains or losses on the translation of this term loan are transferred to equity to offset any gains or losses on translation of the net investment in the subsidiary. There is no ineffectiveness portion transferred to profit or loss in the year ended 31 March 2018 (2017: NIL).

28. TERM LOANS (cont'd)**Reconciliation of movements of liabilities to cash flows arising from financing activities**

	Liabilities		
	Term Loans \$'000	Finance Leases \$'000	Total \$'000
Balance at 1 April 2017	107,479	1,148	108,627
Changes from financing cash flows			
Repayment of finance leases and related charges	–	(606)	(606)
Effect of changes in foreign exchange rates	(1,595)	(13)	(1,608)
Other changes			
Interest expense	–	7	7
Balance at 31 March 2018	105,884	536	106,420

29. FINANCE LEASES

The Group has finance leases for equipment and motor vehicles. These lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	GROUP 31 March			
	2018		2017	
	Minimum payments \$'000	Present value of payments \$'000	Minimum payments \$'000	Present value of payments \$'000
Not later than one year	305	285	472	427
Later than one year but not later than five years	264	251	754	721
Total future minimum lease payments	569	536	1,226	1,148
Less: Amounts representing finance charges	(33)	–	(78)	–
Present value of minimum lease payments	536	536	1,148	1,148

The average discount rates implicit in the leases are 0.01% - 5.4% (2017: 0.01% - 5.4%) per annum for the lease of equipment and motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

30. DEFINED BENEFIT PLAN

The subsidiaries in Japan operate a defined benefit plan which requires contributions to be made to separately administered funds. The plan provides a pension and the amount of benefit is calculated using a combination of final salary and total service years. The benefit plan will either vest to the employees after 3 years of service as lump-sum distribution or after 14 years of service as annual payment of plan benefit.

The following tables summarise the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the plans.

	GROUP	
	31 March	
	2018	2017
	\$'000	\$'000
Net benefit expense		
Current service cost	1,871	2,512
Interest cost on benefit obligation	248	232
Expected return on plan assets	(238)	(224)
Net benefit expense	1,881	2,520
Actual return on plan assets	(3,411)	(2,255)
Defined benefit plan asset/(liability)		
Defined benefit obligation - funded	(80,645)	(83,678)
Defined benefit obligation - unfunded	(569)	(559)
	(81,214)	(84,237)
Fair value of plan assets	81,961	81,987
Defined benefit asset/(liability)	747	(2,250)

Change in present value of defined benefit obligations are as follows:

	2018	
	\$'000	
	2018	2017
	\$'000	\$'000
As at 1 April	84,237	81,655
Current service cost (Note 5)	1,871	2,512
Interest cost	248	232
Benefits paid	(3,752)	(3,505)
Actuarial gain on obligation	(126)	(64)
Exchange differences	(1,264)	3,407
As at 31 March	81,214	84,237

30. DEFINED BENEFIT PLAN (cont'd)

Change in fair value of plan assets are as follows:

	GROUP	
	2018 \$'000	2017 \$'000
Benefits paid		
As at 1 April	81,987	78,591
Expected return on plan assets	238	224
Benefits paid	872	924
Contributions by employer	(3,101)	(3,027)
Actuarial gain	3,173	2,031
Exchange differences	(1,208)	3,244
As at 31 March	81,961	81,987

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	GROUP 31 March	
	2018 %	2017 %
Japan equities	13.9	13.3
Offshore equities	12.2	11.7
Japan bonds	45.7	45.8
Offshore bonds	9.6	9.6
Fixed deposits	18.6	19.6
	100.0	100.0

The principal assumptions used in determining pension benefit obligations for the defined benefit plans are shown below:

	GROUP 31 March	
	2018 %	2017 %
Discount rates	0.3	0.3
Expected rate of return on assets	0.3	0.3
Post retirement mortality for pensioners at age 65		
– Male	1.1	1.1
– Female	1.1	1.1

The expected rate of return is calculated by weighting the expected rates of return on individual categories of plan assets in accordance with the anticipated balance in the plan's investment portfolio. These expected rates of return are determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

31. RELATED PARTY TRANSACTIONS

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

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

Sale and purchase of goods and services

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Services rendered by:		
Related parties	37,685	31,107
Associates/joint ventures	19,677	17,712
	57,362	48,819
Sales to:		
Related parties	809,736	799,404
Associates/joint ventures	3,160	3,475
	812,896	802,879
Rental income:		
Associates/joint ventures	2,469	2,518
	2,469	2,518

Directors' and key executives' remuneration

	GROUP	
	2017-18 \$'000	2016-17 \$'000
Directors		
Directors' fees (Note 6)		
– paid by the Company	988	854
– paid by subsidiaries of the Group	17	13
	1,005	867
Key executives		
Salary, bonuses and other costs	6,477	5,394
CPF and other defined contributions	48	21
Share-based compensation expense	3,154	2,802
	9,679	8,217

31. RELATED PARTY TRANSACTIONS (cont'd)

Share options granted to and exercised by key executives of the Group are as follows:

Name of participant	Aggregate options granted since commencement of scheme to end of financial year	Aggregate options exercised since commencement of scheme to end of financial year	Aggregate options outstanding at end of financial year
Tan Chuan Lye	624,500	(624,500)	–
Yacoob Bin Ahmed Piperdi	377,950	(377,950)	–

Shares awarded to key executives of the Group during the year and since the commencement of the Restricted Share Plan (“RSP”) and Performance Share Plan (“PSP”) are as follows:

Name of participant	Shares granted during financial year	Aggregate shares granted since commencement of plan to end of financial year [#]	Aggregate shares vested since commencement of plan to end of financial year	Aggregate shares not released at end of financial year
Alexander Charles Hungate	711,000	3,159,836	(1,155,636)	2,004,200
Yacoob Bin Ahmed Piperdi	253,000	1,478,735	(774,135)	704,600
Tan Chuan Lye	–	1,373,281	(1,252,681)	120,600

[#] Share grant is adjusted due to achievement of performance condition(s).

32. CAPITAL AND OTHER COMMITMENTS

- (a) The Group and the Company have commitments for capital expenditure. Such commitments aggregated to \$119.6 million (2017: \$143.0 million) for the Group and \$24.5 million (2017: \$32.3 million) for the Company. In aggregate, these commitments are not at prices in excess of current market prices.
- (b) The Group has entered into operating lease agreements for ground support equipment and leasehold land and buildings. The lease periods range from 1 to 57 years. The leases of the leasehold properties contain provision for rental adjustments. The future minimum lease payments under non-cancellable operating leases are as follows:

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Within one year	11,955	12,937	1,998	1,515
Later than one year but not later than five years	30,136	26,849	6,557	5,579
Later than five years	18,277	11,093	7,673	2,317
	60,368	50,879	16,228	9,411

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group operates principally in Singapore and generates revenue mainly in Singapore Dollars. The Group also has investments outside of Singapore and it operates in more than ten countries. The Group's operations carry certain financial and commodity risks, including the effects of changes in foreign exchange rates and interest rates. The Group's overall risk management approach is to minimise the effects of such volatility on its financial performance. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments for specific exposures where appropriate and cost-efficient.

Financial risk management policies are periodically reviewed and approved by the Board of Directors.

(a) Foreign Currency Risk

The Group is exposed to the effects of fluctuations in certain foreign exchange rates because of its foreign currency denominated operating revenue and expenses. However, the effects of foreign exchange rate fluctuations on the Group's operations are not significant because the Group's sales and purchases are mainly denominated in the respective functional currencies of the Group's entities.

(b) Interest Rate Risk

The Group's earnings are affected by changes in interest rates due to the impact that such changes have on its interest income from cash and short-term deposits and its interest expense on term loans.

The Group's interest-bearing assets and interest-bearing liabilities are predominantly denominated in SGD and JPY. Information relating to other interest-bearing assets and liabilities are disclosed in the cash and short-term deposits (Note 25) and term loans (Note 28).

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affecting the interest income or finance charges of variable interest financial instruments.
- Changes in market interest rates affecting the carrying value of financial instruments with fixed interest rates if these are recognised at their fair value.

Under these assumptions, an increase or decrease in market interest rates of 50 basis points for all currencies in which the Group had deposits and borrowings at 31 March would have the following effects:

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Effect of an increase in 50 basis points in market interest rates				
Profit before tax	716	1,998	183	942
Equity	594	1,658	152	782
Effect of a decrease in 50 basis points in market interest rates				
Profit before tax	(716)	(1,998)	(183)	(942)
Equity	(594)	(1,658)	(152)	(782)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Credit Risk

The Group's maximum exposure to credit risk in the event that counter-parties fail to perform their obligations as at 31 March 2018 in relation to each class of recognised financial assets was the carrying amount of those assets as indicated in the statement of financial position.

The Group only transacts with credit-worthy counter-parties. Surplus funds are placed as interest-bearing deposits with reputable financial institutions. Credit risks are managed by limiting aggregate exposure on all outstanding financial instruments to any individual counter-party, taking into account its credit rating. Such credit risk exposures are regularly reviewed, and adjusted as necessary. This mitigates the risk of material loss arising in the event of non-performance by counter-parties.

Concentration of credit risk exists when changes in economic, industry or geographical factors affect the group of counter-parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group determines concentration of credit risk by monitoring the industry, country and credit rating of its counter-parties. The table below shows an analysis of credit risk exposures of the financial assets of the Group and the Company as at 31 March:

GROUP	Outstanding balance		Percentage of total Financial assets	
	2018 \$'000	2017 \$'000	2018 %	2017 %
Credit profiles				
By Industry				
Airlines	228,067	210,033	33.7	26.8
Financial institutions	361,802	505,922	53.5	64.5
Others	86,560	67,812	12.8	8.7
	676,429	783,767	100.0	100.0
By Region				
Singapore	532,659	644,746	78.7	82.3
Japan	92,362	77,003	13.7	9.8
Others	51,408	62,018	7.6	7.9
	676,429	783,767	100.0	100.0
By Moody's Credit Ratings				
Investment grade (A to Aaa)	374,528	507,518	55.4	64.8
Investment grade (Baa)	15,388	17,645	2.3	2.2
Non-rated	286,513	258,604	42.3	33.0
	676,429	783,767	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Credit Risk (cont'd)

At the end of the reporting period, approximately:

- 48% (2017: 51%) of the Group's trade receivables were due from a major customer located in Singapore.
- 50% (2017: 53%) of the Group's trade receivables were due from related parties.

COMPANY	Outstanding balance		Percentage of total Financial assets	
	2018 \$'000	2017 \$'000	2018 %	2017 %
Credit profiles				
By Industry				
Airlines	1,509	2,253	0.2	0.3
Financial institutions	211,647	301,126	34.9	43.3
Related parties	389,768	387,401	64.3	55.7
Others	3,655	5,160	0.6	0.7
	606,579	695,940	100.0	100.0
By Region				
Singapore	604,796	691,949	99.7	99.4
Others	1,783	3,991	0.3	0.6
	606,579	695,940	100.0	100.0
By Moody's Credit Ratings				
Investment grade (A to Aaa)	211,647	301,126	34.9	43.3
Non-rated	394,932	394,814	65.1	56.7
	606,579	695,940	100.0	100.0

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits are entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in trade and other receivables (Note 23).

(d) Liquidity Risk

As at 31 March 2018, the Group had at its disposal, cash and cash equivalents amounting to \$373.3 million (2017: \$508.4 million). In addition, the Group has available short-term credit facilities of approximately \$338.2 million (2017: \$263.8 million) from revolving credit facilities granted by commercial banks. The Group also has an alternative facility to issue notes up to \$500 million (2017: \$500 million), with maturity dates between one month to ten years, under the Medium Term Note Programme.

The Group's holdings of cash, short-term deposits and investments, together with non-committed funding facilities and net cash flow from operations, are expected to be sufficient to cover the cost of all capital expenditure due in the next financial year. The shortfall, if any, could be met by further bank borrowings or public market funding.

The maturity profile of the financial assets and liabilities of the Group and the Company is shown in the table that follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Liquidity Risk (cont'd)

GROUP	Within 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Total \$'000
2018					
Financial assets:					
Trade and other receivables	298,546	–	–	–	298,546
Amount due from associates/joint ventures	4,605	–	–	–	4,605
Cash and short-term deposits	373,278	–	–	–	373,278
Total undiscounted financial assets	676,429	–	–	–	676,429
Financial liabilities:					
Amount due to associates/joint ventures	3,493	–	–	–	3,493
Term loans	10,336	428	96,890	–	107,654
Finance lease	305	159	105	–	569
Trade and other payables	331,611	6	17,270	3,997	352,884
Total undiscounted financial liabilities	345,745	593	114,265	3,997	464,600
Total net undiscounted financial assets/(liabilities)	330,684	(593)	(114,265)	(3,997)	211,829
2017					
Financial assets:					
Trade and other receivables	271,220	–	–	–	271,220
Amount due from associates/joint ventures	6,743	–	–	–	6,743
Cash and short-term deposits	505,804	–	–	–	505,804
Total undiscounted financial assets	783,767	–	–	–	783,767
Financial liabilities:					
Amount due to associates/joint ventures	4,878	–	–	–	4,878
Term loans	10,498	439	98,798	–	109,735
Finance lease	472	472	282	–	1,226
Trade and other payables	316,148	5,379	27,951	6,140	355,618
Total undiscounted financial liabilities	331,996	6,290	127,031	6,140	471,457
Total net undiscounted financial assets/(liabilities)	451,771	(6,290)	(127,031)	(6,140)	312,310

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Liquidity Risk (cont'd)

COMPANY	Within 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	Total \$'000
2018					
Financial assets:					
Trade and other receivables	79,812	–	–	–	79,812
Amount due from associates/joint ventures	2,538	–	–	–	2,538
Loan to subsidiaries	238	–	–	312,420	312,658
Cash and short-term deposits	211,592	–	–	–	211,592
Total undiscounted financial assets	294,180	–	–	312,420	606,600
Financial liabilities:					
Loan from subsidiaries	58,551	–	–	–	58,551
Term loans	428	428	96,890	–	97,746
Trade and other payables	203,235	–	8,461	–	211,696
Total undiscounted financial liabilities	262,214	428	105,351	–	367,993
Total net undiscounted financial assets/(liabilities)	31,966	(428)	(105,351)	312,420	238,607
2017					
Financial assets:					
Trade and other receivables	61,827	–	–	–	61,827
Amount due from associates/joint ventures	3,774	–	–	–	3,774
Loan to subsidiaries	1,028	1,285	1,138	326,523	329,974
Cash and short-term deposits	300,686	–	–	–	300,686
Total undiscounted financial assets	367,315	1,285	1,138	326,523	696,261
Financial liabilities:					
Term loans	439	439	98,798	–	99,676
Trade and other payables	229,723	–	12,693	–	242,416
Total undiscounted financial liabilities	230,162	439	111,491	–	342,092
Total net undiscounted financial assets/(liabilities)	137,153	846	(110,353)	326,523	354,169

34. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

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

GROUP	Loans and receivables \$'000	Available-for- sale financial assets \$'000	Financial liabilities at amortised costs \$'000	Total \$'000
2018				
Assets				
Long-term investments	–	19,987	–	19,987
Trade and other receivables	298,546	–	–	298,546
Amount due from associates/joint ventures	4,605	–	–	4,605
Cash and short-term deposits	373,278	–	–	373,278
	676,429	19,987	–	696,416
Total non-financial assets				1,651,947
Total assets				2,348,363
Liabilities				
Amount due to joint ventures	–	–	3,493	3,493
Term loans	–	–	105,884	105,884
Finance lease	–	–	536	536
Trade and other payables	–	–	352,884	352,884
	–	–	462,797	462,797
Total non-financial liabilities				118,950
Total liabilities				581,747

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

34. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

GROUP	Loans and receivables \$'000	Available-for- sale financial assets \$'000	Financial liabilities at amortised costs \$'000	Total \$'000
2017				
Assets				
Long-term investments	–	25,292	–	25,292
Trade and other receivables	271,220	–	–	271,220
Amount due from associates/ joint ventures	6,743	–	–	6,743
Cash and short-term deposits	505,804	–	–	505,804
	783,767	25,292	–	809,059
Total non-financial assets				1,470,343
Total assets				2,279,402
Liabilities				
Amount due to joint ventures	–	–	4,878	4,878
Term loans	–	–	107,479	107,479
Finance lease	–	–	1,148	1,148
Trade and other payables	–	–	353,368	353,368
	–	–	466,873	466,873
Total non-financial liabilities				121,353
Total liabilities				588,226
2018				
Assets				
Trade and other receivables	79,812	–	–	79,812
Loan to subsidiaries	312,637	–	–	312,637
Amount due from associates/ joint ventures	2,538	–	–	2,538
Cash and short-term deposits	211,592	–	–	211,592
	606,579	–	–	606,579
Total non-financial assets				1,293,848
Total assets				1,900,427
Liabilities				
Loan from subsidiaries	–	–	58,000	58,000
Term loans	–	–	96,034	96,034
Trade and other payables	–	–	211,696	211,696
	–	–	365,730	365,730
Total non-financial liabilities				38,783
Total liabilities				404,513

34. FINANCIAL INSTRUMENTS (cont'd)

(a) Classification of financial instruments (cont'd)

COMPANY	Loans and receivables \$'000	Available-for- sale financial assets \$'000	Financial liabilities at amortised costs \$'000	Total \$'000
2017				
Assets				
Trade and other receivables	61,827	–	–	61,827
Loan to subsidiaries	329,653	–	–	329,653
Amount due from associates/ joint ventures	3,774	–	–	3,774
Cash and short-term deposits	300,686	–	–	300,686
	695,940	–	–	695,940
Total non-financial assets				1,157,421
Total assets				1,853,361
Liabilities				
Term loans	–	–	97,481	97,481
Trade and other payables	–	–	242,416	242,416
	–	–	339,897	339,897
Total non-financial liabilities				40,543
Total liabilities				380,440

(b) Fair values

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

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

The carrying values of the Group's unquoted equity instruments held as long-term investments (Note 20) are stated at a cost of \$305,000 (2017: \$414,000) because their fair values cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market and do not have any comparable industry peers that are listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of these investments in the foreseeable future. The fair values of these investments are expected to be above their carrying values.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

34. FINANCIAL INSTRUMENTS (cont'd)

(b) Fair values (cont'd)

- B. *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Trade and other receivables (Note 23), amount due from associates (Note 18), amounts due from related companies (Note 23), loan to subsidiaries (Note 17), cash and short-term deposits (Note 25), trade and other payables (Note 27), term loans - floating rate (Note 28), finance leases – current (Note 29) and other long-term payables

The carrying amounts of these financial assets and liabilities are reasonable approximation of their respective fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

Term loans - fixed rate (Note 28) and finance leases – non-current (Note 29).

The carrying amounts of these financial liabilities are reasonable approximation of their respective fair values as their interest rates approximate the interest rates for such liabilities at balance sheet date.

35. CAPITAL MANAGEMENT

The primary objective of management of the Group's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The Directors have reviewed the Group's capital structure. The Directors will continue to regularly review the Group's capital structure in line with this objective. For the financial years ended 31 March 2018 and 31 March 2017, no changes were made in the objectives, policies or processes relating to the management of the Group's capital structure.

The Group monitors capital based on the total debt-equity ratio, which is total debt divided by equity attributable to owners of the Company. The Group keeps the total debt-equity ratio at a level below the required ratio under its debt covenants. The Group includes within total debt, loans and borrowings, finance lease commitments and bank overdraft.

	GROUP 31 March		COMPANY 31 March	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Term loans (Note 28)	105,884	107,479	96,034	97,481
Finance leases (Note 29)	536	1,148	–	–
Total debt	106,420	108,627	96,034	97,481
Equity attributable to owners of the Company	1,634,081	1,603,479	1,495,914	1,472,921
Total debt-equity ratio	0.07	0.07	0.06	0.07

36. SEGMENT REPORTING

For management purposes, the Group's operating businesses are organised and managed according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and services. The Group has three reportable operating segments as follows:

1. The Food Solutions segment provides mainly inflight and institutional catering, food processing, distribution services and airline laundry services.
2. The Gateway Services segment provides both airport and cruise terminal services. The airport terminal services includes airfreight handling services, passenger services, aviation security services, baggage handling services and apron services to the Group's airline customers. On the provision of cruise terminal services, the segment manages and operates the Singapore International Cruise Terminal at Marina South.
3. The others segment provides rental of premises and other services.

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

Segment accounting policies are the same as the policies described in Note 2. Segment assets comprise primarily of inventories, receivables, prepayments, amount due from associates/joint ventures, cash and short-term deposits, other non-current assets and other long-term investments.

Capital expenditure comprises additions to property, plant and equipment and intangible assets, excluding those acquired through business combinations and finance leases.

Transfer prices between operating segments are on arm's length bases in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

36. SEGMENT REPORTING (cont'd)

The Group generally accounts for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

BY BUSINESS

	Food Solutions \$'000	Gateway Services \$'000	Others \$'000	Total \$'000
Financial year ended 31 March 2018				
Revenue	946,638	776,510	1,436	1,724,584
Operating profit/(loss)	150,045	78,291	(1,969)	226,367
Net finance income	592	–	2,795	3,387
Dividends from long-term investment, gross	14	–	–	14
Share of results of associates/ joint ventures, net of tax	25,488	45,665	2	71,155
Gain/(loss) on disposal of property, plant and equipment	89	255	(18)	326
Gain on disposal of assets held for sale	10,357	5,186	–	15,543
Write back of earn-out consideration	4,528	–	–	4,528
Gain from sale of investment	266	–	–	266
Other non-operating (expenses)/income	(204)	(144)	348	–
Profit before tax	191,175	129,253	1,158	321,586
Income tax expense	(32,762)	(18,201)	(5,088)	(56,051)
Profit/(loss) for the year	158,413	111,052	(3,930)	265,535
As at 31 March 2018				
Segment assets	400,043	276,030	86,271	762,344
Property, plant and equipment and investment property	268,813	235,860	64,353	569,026
Associates/joint ventures	272,086	576,501	207	848,794
Deferred tax assets	10,576	117	–	10,693
Intangible assets	146,088	7,249	4,169	157,506
Total assets	1,097,606	1,095,757	155,000	2,348,363
Current liabilities	171,967	125,364	47,908	345,239
Long-term liabilities	9,872	3,090	104,596	117,558
Tax liabilities	43,764	36,390	38,796	118,950
Total liabilities	225,603	164,844	191,300	581,747
Capital expenditure	29,703	50,756	19,660	100,119
Depreciation and amortisation charges	37,474	33,450	7,544	78,468

36. **SEGMENT REPORTING** (cont'd)**BY BUSINESS** (cont'd)

	Food Solutions \$'000	Gateway Services \$'000	Others \$'000	Total \$'000
Financial year ended 31 March 2017				
Revenue	973,347	754,601	1,417	1,729,365
Operating profit/(loss)	169,178	64,133	(2,686)	230,625
Net finance income	195	(24)	3,230	3,401
Dividends from long-term investment, gross	14	–	643	657
Share of results of associates/ joint ventures, net of tax	25,653	39,542	2	65,197
Gain on disposal of property, plant and equipment	353	204	43	600
Gain on disposal of assets held for sale	9,301	–	–	9,301
Loss on divestment/dilution of interest in associates	(717)	–	–	(717)
Other non-operating (expenses)/income	(319)	(272)	591	–
Profit before tax	203,658	103,583	1,823	309,064
Income tax expense	(29,287)	(14,095)	(4,918)	(48,300)
Profit/(loss) for the year	174,371	89,488	(3,095)	260,764
As at 31 March 2017				
Segment assets	396,042	243,240	250,672	889,954
Property, plant and equipment and investment property	274,869	222,930	51,252	549,051
Associates/joint ventures	251,532	419,109	206	670,847
Deferred tax assets	11,568	34	–	11,602
Intangible assets	150,274	4,349	3,325	157,948
Total assets	1,084,285	889,662	305,455	2,279,402
Current liabilities	169,853	126,016	40,655	336,524
Long-term liabilities	12,660	3,238	121,774	137,672
Tax liabilities	45,138	28,336	40,556	114,030
Total liabilities	227,651	157,590	202,985	588,226
Capital expenditure	27,068	41,517	20,756	89,341
Depreciation and amortisation charges	37,306	28,224	7,968	73,498

NOTES TO THE FINANCIAL STATEMENTS

31 March 2018

36. SEGMENT REPORTING (cont'd)

BY GEOGRAPHICAL LOCATION

Revenue, total assets and capital expenditure information based on the geographical location of the subsidiaries deriving the revenue and owning the assets respectively are as follows:

	Singapore \$'000	Japan \$'000	Others \$'000	Total \$'000
Financial year ended 31 March 2018				
Revenue	1,422,987	239,396	62,201	1,724,584
As at 31 March 2018				
Segment assets	633,943	105,272	23,129	762,344
Property, plant and equipment and investment property	448,909	88,591	31,526	569,026
Associates/joint ventures	48,293	2,428	798,073	848,794
Deferred tax assets	157	10,344	192	10,693
Intangible assets	135,584	21,397	525	157,506
Total assets	1,266,886	228,032	853,445	2,348,363
Capital expenditure	73,586	3,791	22,742	100,119
Financial year ended 31 March 2017				
Revenue	1,381,551	259,477	88,337	1,729,365
As at 31 March 2017				
Segment assets	784,021	92,247	13,686	889,954
Property, plant and equipment and investment property	441,675	94,518	12,858	549,051
Associates/joint ventures	45,759	2,440	622,648	670,847
Deferred tax assets	658	10,755	189	11,602
Intangible assets	134,684	23,264	–	157,948
Total assets	1,406,797	223,224	649,381	2,279,402
Capital expenditure	73,531	3,031	12,779	89,341

Information about a major customer

Revenue from one major customer amounted to \$809 million (2017: \$799 million), arising from sales by all segments.

37. SUBSEQUENT EVENTS

- a. On 4 April 2018, SATS Ltd. entered into a Capital Increase Agreement by and between all existing shareholders of Beijing Aviation Ground Services Co., Ltd (“BGS”), pursuant to which the Company has agreed to subscribe for additional shares and increase its shareholding in the capital of BGS from 28% to 29%.
- b. The Group's wholly owned subsidiary, SATS Airport Services Pte. Ltd. (“SAS”), has on 16 May 2018 entered into a joint venture agreement with Jet Aviation (Asia Pacific) Pte. Ltd. and Universal Singapore Airport Services Pte. Ltd., to set up a company (“JVCO”) in Singapore with initial paid-up capital of \$2,800,000. SAS will hold 52% of the JVCO. The primary activity of the new JVCO will be to provide terminal management services as the operator of the Seletar Airport Business Aviation Center.

38. COMPARATIVE INFORMATION

During the year, the Group has reassessed the classification of accrued expenses in relation to long-term employee benefits from current to non-current liabilities. Comparative amounts in the statement of financial position were reclassified for consistency. As a result, the accrued expenses as at 31 March 2017 amounting to \$14,798,000 were reclassified from current liabilities to non-current liabilities.

ADDITIONAL INFORMATION

required by the Singapore Exchange Securities Trading Limited ("SGX-ST")

1. INTERESTED PERSON TRANSACTIONS

The interested person transactions entered into during the financial year ended 31 March 2018 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) \$'000	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S\$100,000) \$'000
Transactions for the Sale of Goods and Services		
Singapore Airlines Limited ¹	–	554,573
Singapore Airlines Cargo Pte. Ltd.	–	1,051
SIA Engineering Company Limited	–	26,398
SilkAir (Singapore) Private Limited	–	5,148
Scoot Tigerair Pte. Ltd. ²	–	68,200
SG IPF Pte. Ltd.	–	156
	–	655,526
Transactions for the Purchase of Goods and Services		
NCS Communications Engineering Pte. Ltd.	–	287
SIA Engineering Company Limited ³	–	2,000
Singapore Telecommunications Limited	–	4,845
ST Synthesis Pte. Ltd.	–	461
	–	7,593
Joint Venture		
Jilin IPF Pte. Ltd.	4,786	–
	4,786	–

¹ This includes the value of the original contract entered into in 2014 between SATS Ltd. and Singapore Airlines Limited for the period from 1 June 2014 to 31 May 2017.

² Tiger Airways Singapore Pte. Ltd. and Scoot Pte. Ltd. had merged and renamed as Scoot Tigerair Pte. Ltd. on 1 July 2017. The transaction with Scoot Tigerair Pte. Ltd. of S\$68.2 million includes transactions with Tiger Airways Singapore Pte. Ltd. and Scoot Pte. Ltd. of S\$22.1 million and S\$2.3 million respectively.

³ The value of contract for services procured for the period from 1 December 2015 to 30 November 2018.

Note:

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

All the above interested person transactions were done on normal commercial terms.

2. MATERIAL CONTRACTS

Except as disclosed above and in the financial statements for the financial year ended 31 March 2018, there were no material contracts entered into by the Company and its subsidiaries involving the interests of its President and Chief Executive Officer, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

3. APPOINTMENT OF AUDITORS

The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to its auditing firms.

INFORMATION ON SHAREHOLDINGS

as at 23 May 2018

Number of Issued Shares	: 1,124,056,275
Number of Issued Shares (excluding Treasury Shares)	: 1,116,031,420
Class of Shares	: Ordinary shares
Number / Percentage of Treasury Shares	: 8,024,855 / 0.72%
Number of Shares / Percentage held by Subsidiary Holdings	: Nil
Voting Rights	: 1 vote per share

ANALYSIS OF SHAREHOLDINGS

Range of shareholdings	No. of shareholders	%	No. of shares (excluding treasury shares)	%*
1 – 99	1,771	5.24	83,201	0.01
100 – 1,000	14,858	43.96	10,050,186	0.90
1,001 – 10,000	14,492	42.87	51,725,715	4.63
10,001 – 1,000,000	2,656	7.86	83,311,996	7.47
1,000,001 and above	23	0.07	970,860,322	86.99
Total	33,800	100.00	1,116,031,420	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares held	%*
1	Venezio Investments Pte Ltd	446,123,158	39.97
2	DBS Nominees Pte Ltd	171,692,440	15.38
3	Citibank Nominees Singapore Pte Ltd	164,136,404	14.71
4	HSBC (Singapore) Nominees Pte Ltd	52,162,121	4.67
5	DBSN Services Pte Ltd	43,540,023	3.90
6	United Overseas Bank Nominees (Private) Limited	25,168,664	2.26
7	BPSS Nominees Singapore (Pte.) Ltd.	20,193,311	1.81
8	Raffles Nominees (Pte) Ltd	19,282,274	1.73
9	DB Nominees (S) Pte Ltd	4,434,514	0.40
10	Morgan Stanley Asia (Singapore) Securities Pte Ltd	2,771,395	0.25
11	OCBC Nominees Singapore Private Limited	2,387,357	0.21
12	Heng Siew Eng	2,347,000	0.21
13	DBS Vickers Securities (Singapore) Pte Ltd	1,914,631	0.17
14	Leong Khuen Nyeon	1,896,500	0.17
15	Wong Kong Choo	1,880,000	0.17
16	Tan Chuan Lye	1,754,401	0.16
17	Yim Chee Chong	1,610,000	0.14
18	Societe Generale Singapore Branch	1,509,408	0.14
19	Sing Chung Hui @ Sing Chung Sui	1,500,000	0.14
20	Alexander Charles Hungate	1,255,636	0.11
		967,559,237	86.70

* The shareholding percentage has been calculated based on the number of issued ordinary shares of the Company as at 23 May 2018, excluding any ordinary shares held in treasury as at that date.

SUBSTANTIAL SHAREHOLDERS

As at 23 May 2018, the substantial shareholders of the Company and their direct and deemed interests, as shown in the Company's Register of Substantial Shareholders, were as follows:

Name of substantial shareholder	No. of shares in which the substantial shareholder has a direct interest (representing percentage* of total shareholding)	No. of shares in which the substantial shareholder has a deemed interest (representing percentage* of total shareholding)	Total no. of shares in which the substantial shareholder is interested (representing percentage* of total shareholding)
Temasek Holdings (Private) Limited	–	446,532,946** (approximately 40.01%*)	446,532,946 (approximately 40.01%*)
Tembusu Capital Pte. Ltd.	–	446,123,158** (approximately 39.97%*)	446,123,158 (approximately 39.97%*)
Napier Investments Pte. Ltd.	–	446,123,158** (approximately 39.97%*)	446,123,158 (approximately 39.97%*)
Venezio Investments Pte. Ltd.	446,123,158 (approximately 39.97%*)	–	446,123,158 (approximately 39.97%*)

* The shareholding percentage has been calculated based on the number of issued ordinary shares of the Company as at 23 May 2018, excluding any ordinary shares held in treasury as at that date.

** Derived mainly through the direct interest of Venezio Investments Pte. Ltd.

SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to the Company as at 23 May 2018, approximately 59.46% of the issued ordinary shares of the Company are held by the public (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”)). The Company hence confirms that Rule 723 of the Listing Manual of the SGX-ST has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

SATS LTD.

(Incorporated in the Republic of Singapore)

Company Registration No. 197201770G

NOTICE IS HEREBY GIVEN that the 45th Annual General Meeting of SATS Ltd. (the “**Company**”) will be held at the Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594, on Thursday, 19 July 2018 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 March 2018 and the Auditors’ Report thereon.
2. To declare a final ordinary tax-exempt (one-tier) dividend of 12 cents per share for the financial year ended 31 March 2018.
3. To re-elect Mr Alexander Charles Hungate, who will retire by rotation in accordance with Article 90 of the Constitution of the Company and who, being eligible, offers himself for re-election as a Director of the Company.
4. To re-elect Mr Tan Soo Nan, who will retire by rotation in accordance with Article 90 of the Constitution of the Company and who, being eligible, offers himself for re-election as a Director of the Company.
5. To approve payment of Directors’ fees of up to S\$1,300,000 for the financial year ending 31 March 2019 (2018: up to S\$1,300,000).
6. To re-appoint Messrs KPMG LLP as Auditors of the Company to hold office until the next Annual General Meeting and to authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modifications, the following resolutions which will be proposed as Ordinary Resolutions:

7. That authority be and is hereby given to the Directors of the Company to:
 - (a) (i) issue shares of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

 - (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 5 percent of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below);

- (ii) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”)) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
 - (aa) new Shares arising from the conversion or exercise of any convertible securities or employee share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (bb) any subsequent bonus issue, consolidation or subdivision of Shares,and, in sub-paragraph (i) above and this sub-paragraph (ii), “**subsidiary holdings**” has the meaning given to it in the Listing Manual of the SGX-ST;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

8. That the Directors of the Company be and are hereby authorised to:

- (a) grant awards in accordance with the provisions of the SATS Performance Share Plan (the “**Performance Share Plan**”) and/or the SATS Restricted Share Plan (the “**Restricted Share Plan**”); and
- (b) allot and issue from time to time such number of fully paid ordinary shares of the Company as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the Restricted Share Plan,

provided that:

- (i) the aggregate number of new ordinary shares of the Company to be allotted and issued pursuant to the Performance Share Plan, the Restricted Share Plan and the SATS Employee Share Option Plan shall not exceed 15 percent of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and
- (ii) the aggregate number of ordinary shares of the Company under awards to be granted pursuant to the Performance Share Plan and/or the Restricted Share Plan during the period commencing from the date of this Annual General Meeting of the Company and ending on the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, shall not exceed 1 percent of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time,

and in this Resolution, “**subsidiary holdings**” has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited.

9. That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual (“**Chapter 9**”) of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Letter to Shareholders dated 20 June 2018 (the “**Letter to Shareholders**”) with any party who is of the class of interested persons described in the Appendix to the Letter to Shareholders, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

NOTICE OF ANNUAL GENERAL MEETING

SATS LTD.

(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

- (b) the approval given in paragraph (a) above (the **"IPT Mandate"**) shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

10. That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the **"Companies Act"**), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (**"Shares"**) not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchase(s) on the Singapore Exchange Securities Trading Limited (**"SGX-ST"**); and/or
 - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **"Share Purchase Mandate"**);
- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
 - (i) the date on which the next Annual General Meeting of the Company is held;
 - (ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and
 - (iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated.
- (c) in this Resolution:

"Maximum Limit" means that number of issued Shares representing 2 percent of the issued Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed, in the case of both a market purchase of a Share and an off-market purchase of a Share, 105 percent of the Average Closing Price of the Shares;

where:

“Average Closing Price” means the average of the last dealt prices of a Share for the five consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action that occurs after the relevant five-day period; and

“date of the making of the offer” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out herein) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase; and

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

BY ORDER OF THE BOARD

Prema d/o K Subramaniam
Company Secretary

Singapore, 20 June 2018

EXPLANATORY NOTES

1. (a) In relation to Ordinary Resolution No. 3, Mr Alexander Charles Hungate will be retiring from office at the Annual General Meeting pursuant to Article 90 of the Constitution of the Company, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on “Board of Directors” and “Corporate Governance” in the SATS Annual Report for FY2017-18 for more information relating to Mr Hungate. Mr Hungate will, upon re-election, continue to serve as the President and Chief Executive Officer of the Company and a member of the Board Executive Committee.
- (b) In relation to Ordinary Resolution No. 4, Mr Tan Soo Nan will be retiring from office at the Annual General Meeting pursuant to Article 90 of the Constitution of the Company, and will be standing for re-election at the Annual General Meeting. Please refer to the sections on “Board of Directors” and “Corporate Governance” in the SATS Annual Report for FY2017-18 for more information relating to Mr Tan. Mr Tan will, upon re-election, continue to serve as the Chairman of the Board Risk and Safety Committee and a member of the Audit Committee. Mr Tan is considered an independent Director.

NOTICE OF ANNUAL GENERAL MEETING

SATS LTD.

(Incorporated in the Republic of Singapore)

Company Registration No. 197201770G

(c) Mr Thierry Breton and Mr Koh Poh Tiong will be retiring from office at the Annual General Meeting pursuant to Article 90 of the Constitution of the Company. Mr Breton and Mr Koh have notified the Company that they will not be seeking re-election as Directors of the Company at the Annual General Meeting. Their retirement from the Board will take effect upon the conclusion of the Annual General Meeting. Mr Koh will, upon retirement, cease to be the Chairman of the Nominating Committee and a member of the Board Executive Committee and the Remuneration and Human Resource Committee, respectively.

2. Ordinary Resolution No. 5 is to approve the payment of an aggregate sum of up to S\$1,300,000 as Directors' fees for the non-executive Directors of the Company for the current financial year ("**FY2018-19**"). There is no increase in the amount of the fees from the previous financial year although, if approved, the scale of fees payable to the non-executive Directors will be revised for FY2018-19 onwards. The scale of fees has not been changed since 2010. The revised scale of fees can be found in the "Non-Executive Directors' Remuneration" section of the Corporate Governance Report in the SATS Annual Report for FY2017-18.

The proposed fees for FY2018-19, if approved, will facilitate the payment of Directors' fees during the financial year in which such fees are incurred, in accordance with the revised scale of fees. The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for FY2018-19, assuming attendance in person by all the Directors at such meetings, and also caters for additional fees (if any) which may be payable due to additional board representations on the Company's subsidiary(ies) and/or joint ventures, or to additional Board or Board Committee members being appointed in the course of FY2018-19. If, for unforeseen reasons, payments are required to be made to the Directors in excess of the amount proposed, the Company will revert to shareholders for approval at the next Annual General Meeting in the year 2019 before any such payments are made.

If approved, each of the non-executive Directors (including the Chairman) will receive approximately 85 percent of his/her total Directors' fees for FY2018-19 in cash and approximately 15 percent in the form of ordinary shares of the Company ("**Shares**"). The current intention is for such Shares to be purchased from the market on the first trading day immediately after the release of the Company's first quarter financial results for the financial year ending 31 March 2020 or as soon as practicable thereafter. The cash component of the Directors' fees for FY2018-19 is currently intended to be paid half-yearly in arrears. The non-executive Directors will be required to retain a base shareholding worth up to one year's retainer fee for as long as he/she is on the Board of the Company, and for a period of one year after stepping down as a Director. A non-executive Director who steps down before the payment of the share component of his/her fees will receive all of his/her fees (calculated on a pro-rated basis, where applicable) in cash. Further details regarding the Directors' fees can be found in the "Non-Executive Directors' Remuneration" section of the Corporate Governance Report in the SATS Annual Report for FY2017-18.

The non-executive Directors will abstain from voting his/her holding of Shares (if any), and will procure that their respective associates abstain from voting their respective holdings of Shares (if any), in respect of this Resolution.

3. Ordinary Resolution No. 7, if passed, will empower the Directors to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, from the date of this Annual General Meeting until the date of the next Annual General Meeting. The number of Shares which the Directors may issue under this Ordinary Resolution will not exceed 50 percent of the issued Shares (excluding treasury shares and subsidiary holdings) with a sub-limit of 5 percent for issues other than on a *pro rata* basis. The 5 percent sub-limit for non-*pro rata* issues is lower than the 20 percent sub-limit allowed under the Listing Manual of the SGX-ST. For the purpose of determining the aggregate number of Shares which may be issued, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Ordinary Resolution is passed, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible instruments or share options or vesting of share awards which are outstanding at the time this Ordinary Resolution is passed and (b) any subsequent bonus issue, consolidation or subdivision of Shares. As at 23 May 2018, the Company had 8,024,855 treasury shares and no subsidiary holdings.

4. Ordinary Resolution No. 8 is to empower the Directors to grant awards and to allot and issue ordinary shares of the Company pursuant to the Performance Share Plan and/or the Restricted Share Plan, provided that:
- (i) the aggregate number of new ordinary shares of the Company which may be issued under the Performance Share Plan, the Restricted Share Plan and the SATS Employee Share Option Plan is limited to 15 percent of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and
 - (ii) the aggregate number of ordinary shares of the Company under awards which may be granted pursuant to the Performance Share Plan and/or the Restricted Share Plan from this Annual General Meeting to the next Annual General Meeting shall not exceed 1 percent of the total number of issued ordinary shares of the Company (excluding treasury shares and subsidiary holdings) from time to time.

The SATS Employee Share Option Plan was adopted by the Company in February 2000 and the last grant of options thereunder was made on 1 July 2008. The Performance Share Plan and the Restricted Share Plan were adopted at an Extraordinary General Meeting of the Company held on 19 July 2005 for an initial duration of 10 years and subsequently at the Annual General Meeting held on 23 July 2014, were extended for a further period of 10 years up to 18 July 2025.

5. Ordinary Resolution No. 9 is to renew the mandate to allow the Company, its subsidiaries and associated companies that are entities at risk (as the term is used in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited) or any of them, to enter into certain interested person transactions with certain classes of interested persons as described in the Letter to Shareholders. The authority will, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company. Please refer to the Letter to Shareholders for more details.
6. Ordinary Resolution No. 10 is to renew the mandate to allow the Company to purchase or otherwise acquire Shares, on the terms and subject to the conditions set out in the Resolution.

The Company intends to use its internal sources of funds, external borrowings or a combination of internal resources and external borrowings, to finance the purchases or acquisitions of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

Based on the existing issued Shares as at 23 May 2018 (the "**Latest Practicable Date**"), the purchase by the Company of 2 percent of its issued Shares (excluding treasury shares and subsidiary holdings) will result in the purchase or acquisition of a maximum number of 22,320,628 Shares.

In the case of both market purchases and off-market purchases by the Company and assuming that the Company purchases or acquires the maximum number of 22,320,628 Shares at the Maximum Price of S\$5.70 for one Share (being the price equivalent to 5 percent above the average closing prices of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 22,320,628 Shares is approximately S\$127,227,580.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Company and the Company and its subsidiaries for the financial year ended 31 March 2018, based on certain assumptions, are set out in paragraph 3.7.4 of the Letter to Shareholders dated 20 June 2018 (the "**Letter to Shareholders**").

Please refer to the Letter to Shareholders for more details.

NOTICE OF ANNUAL GENERAL MEETING

SATS LTD.

(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

NOTES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902, not less than 72 hours before the time appointed for the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CLOSURE OF BOOKS

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders for the proposed final dividend being obtained at the 45th Annual General Meeting of the Company to be held on 19 July 2018, the Transfer Books and Register of Members of the Company will be closed on 3 August 2018 for the preparation of dividend warrants.

Duly completed and stamped transfers together with all relevant documents of or evidencing title received by the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on 2 August 2018 will be registered to determine shareholders' entitlements to the proposed final dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 2 August 2018 will be entitled to the proposed final dividend.

The proposed final dividend, if approved by shareholders, will be paid on 17 August 2018.

PROXY FORM

SATS LTD.

(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

IMPORTANT

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy the Company's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 20 June 2018.

*I/We _____ (Name)

_____ (NRIC/Passport No./Co. Regn. No.)

of _____ (Address)

being a *member/members of SATS Ltd. (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	No. of Shares Represented	Proportion of Shareholdings (%)

*and/or

Name	Address	NRIC/ Passport No.	No. of Shares Represented	Proportion of Shareholdings (%)

or failing *him/her, the Chairman of the Annual General Meeting ("AGM") of the Company as *my/our *proxy/proxies to attend, speak and vote for *me/us and on *my/our behalf at the AGM of the Company to be held at the Marina Mandarin Ballroom, Level 1, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on 19 July 2018 at 11.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM and at any adjournment thereof. **If no person is named in the above boxes, the Chairman of the AGM shall be *my/our proxy to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf at the AGM and at any adjournment thereof.**

No.	Resolutions	**For	**Against
ORDINARY BUSINESS			
1	Adoption of the Directors' Statement, the Audited Financial Statements and the Auditors' Report thereon		
2	Declaration of a final dividend		
3	Re-election of Mr Alexander Charles Hungate as Director		
4	Re-election of Mr Tan Soo Nan as Director		
5	Approval of Directors' fees for the financial year ending 31 March 2019		
6	Re-appointment of Auditors and authorisation for Directors to fix their remuneration		
SPECIAL BUSINESS			
7	To grant authority to the Directors to issue additional shares and convertible instruments pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore		
8	To grant authority to the Directors to grant awards and issue shares in accordance with the provisions of the SATS Performance Share Plan and the SATS Restricted Share Plan		
9	To approve the proposed renewal of the Mandate for Interested Person Transactions		
10	To approve the proposed renewal of the Share Purchase Mandate		

* Delete accordingly

** Voting will be conducted by poll. Indicate your vote "For" or "Against" with a (✓) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution.

Dated this _____ day of _____ 2018

Total Number of Shares Held

Signature(s) of Member(s) or Common Seal

Important: Please read notes on the reverse side

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.
 - (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- "Relevant intermediary"** has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
2. A proxy need not be a member of the Company.
 3. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
 4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
 5. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the office of the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 at least 72 hours before the time appointed for the AGM.
 6. Completion and return of an instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies, to the AGM.
 7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
 8. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

1st line fold along here.

2nd line fold along here.



Please affix
postage
stamp

The Company Secretary
SATS Ltd.
c/o M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

3rd fold along this line and glue overleaf. Do not staple.

3rd fold along this line and glue overleaf. Do not staple.

3rd fold along this line and glue overleaf. Do not staple.