

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. CORPORATE INFORMATION

The Company (Registration No. 199206653M) is incorporated in Singapore with its registered office and principal place of business at 205 Braddell Road, Singapore 579701. The Company is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of the provision of public transport services. The principal activities of the companies in the Group are in the business of provision of public transport services and the supporting services relating to land transport. The provision of public transport services includes the operation of public bus, Downtown Mass Rapid Transit System (DTL), North-East Mass Rapid Transit System (NEL) and Sengkang Light Rapid Transit System and the Punggol Light Rapid Transit System (SPLRT).

The principal activities of the subsidiaries are described in Note 8 to the Financial Statements.

The Financial Statements are expressed in Singapore dollars and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

The Consolidated Financial Statements of the Group for the financial year ended 31 December 2023 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2023 were authorised for issue by the Board of Directors on 27 February 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Basis of accounting

The Financial Statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 Share-based Payment, leasing transactions that are within the scope of SFRS(I) 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 Inventories or value in use in SFRS(I) 1-36 Impairment of Assets.

2.2 Adoption of new and revised standards

On 1 January 2023, the Group has adopted all the new and revised SFRS(I)s that are relevant to its operations and effective from that date.

The adoption of these new/revised SFRS(I)s does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below: –

- Amendments to SFRS(I) 1-12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The above amendments apply for annual reporting periods beginning on or after 1 January 2023, which narrowed the scope of the recognition exemption of SFRS(I) 1-12 Income Taxes so that it no longer applies to transactions such as leases that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Group applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and recognises the cumulative effect arising from the initial application of the amendments as an adjustment to the opening balance of retained earnings at that date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.2 Adoption of new and revised standards (cont'd)

The effects of the adoption of the above new or amended SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s are shown below.

	31 December 2021 \$'000	SFRS(I) 1-12 adjustments \$'000	1 January 2022 \$'000
Group			
Deferred tax liabilities	44,619	(2,030)	42,589
Accumulated profits	460,317	2,030	462,347
Company			
Deferred tax liabilities	44,619	(2,030)	42,589
Accumulated profits	776,261	2,030	778,291

- Amendments to SFRS(I) 1-12 Income Taxes – International Tax Reform—Pillar Two Model Rules

The amendments to SFRS(I) 1-12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the Financial Statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The Group is a subsidiary of ComfortDelGro Corporation Limited ("CDG Group") and the CDG Group is in scope of the Pillar Two model rules as its consolidated annual revenue is more than EUR 750 million. Following the announcement in Budget 2023, the legislation is expected to be effective in Singapore for the Group's financial year beginning on or after 1 January 2025. The Group does not expect a material exposure to Pillar Two income taxes as the effective tax rate is above 15% where the transitional safe harbour relief would apply.

2.3 New/revised standards and improvements to the standards not yet adopted

The Group has not applied the following accounting standards that are relevant to the Group and have been issued as at the end of the reporting period but not yet effective:

- Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-Current* ⁽¹⁾
- Amendments to SFRS(I) 16: *Lease Liability in a Sale and Leaseback* ⁽¹⁾
- Annual Improvements to SFRS(I) 1-1: *Non-current liabilities with Covenants* ⁽¹⁾
- Amendments to SFRS(I) 1-7 and SFRS(I) 7: *Supplier Finance Arrangements* ⁽¹⁾
- Amendments to SFRS(I) 21: *Lack of Exchangeability* ⁽²⁾
- Amendments to SFRS(I) 1-10 and SFRS(I) 1-28: *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture* ⁽³⁾

⁽¹⁾ Applies to annual periods beginning on or after 1 January 2024.

⁽²⁾ Applies to annual periods beginning on or after 1 January 2025.

⁽³⁾ Date to be determined

Management anticipates that the adoption of the above SFRS(I) pronouncements in future periods will not have a material impact on the Financial Statements of the Group in the period of their initial adoption.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.4 Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and an entity controlled by the Company. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group Income Statement and Group Comprehensive Income Statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with those consistently used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In the Statement of Financial Position of the Company, investment in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in Profit or Loss.

2.5 Financial instruments

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through Profit or Loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in Profit or Loss.

Financial assets

All recognised financial assets are classified, at initial recognition, as subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.5 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets

The Group applies the simplified approach permitted by SFRS(I) 9 Financial Instruments for trade receivables. The expected credit losses ("ECL") on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors as well as current and forecast general economic conditions at the reporting date. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, the 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the rate of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, where relevant. The internal credit rating of these financial assets are categorised as "Doubtful". The basis for recognition of ECL for financial assets with significant increase in credit risk since initial recognition is lifetime ECL – not credit impaired.

A default on a financial asset is when the counterparty fails to make contractual payments within a specific period after the credit period granted. The internal credit rating of these financial assets are categorised as "Non-performing". The basis for recognition of ECL for financial assets with evidence indicating credit-impaired is lifetime ECL – credit impaired.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include taking into consideration observable data about the significant financial difficulty of the issuer or the borrower; a breach of contract, such as a default or past due event; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Where receivables have been written off, the Group continues to recover the receivables due. Where recoveries are made, these are recognised in Profit or Loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in Profit or Loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.5 Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in Profit or Loss.

Hedging instruments and hedge accounting

The Group uses hedging instruments to manage its exposure to fuel price fluctuation, interest rate and foreign exchange rate risks. The Group uses hedging instruments such as forwards and options, to manage these risks. The use of hedging instruments is governed by the Group's policies which provide written principles on the use of financial instruments consistent with the Group's risk management strategy (see Note 29).

Hedging instruments are initially recognised at fair value on the contract date, and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in Profit or Loss immediately unless the hedging instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in Profit or Loss depends on the nature of the hedge relationship. The Group designates its hedging instruments as either fair value hedges or cash flow hedges.

Hedging instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of the hedge relationship, the Group formally designates and documents the relationship between the hedging instrument and hedged item, along with its risk management objective and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedges of both foreign currency risk and fuel price risk for future purchases of goods are designated as cash flow hedges.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

Note 29 (c) contains details of the fair values of the hedging instruments.

Cash flow hedge

The effective portion of changes in fair value of hedging instruments that are designated and qualify as cash flow hedges are recognised in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in Profit or Loss. Amounts recognised in Other Comprehensive Income are taken to Profit or Loss during which the hedged cash flows affect Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.6 Leases

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its property.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before commencement date less any lease incentives received and an estimate of costs to be incurred by the lessee in restoring the site on which it is located required by the terms and conditions of the lease. Refer to Note 2.8 for details on estimated useful life.

ii) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequently, the carrying amount of lease liabilities is remeasured if there is a modification, change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.7 Inventories

Inventories are stated at cost less allowance for inventory obsolescence. Allowance is made for obsolete, slow-moving and defective inventories based on Management's estimates and judgement, taking into consideration inventories' physical and market conditions, inventory turnover, etc.

Cost comprises cost of purchase and those costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

2.8 Vehicles, premises and equipment

Vehicles, premises and equipment are stated at cost less accumulated depreciation and any provision for impairment.

Capital projects in progress comprising development and construction costs incurred during the period of construction are carried at cost, less any recognised provision for impairment. Depreciation on these assets, on the same basis as other vehicles, premises and equipment, commences when the assets are available for use.

Depreciation is charged so as to write off the cost of the assets, other than capital projects in progress, over the estimated useful lives using the straight-line method, on the following bases:

	Number of years
Buses and bus accessories	5 to 17
Leasehold land and buildings (including leasehold improvements)	5 years or Over the remaining lease period
Computers and automated equipment	3 to 5
Workshop machinery, tools and equipment	3 to 7
Motor vehicles	5 to 10
Furniture, fittings and equipment	5 to 7

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

Right-of-use assets are depreciated over the lease period of the depots.

The carrying amount of an item of vehicles, premises and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal or retirement of an item of vehicles, premises and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in Profit or Loss.

Fully depreciated vehicles, premises and equipment are retained in the Financial Statements until they are no longer in use.

2.9 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, if any, to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the provision for impairment (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. A provision for impairment is recognised immediately in Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.9 Impairment of non-financial assets (cont'd)

Where provision for impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no provision for impairment been recognised for the asset (cash-generating unit) in prior years. A reversal of a provision for impairment is recognised immediately in Profit or Loss.

2.10 Fuel price equalisation account

Pursuant to Section 32 of the Public Transport Council Act 1987 (the "PTC Act"), a fuel price equalisation account ("FPEA") has been set up to account for diesel price and electricity tariff adjustment charge for the purpose of mitigating the effects of any increase in fuel price and electricity tariff. Annual contributions to the FPEA may be required as determined by the Public Transport Council ("PTC"), based on the reference electricity tariff and diesel price for the year.

In accordance with Section 32 of the PTC Act, withdrawal of any sum of money from the FPEA must not be made without approval from the PTC. Applications can be made to the PTC to seek approval for a draw down as may be catered for by the purpose of the FPEA mechanism, provided that the amount drawn does not exceed half of the available FPEA balance.

2.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Estimates are regularly reviewed and adjusted as appropriate for new circumstances for the provision.

Provision for onerous contract

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. If the contract is onerous, the present obligation under the contract shall be recognised and measured as a provision. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract.

Provision for reinstatement and maintenance costs

Provision for reinstatement costs to restore leased assets to their original condition, as required by the terms and conditions of the leases, is recognised when the obligation is incurred as a consequence of having used the underlying asset during a particular period of the lease, at Management's best estimate of the expenditure that would be required to restore the assets. Provision for maintenance costs is recognised as required by the terms and conditions of the Consolidated Rail Licence agreement.

Provision for accident claims

Claims for accident, public liability and others are provided in the Financial Statements based on the claims outstanding and the estimated amounts payable. The Company has undertaken motor vehicle insurance to cover liabilities relating to third party personal injury where claims are in excess of a stated quantum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.12 Service benefits

These comprise the following:

- (a) Retirement benefits – Under the Collective Agreement entered into by the Group with the Union, a retirement benefit subject to a maximum of \$4,000 is payable to an employee retiring on or after attaining the retirement age and on completion of at least five years of service. The above benefits are unfunded and the cost of providing benefits is determined using the projected unit credit method.

Provision is made in the Financial Statements based on the number of years of service rendered by qualifying employees and discounted to present value using the market yield of Singapore Government Bonds at end of the reporting period and after taking into account an estimated attrition rate. The estimated attrition rate used is based on the Management's best estimate using historical trend.

- (b) Long service awards – Staff serving more than 5 years and up to 35 years are entitled to long service awards. The above benefits are unfunded and the cost of providing benefits is determined using the projected unit credit method. Provision is made in the financial statements based on the number of years of service rendered by qualifying employees and discounted using the market yield of Singapore Government Bonds at end of the reporting period.
- (c) Apart from the retirement benefits described in (a) above, the Group participates in a defined contribution plan managed by the Singapore Government ("Singapore Central Provident Fund"). Payments made to the plan are charged as an expense when the employees have rendered the services entitling them to the contributions.
- (d) Employee leave entitlement – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.
- (e) Share-based payments – The Company issued share awards to certain employees and Directors within the Group. Share awards are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the share awards are expensed on a straight-line basis over the vesting period with a corresponding adjustment against share awards reserve, based on the Company's estimate of the number of equity instruments that will eventually vest.

2.13 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in Profit or Loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants that compensate the Company for specific expenses are presented as a deduction against the related expenses.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred grant in the Statements of Financial Position and transferred to Profit or Loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in Profit or Loss in the period in which they become receivable.

Government grants in relation to form of a transfer of a non-monetary asset, such as land or other resources, for the use of the Group, are recognised as both asset and grant at a nominal amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.14 Revenue recognition

The Group recognises revenue from the following sources:

- Transport services
- Lease revenue
- Other commercial services

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at the inception of the contract and constrained until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue from transport services comes from the provision of bus and rail services to commuters travelling on public transport systems:

- Revenue from transport regulator for the operation of bus services is recognised over time, as and when services are rendered and it includes an estimation of the expected consideration on achieving certain performance targets. Service fees are received on a monthly basis according to the terms stipulated in the contract. The Group's contracts with the transport regulator (customer) result in service income based on the transportation mileage fulfilled by the Group, which is subject to agreement and variation by the customer. The amounts that are subjected to uncertainty are constrained until the uncertainty associated with the variable consideration is resolved.
- Revenue from commuters for rail services is recognised at point in time, as and when services are rendered till the end of the commuter journey. Commuters pay for rail travel through a payment system administered by the transport regulator and the Group receives revenue on a daily basis. Revenue from transport regulator for rail services relates to performance incentives for achieving certain performance and service quality targets, and other rail services related income. Incentives are recognised based on targets achieved for each period assessed.

Lease revenue comprises availability fees for the buses and other assets used in the provision of bus services under the Bus Contracting Model ("BCM"). Lease revenue is recognised on a straight-line basis over time and is received on a monthly basis according to terms stipulated in the contract.

Revenue from other commercial services comprises advertising and rental income:

- Advertising production revenue is earned from advertisers through providing advertising concepts and campaigns and it is recognised when production is completed. Advertising media revenue is recognised on a time proportionate basis over the term relevant contract. Consideration is received according to the terms in the contractual agreements which are consistent with market practice; and
- Rental income is recognised on a straight-line basis over the term of the relevant lease.

Contract balances

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to Note 2.5 for accounting policy on financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.15 Income tax

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised on taxable temporary differences arising from investment in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in Profit or Loss, except when they relate to items credited or debited outside Profit or Loss (either in Other Comprehensive Income or directly in equity), in which case the tax is also recognised outside Profit or Loss (either in Other Comprehensive Income or directly in equity), or where they arise from the initial accounting for a business combination.

2.16 Foreign currency transactions

The individual Financial Statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Consolidated Financial Statements of the Group and the Statement of Financial Position and Statement of Changes in Equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the Consolidated Financial Statements.

Transactions in currencies other than each Group entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in Profit or Loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in Profit or Loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in Other Comprehensive Income. For such non-monetary items, any exchange component of that gain or loss is also recognised in Other Comprehensive Income.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (please see above for details of the Group's accounting policies in respect of such hedging instruments).

2.17 Cash and cash equivalents in the cash flow statement of the Group

Cash and cash equivalents in the Cash Flow Statement of the Group comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

2.18 Service concession contracts

Certain assets of the Group are used in connection with concession contracts granted by public sector customers ("concession grantors"). The characteristics of these contracts vary by contract, nevertheless, they generally provide, directly or indirectly, for the concession grantor's involvement on one hand in determining the service and compensation, and on the other, the return of certain assets necessary to perform the service at the end of the contract.

SFRS(I) INT 12 Service Concession Arrangements, is applicable to concession arrangements comprising a public service obligation and meeting the following criteria: the concession grantor controls or regulates the services to be provided by the operator using the asset, the beneficiaries of the service and prices applied; and the concession grantor controls the residual economic value of the assets at the end of the arrangement. The related assets that are deemed to meet the above criteria are not recognised as tangible assets of the Group. For assets that was held and recognised as vehicles, premises and equipment by the Group before entering the concession arrangement, the derecognition requirements are detailed in Note 2.8.

Service concession arrangements within scope of SFRS(I) INT 12 are accounted for using either the financial asset model or the intangible asset model, determined by the contract's terms and the nature of payment rights. The financial asset model applies when the operator has an unconditional right to receive cash or another financial asset from the concession grantor for services provided, leading to the recognition of a financial asset. The intangible asset model is used when the operator is granted a right to charge public service users, resulting in the recognition of an intangible asset.

In the application of the Group's accounting policies, which are described in Note 2, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Management is of the opinion that any instances of applications of judgements are not expected to have a significant effect on the amounts recognised in the Financial Statements (apart from those involving estimations, which are dealt with below).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision and future periods if the revision affects both current and future periods.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimates (see below), that Management has made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised in the financial statements:

Provision for rail contract and recoverability of debt and equity investments in a subsidiary

The Group applies judgement in evaluating whether the consolidated rail contract is an onerous contract and whether there are indicators of impairment and significant increase in credit risks in respect to the Company's debt and equity investments in SBS Transit Rail Pte. Ltd ("SBST Rail" or the "subsidiary"). It considers the projection of the future financial performance of the DTL, NEL and SPLRT under the Consolidated Rail Licence applying appropriate key assumptions relating to ridership growth, fare adjustments, availability of grants from the Authorities and operating costs projections. The Group also considers external information regarding forecasted economic indicators and geopolitical risk factors that could affect key operating costs drivers such as labour and energy costs.

Accounting for contracts with public transport regulator

The Group's Public Transport Services segment has entered into contracts with the public transport regulator (the "Grantor") in Singapore whereby the Group operates bus and train assets and related infrastructure that are either owned by the Group or leased from the Grantor (the "Public Transport Assets") to provide public transportation services.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

3.1 Critical judgements in applying the Group's accounting policies (cont'd)

As part of determining the appropriate accounting treatments for these contracts, the Group applies judgement to determine whether these public-to-private arrangements are within the scope of SFRS(I) INT 12 Service Concession Arrangements that would affect the manner that the Public Transport Assets, the related expenditures incurred by the Group, the service and fare income earned by the Group, and payments made to the Grantor under these contracts are recognised in the Group's Statement of Financial Position and Income Statement. The applicability of SFRS(I) INT 12 is based on an assessment of whether the Grantor has both the control over the services to be provided using the Assets, and the residual interests at the end of the contract.

3.2 Key sources of estimation uncertainty

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

(a) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Accident claims

Claims for property damage and personal injury are provided in the Financial Statements based on the claims outstanding as of the end of the financial year and estimated amounts payable. The past claims history and payment are as well as the Group's insurance coverage are taken into account to estimate the amounts in which the Group will have to pay to third parties for such claims. Provision for claims is disclosed in Note 16 (a).

(b) Allowance for inventory obsolescence

The Group's inventories comprised mainly parts, accessories and consumable stock required for the operation and maintenance of vehicles and equipment used in the Group's Public Transport Services segment.

Management identifies and provides for obsolete inventories based on considerations such as phasing out of vehicle models and inventories purchased for specific projects which have ended. For inventories that are still held for operations, Management considers economic obsolescence risk due to the limited timeframe for cost recovery from the related train or bus service revenues, which is expected to end by the expiry of the current licence agreement or the useful life of the buses respectively. Consequently, Management has estimated the obsolescence allowance by adopting a systematic straight-line write-down for spares that are aged 2 years and above till the end of the licence period or useful life of the buses.

Allowance for inventory obsolescence is disclosed in Note 7.

(c) Useful lives of vehicles, premises and equipment

As described in Note 2, the Group reviews the estimated useful lives of vehicles, premises and equipment at the end of each annual reporting period, including the consideration of climate-related matters, such as climate-related legislation and regulations or the Group's sustainability commitments that may restrict the use of assets. During the financial year, Management determined that the estimated useful lives of vehicles, premises and equipment are appropriate and no material revision is required. The carrying amounts of the vehicles, premises and equipment are disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Recoverability of the Company's investment in subsidiary and non-trade receivables due from subsidiary

Investment in a subsidiary is tested for impairment whenever there is indication that the investment may be impaired. Where there is an indication of impairment, the recoverable amount is estimated based on the higher of the value-in-use and the fair value less costs of disposal of the investment. The Company has estimated the value-in-use of the equity investment in SBST Rail based on estimates of the future cash flows generated by SBST Rail and application of a suitable discount rate in order to calculate the present value of the cash flows. The Company has also made assessment of the expected credit loss ("ECL") of non-trade receivables due from SBST Rail that is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The above assessments involve projections of the subsidiary's future operating and financial performance during and beyond the current Consolidated Rail Licence prepared based on key assumptions and estimates including but not limited to ridership growth, fare adjustments, availability of grants from the Authorities and operating costs, after taking into consideration the current ridership patterns, fare adjustments, key operating cost drivers and the relevant risk factors. It also involves determining and applying an appropriate market-based discount rate to the discounted cash flow model. Management concluded that there is no impairment required as at 31 December 2023 and 31 December 2022.

Details of the non-trade receivables due from subsidiary and investment in subsidiary are disclosed in Note 6 and Note 8.

4. HOLDING COMPANY, RELATED COMPANY AND RELATED PARTY TRANSACTIONS

The Company's immediate and ultimate holding company is ComfortDelGro Corporation Limited, incorporated in Singapore.

Related companies in these Financial Statements refer to members of the ultimate holding company's group of companies.

Some of the Group's transactions and arrangements are with related parties and other members of the ultimate holding company's group of companies and the effects of these on the basis determined between the parties are reflected in these Financial Statements.

Related parties include associate or joint venture of a member of the ultimate holding company.

Intercompany and related party transactions during the financial year, other than those disclosed elsewhere in the notes to the Financial Statements are as follows:

	Group	
	2023	2022
	\$'000	\$'000
Purchases of inventories from a related company	32,463	29,127
Shared services charged from ultimate holding company	4,575	4,727
Corporate services charged from ultimate holding company	4,302	4,132
Rental expense from:		
Ultimate holding company	2,997	2,808
Related company	591	651
Purchase of goods and services from related companies	4,492	4,235
Transfer of computers and automated equipment from (to):		
Ultimate holding company	266	(385)
Related companies	6	-
Sales of goods and services to:		
Ultimate holding company	(24)	(22)
Related companies	(2,042)	(1,594)
Rental income from related companies	(232)	(222)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. HOLDING COMPANY, RELATED COMPANY AND RELATED PARTY TRANSACTIONS (cont'd)

The amounts outstanding are unsecured, interest-free and are repayable on demand, unless otherwise stated. No guarantees have been given or received.

No expense has been recognised in the financial year for bad and doubtful debts in respect of the amounts owed by related companies.

5. SHORT-TERM DEPOSITS AND BANK BALANCES

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Cash and bank balances	6,465	6,804	3,392	3,998
Fixed deposits	365,500	338,500	365,500	338,500
Total	371,965	345,304	368,892	342,498

Fixed deposits bear effective interest rate of 3.06% to 4.17% (2022 : 0.17% to 4.41% per annum and for a tenure of approximately 8 days to 1 year (2022 : 12 days to 1.2 years). The fixed deposits can be readily converted to a known amount of cash and are subject to an insignificant risk of changes in value.

6. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Trade receivables from:				
Related companies (Note 4)	672	6	–	–
Outside parties	144,024	111,095	133,836	102,864
Accrued income	52,223	44,107	1,119	1,107
	196,919	155,208	134,955	103,971
Allowance for expected credit losses	(59)	(58)	(25)	(21)
	196,860	155,150	134,930	103,950
Other receivables from:				
Ultimate holding company (Note 4)	4	24	4	24
Related companies (Note 4)	2,073	2,867	1,740	1,723
Subsidiaries (Note 4)	–	–	1,250	–
Outside parties	64,465	69,041	64,114	69,576
	66,542	71,932	67,108	71,323
Prepayments (Note 9)	33,528	28,116	5,251	6,441
Interest receivable	1,720	1,544	1,720	1,544
Staff advances	584	368	220	60
Security deposits from outside parties	1,263	1,118	1,234	1,089
Accrued income	3,761	2,810	714	429
Net investment on sublease	228	96	228	96
	107,626	105,984	76,475	80,982
Allowance for expected credit losses	(8)	(2)	(2)	(2)
	107,618	105,982	76,473	80,980
Total current trade and other receivables	304,478	261,132	211,403	184,930
Non-current other receivables due from subsidiaries (Note 4)	–	–	347,292	350,565
Total	304,478	261,132	558,695	535,495

The amounts outstanding are interest-free and the credit period ranges from 7 to 30 days (2022: 7 to 30 days). Amounts due from related companies have been classified as non-current assets as the Group does not expect for repayment within 12 months after the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

6. TRADE AND OTHER RECEIVABLES (cont'd)

The expected risks of default on trade and other receivables at the reporting date is insignificant as a majority of receivables is from LTA and other Government related agencies where Management has assessed the credit risk to be low. Receivables from LTA are classified as current as they are expected to be received within the Group's normal operating cycle. For the remaining receivables, the concentration of credit risk is limited due to the customer base being large and unrelated. Management is of the view that there has not been a significant change in credit quality and the amounts are still considered recoverable.

An allowance has been made for estimated irrecoverable amounts of the Group of \$67,000 (2022: \$60,000) and of the Company of \$27,000 (2022: \$23,000) owing from outside parties. There are no amounts written off for the Group and Company for 2023 and 2022. Allowance for expected credit losses recognised in Profit or Loss amounted to \$5,000 (2022: \$4,000) for Group and \$4,000 (2022: Write-back of \$20,000) for the Company.

The allowance made for estimated irrecoverable amounts had been determined by reference to past default experience and expected credit losses. The expected credit losses incorporate forward looking estimates, where relevant. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, and adjust for forward-looking macroeconomic data, where relevant.

As at 1 January 2022, trade receivables and accrued income from contracts with customers amounted to \$179,384,000 (net of loss allowance of \$50,000) for the Group and \$151,308,000 for the Company (net of loss allowance of \$38,000).

7. INVENTORIES

Inventories comprised mainly parts, accessories and consumable stock required for the operation and maintenance of vehicles and equipment.

At the end of the reporting period, the inventories are stated net of allowance of \$46,369,000 (2022: \$39,579,000) for the Group and \$1,352,000 (2022: \$593,000) for the Company. The cost of inventories recognised as an expense includes \$8,363,000 (2022: \$11,027,000) in respect of write-downs of inventories. The carrying amount of the Group's inventories is \$119,876,000 (2022: \$102,649,000) and \$25,019,000 (2022: \$16,290,000) for the Company.

8. SUBSIDIARIES

	Company	
	2023 \$'000	2022 \$'000
Unquoted equity shares, at cost	100,002	100,002

Name of entity	Principal activity	Country of incorporation /operation	Company's effective interest		Cost of investment	
			2023 %	2022 %	2023 \$'000	2022 \$'000
SBS Transit Rail Pte. Ltd. ⁽¹⁾	Operation and maintenance of DTL, NEL and SPLRT	Singapore	100	100	100,000	100,000
SBS Transit Mobility Pte. Ltd. ⁽¹⁾	Provision of supporting services to land transport industry	Singapore	100	100	2	2

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

The Group is in compliance with Listing Rules 712 and 715 of The Singapore Exchange Securities Trading Limited as suitable auditing firms have been appointed to meet the Group's audit obligations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9. PREPAYMENTS

Non-current prepayments pertain to down payments for the purchase of vehicles, premises and equipment. Current prepayments pertain to prepaid operating expenditures.

10. VEHICLES, PREMISES AND EQUIPMENT

		Group		Company	
		2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Vehicles, premises and equipment owned	(a)	336,958	405,184	298,006	359,365
Right-of-use assets classified within vehicles, premises and equipment	(b)	16,588	75,683	16,588	75,683
		353,546	480,867	314,594	435,048

(a) Vehicles, premises and equipment owned

	Buses \$'000	Leasehold building (N1) \$'000	Leasehold improvements \$'000	Computers and automated equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Capital projects in progress \$'000	Total \$'000
Group									
Cost or valuation (N1):									
At 1 January 2022	972,436	46,934	67,350	34,331	65,269	9,131	21,285	4,832	1,221,568
Additions	–	–	827	2,458	2,984	911	487	7,128	14,795
Disposals	(2,013)	–	(868)	(766)	(5,689)	(476)	(2,222)	–	(12,034)
Reclassification	43	(253)	708	1,069	1,989	–	583	(4,139)	–
Transfer to ultimate holding company	–	–	–	–	(130)	–	–	–	(130)
Transfer to related companies	–	–	–	(693)	–	–	–	–	(693)
At 31 December 2022	970,466	46,681	68,017	36,399	64,423	9,566	20,133	7,821	1,223,506
Additions	255	10	68	3,640	2,860	1,052	605	5,915	14,405
Disposals	(13,667)	–	–	(1,836)	(2,422)	(681)	(965)	–	(19,571)
Reclassification	6,001	189	315	1,912	1,539	–	14	(9,970)	–
Transfer from ultimate holding company	–	–	243	2	–	–	21	–	266
Transfer from related company	–	–	–	6	–	–	–	–	6
At 31 December 2023	963,055	46,880	68,643	40,123	66,400	9,937	19,808	3,766	1,218,612
Accumulated depreciation:									
At 1 January 2022	596,889	18,301	43,330	27,583	39,952	6,715	15,698	–	748,468
Depreciation	58,896	3,455	5,673	5,061	6,070	860	1,643	–	81,658
Disposals	(1,443)	–	(868)	(766)	(5,662)	(474)	(2,153)	–	(11,366)
Reclassification	–	(20)	20	4	(3)	(1)	–	–	–
Transfer to ultimate holding company	–	–	–	–	(130)	–	–	–	(130)
Transfer to related companies	–	–	–	(308)	–	–	–	–	(308)
At 31 December 2022	654,342	21,736	48,155	31,574	40,227	7,100	15,188	–	818,322
Depreciation	59,974	3,576	5,480	4,114	6,849	842	1,748	–	82,583
Disposals	(13,376)	–	–	(1,836)	(2,409)	(680)	(950)	–	(19,251)
At 31 December 2023	700,940	25,312	53,635	33,852	44,667	7,262	15,986	–	881,654
Carrying amount:									
At 31 December 2023	262,115	21,568	15,008	6,271	21,733	2,675	3,822	3,766	336,958
At 31 December 2022	316,124	24,945	19,862	4,825	24,196	2,466	4,945	7,821	405,184

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10. VEHICLES, PREMISES AND EQUIPMENT (cont'd)

(a) Vehicles, premises and equipment owned (cont'd)

	Buses \$'000	Leasehold building (N1) \$'000	Leasehold improvements \$'000	Computers and automated equipment \$'000	Workshop machinery, tools and equipment \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Capital projects in progress \$'000	Total \$'000
Company									
Cost or valuation (N1):									
At 1 January 2022	972,436	46,934	38,333	30,062	57,658	6,626	18,865	3,986	1,174,900
Additions	–	–	3	1,226	1,671	–	297	7,425	10,622
Disposals	(2,013)	–	(868)	(635)	(5,645)	(476)	(2,152)	–	(11,789)
Reclassification	43	(253)	708	272	1,558	–	580	(2,908)	–
Transfer to ultimate holding company	–	–	–	–	(130)	–	–	–	(130)
Transfer to subsidiary	–	–	(8,038)	(4,502)	(28,895)	(2,904)	(2,124)	(1,836)	(48,299)
Transfer to related companies	–	–	–	(693)	–	–	–	–	(693)
At 31 December 2022	970,466	46,681	30,138	25,730	26,217	3,246	15,466	6,667	1,124,611
Additions	255	10	23	1,865	1,858	257	377	4,769	9,414
Disposals	(13,667)	–	–	(1,729)	(2,382)	(107)	(950)	–	(18,835)
Reclassification	6,001	189	55	1,118	1,196	–	14	(8,573)	–
Transfer from ultimate holding company	–	–	243	–	–	–	21	–	264
Transfer to subsidiary	–	–	–	(8)	–	–	–	–	(8)
Transfer from related company	–	–	–	5	–	–	–	–	5
At 31 December 2023	963,055	46,880	30,459	26,981	26,889	3,396	14,928	2,863	1,115,451
Accumulated depreciation:									
At 1 January 2022	596,889	18,301	34,062	24,148	35,253	4,730	14,007	–	727,390
Depreciation	58,896	3,455	708	3,183	1,732	322	1,053	–	69,349
Disposals	(1,443)	–	(868)	(634)	(5,634)	(474)	(2,104)	–	(11,157)
Reclassification	–	(20)	20	4	(3)	–	(1)	–	–
Transfer to ultimate holding company	–	–	–	–	(130)	–	–	–	(130)
Transfer to subsidiary	–	–	(5,024)	(2,824)	(9,110)	(1,966)	(974)	–	(19,898)
Transfer to related companies	–	–	–	(308)	–	–	–	–	(308)
At 31 December 2022	654,342	21,736	28,898	23,569	22,108	2,612	11,981	–	765,246
Depreciation	59,974	3,576	630	2,130	2,873	307	1,248	–	70,738
Disposals	(13,376)	–	–	(1,729)	(2,382)	(107)	(937)	–	(18,531)
Transfer to subsidiary	–	–	–	(8)	–	–	–	–	(8)
At 31 December 2023	700,940	25,312	29,528	23,962	22,599	2,812	12,292	–	817,445
Carrying amount:									
At 31 December 2023	262,115	21,568	931	3,019	4,290	584	2,636	2,863	298,006
At 31 December 2022	316,124	24,945	1,240	2,161	4,109	634	3,485	6,667	359,365

(N1): The Group's leasehold building at Soon Lee bus depot are stated at their revalued amounts (Note 18) being the fair value at the date of revaluation based on valuation performed by an independent external valuer. The revaluation was done pursuant to the agreement in the Negotiated Contract under the BCM (Note 32). As at 31 December 2023, the carrying amount of the Group's leasehold building at Soon Lee bus depot would have been \$7,403,000 (2022: \$8,513,000), had the leasehold building been carried at cost less accumulated depreciation. Other than the aforementioned asset, the other assets are measured using the cost model.

On 13 June 2022, the Company signed an agreement with the Land Transport Authority on the sale and transfer of Soon Lee bus depot in 2024. The bus depot will be sold at the carrying value upon transfer in 2024, subsequent to a series of renovations and maintenance works to be completed before the handover date in 2024.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10. VEHICLES, PREMISES AND EQUIPMENT (cont'd)

(a) Vehicles, premises and equipment owned (cont'd)

Details of leasehold land and building occupied by the Group and the Company are as follows:

Location	Approximate land area	Tenure	Usage
No. 28 Soon Lee Road Singapore	26,670 sq m	30 years from 1 April 2000 (6 years 3 months unexpired)	Bus depot

Details of bus depots are as follows:

Location	Approximate land area	Tenure	Usage
No. 550 Bukit Batok Street 23 Singapore	52,189 sq m	43 years from 1 January 1983 (2 years unexpired)	Bus depot
No. 4 Defu Ave 1 Singapore	45,190 sq m	43 years 11 months from 1 January 1983 (2 years 11 months unexpired)	Bus depot
No. 1470 Bedok North Avenue 4 Singapore	62,220 sq m	Under Temporary Occupation Licence	Bus depot
No. 15 Ang Mo Kio Street 63 Singapore	63,955 sq m	30 years 9 months from 1 March 1994 (11 months unexpired)	Bus depot

(b) Right-of-use assets classified within vehicles, premises and equipment

The Group leases several leasehold land and buildings with an average contractual lease term of 8 years (2022: 11 years), where the Group make periodic payments which are used for its day to day bus operations. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

	Bus Depots \$'000	Leasehold Land ^(N2) \$'000	Total \$'000
Group and Company			
Cost or valuation^(N2):			
At 1 January 2022	152,744	17,600	170,344
Changes arising from remeasurement	(2,084)	–	(2,084)
At 31 December 2022	150,660	17,600	168,260
Changes arising from remeasurement	(49,060)	–	(49,060)
At 31 December 2023	101,600	17,600	119,200
Accumulated depreciation:			
At 1 January 2022	73,334	6,910	80,244
Depreciation	11,037	1,296	12,333
At 31 December 2022	84,371	8,206	92,577
Depreciation	8,739	1,296	10,035
At 31 December 2023	93,110	9,502	102,612
Carrying amount:			
At 31 December 2023	8,490	8,098	16,588
At 31 December 2022	66,289	9,394	75,683

^(N2): The Group has secured the right-of-use of leasehold land at Soon Lee bus depot with no future payments required. The Group's leasehold land is stated at its revalued amount (Note 18) being the fair value at the date of revaluation based on valuation performed by an independent external valuer. The revaluation was done pursuant to the agreement in the Negotiated Contract under the BCM (Note 32). As at 31 December 2023, the carrying amount of the Group's leasehold land would have been \$3,737,000 (2022: \$4,334,000), had the leasehold land been carried at cost less accumulated depreciation. Other than the aforementioned asset, the other assets are measured using the cost model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

10. VEHICLES, PREMISES AND EQUIPMENT (cont'd)

(b) Right-of-use assets classified within vehicles, premises and equipment (cont'd)

No lease expired in the current financial year (2022: Nil). In 2023, the Group has remeasured its leases due to changes in lease term and change in future lease payments from change in index or rate which are not considered as lease modification under SFRS(I) 16 amounting to \$49,060,000 (31 December 2022: \$2,084,000).

The total depreciation expenses for the financial year amount to \$92,618,000 (2022: \$93,991,000) and consist of depreciation from vehicles, premises and equipment of \$82,583,000 (2022: \$81,658,000) and right-of-use assets of \$10,035,000 (2022: \$12,333,000).

11. DEFERRED TAX ASSETS/LIABILITIES

	Group		Company	
	2023 \$'000	2022 \$'000 (restated)	2023 \$'000	2022 \$'000 (restated)
Deferred tax assets	20,855	20,750	–	–
Deferred tax liabilities	(22,424)	(26,621)	(22,424)	(26,621)
Net	(1,569)	(5,871)	(22,424)	(26,621)
At beginning of the year	(5,871)	(17,554)	(26,621)	(44,619)
Tax impact arising from SFRS(I) 16 to retained earnings	–	2,030	–	2,030
At beginning of the year (as restated)	(5,871)	(15,524)	(26,621)	(42,589)
Credit to Profit or Loss (Note 24)	6,146	21,387	6,698	19,789
Under/(Over) provision of tax in prior years (Note 24)	(1,823)	–	(2,501)	–
Utilisation of deferred tax assets under Group Relief Scheme:				
– SBS Transit Rail Pte. Ltd.	(2)	(11,938)	–	–
Transfer from SBS Transit Ltd to SBS Transit Rail Pte. Ltd.	–	–	–	(3,821)
Arising from movement in Other Comprehensive Income Statement	(19)	204	–	–
At end of the year	(1,569)	(5,871)	(22,424)	(26,621)

The balance comprises the tax effects of:

Unutilised tax losses	5,963	8,804	–	–
Excess of carrying amount over tax written value	(42,698)	(59,739)	(45,917)	(62,941)
Provisions	31,883	31,613	20,210	22,869
Lease liabilities	3,283	13,451	3,283	13,451
Net deferred tax liabilities	(1,569)	(5,871)	(22,424)	(26,621)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

12. LEASE LIABILITIES

Group and Company as lessee	Group and Company	
	2023	2022
	\$'000	\$'000
Maturity analysis:		
Within one year	11,085	12,377
In the second to fifth year inclusive	9,060	51,103
After five years	–	20,393
	20,145	83,873
Less: Future finance charges	(835)	(4,752)
	19,310	79,121
Analysed as:		
Current	10,523	11,116
Non-current	8,787	68,005
	19,310	79,121

The Group and the Company do not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group and the Company's treasury function.

The total cash outflow for leases (including short-term leases and leases of low value assets) amount to \$11,125,000 (2022: \$10,759,000).

As at 31 December 2023, the Group and the Company are committed to \$99,000 (2022: \$47,300) for leases that are short-term and of low value assets.

Reconciliation of liabilities arising from financing activities

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

	1 January 2023 \$'000	Financing cash flows \$'000	Non-cash changes	31 December 2023 \$'000
			Re- measurement \$'000	
Lease liabilities	79,121	(11,049)	(48,762)	19,310
Total	79,121	(11,049)	(48,762)	19,310

	1 January 2022 \$'000	Financing cash flows \$'000	Non-cash changes	31 December 2022 \$'000
			Re- measurement \$'000	
Lease liabilities	91,612	(10,407)	(2,084)	79,121
Total	91,612	(10,407)	(2,084)	79,121

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

13. TRADE AND OTHER PAYABLES

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Payables to:				
Ultimate holding company (Note 4)	2,753	2,668	2,697	2,658
Subsidiaries (Note 4)	–	–	–	2
Related companies (Note 4)	6,257	4,290	5,542	3,699
Outside parties	95,748	71,520	60,355	60,461
Accruals	226,255	252,158	139,479	168,531
Deferred income	2,907	3,164	1,472	1,456
Total	333,920	333,800	209,545	236,807

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The amounts outstanding are interest-free and the average credit period is 30 days (2022: 30 days).

14. DEPOSITS RECEIVED

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Deposits received	11,413	11,517	4,410	4,498
Less: Due within 12 months	(4,046)	(4,655)	(1,450)	(2,593)
Due after 12 months	7,367	6,862	2,960	1,905

Deposits received from tenants in respect of leases of stalls and shop lots, are repayable upon termination of the lease agreements. Deposits that are not expected to be repaid within the next 12 months after the end of the reporting period are presented as a non-current liability. The carrying amount of the deposits approximates their fair value.

15. DEFERRED GRANTS

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Non-current deferred grants	4,064	4,349	3,966	4,104

Non-current deferred grants relate to capital grants from Government.

16. PROVISIONS

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Provision for accident claims	11,560	13,213	11,560	13,213
Provision for service benefits	11,072	12,421	8,750	10,583
Provision for reinstatement and maintenance costs	9,172	7,588	5,988	3,066
	31,804	33,222	26,298	26,862

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

16. PROVISIONS (cont'd)

(a) Provision for accident claims

	Group and Company	
	2023 \$'000	2022 \$'000
At beginning of the year	13,213	16,075
Charge to Profit or Loss	2,641	401
Payments	(4,294)	(3,263)
At end of the year	11,560	13,213

The provision for accident claims represents the estimated amount which the Group will have to pay to outside parties for accident claims involving the Group Vehicles (Note 3.2 (a)(i)).

(b) Provision for service benefits

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
At beginning of the year	12,421	11,663	10,583	11,081
(Write-back) Charge to Profit or Loss	(136)	1,706	(799)	1,330
Transfer to subsidiary	–	–	–	(1,039)
Payments	(1,213)	(948)	(1,034)	(789)
At end of the year	11,072	12,421	8,750	10,583

The provision for service benefits represents the estimated amount which the Group will have to pay to employees who qualify for these staff benefits based on certain conditions.

(c) Provision for reinstatement and maintenance costs

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
At beginning of the year	7,588	–	3,066	–
Charge to Profit or Loss – Provisions	1,745	7,588	2,558	3,066
Charge to Profit or Loss – Finance costs	364	–	364	–
Payments	(525)	–	–	–
At end of the year	9,172	7,588	5,988	3,066
Analysed as:				
Current	16,079	16,465	14,674	13,213
Non-current	15,725	16,757	11,624	13,649
	31,804	33,222	26,298	26,862

The provision for reinstatement costs represents the estimated amount which the Group will have to pay to restore leased assets to their original condition as required by the terms and conditions of the lease agreements. The provision for maintenance costs is the estimated amount as required by the terms and conditions of the Consolidated Rail Licence agreement. These provisions are estimated based on historical settlements and quotations obtained.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

17. SHARE CAPITAL

	Group		Company	
	2023	2022	2023	2022
	Number of ordinary shares ('000)		\$'000	\$'000
Issued and paid up:				
At beginning of the year	311,865	311,865	100,499	100,499
Issued during the year	101	–	284	–
At end of the year	311,966	311,865	100,783	100,499

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

The Company has one class of ordinary shares which carry no right to fixed income.

18. OTHER RESERVES

	Group		Company	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Premises revaluation reserve:				
At beginning and end of the year	40,265	40,265	40,265	40,265
Hedging reserve:				
At beginning of the year	(513)	484	–	236
Transfer to subsidiary	–	–	–	(236)
Net (loss) gain on cash flow hedges	91	(997)	–	–
At end of the year	(422)	(513)	–	–
Share award reserve:				
At beginning of the year	320	–	179	–
Share-based payments	982	320	1,123	179
Shares issuance	(284)	–	(284)	–
At end of the year	1,018	320	1,018	179
Total	40,861	40,072	41,283	40,444

The premises revaluation reserve arises on the revaluation of land and leasehold building. When revalued land and building are sold, the portion of the premises revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the premises revaluation reserve will not be reclassified subsequently to Profit or Loss.

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in Profit or Loss only when the hedged transaction affects the Profit or Loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

The share award reserve arises on the grant of share awards to employees under the SBS ESS. Further information about share-based payments to employees is set in Note 20(iii).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19. REVENUE

	Group	
	2023 \$'000	2022 \$'000
Transport services	1,380,793	1,378,100
Lease revenue	89,484	86,895
Other commercial services	56,859	50,316
	1,527,136	1,515,311

Revenue from transport services are mainly contracts with the Government (public sector) in Singapore for an average of 10 years, refer to Note 31 and 32 for details. The Group derives the revenue that corresponds directly with the services rendered to the customers. Included in the revenue from transport services are performance incentives from transport regulator for achieving certain performance and service quality targets and other rail related services income. The performance incentives accounted for approximately 3% (2022: 4%) of the total revenue.

20. STAFF COSTS

Included in staff costs are:

- (i) The remuneration of the Directors (executive and non-executive) and key executives comprised mainly short term benefits amounting to \$4,503,394 (2022: \$4,071,210).

	Group	
	2023 \$'000	2022 \$'000
(ii) Cost of contribution to Central Provident Fund	61,342	59,672

- (iii) Share-based payments (included in staff costs)

Share awards scheme

During the year, the Company granted the second tranche of share awards of 567,000 (2022: 411,000) ordinary shares pursuant to the SBS ESS to selected employees of the Group. This included an award of 80,000 (2022: 30,000) ordinary shares to Deputy Chairman, Mr Cheng Siak Kian, 50,000 (2022: 25,000) ordinary shares to Group Chief Executive Officer, Mr Sim Vee Ming and 35,000 (2022: Nil) ordinary shares to Director, Mr Lim Tien Hock. These are time-based awards to be vested over a 4-year period.

Since the adoption of SBS ESS, a total of 978,000 (2022: 411,000) share awards were granted. The fair value of the share awards at grant date is measured based on the share price at date of grant. Details of the share awards granted, vested and lapsed and the number of unvested share awards outstanding as at the end of the financial year is as follows:

Date of grant	Balance at 1 January 2022	Number of share awards			Balance at 31 December 2022
		Granted	Vested	Lapsed	
12 July 2022	–	411,000	–	(7,500)	403,500

Date of grant	Balance at 1 January 2023	Number of share awards			Balance at 31 December 2023
		Granted	Vested	Lapsed	
12 July 2022	403,500	–	(100,875)	–	302,625
8 May 2023	–	567,000	–	–	567,000
	403,500	567,000	(100,875)	–	869,625

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

21. OPERATING PROFIT

	Group	
	2023 \$'000	2022 \$'000
Directors' fees	995	859
Cost of inventories recognised in repairs and maintenance costs	139,042	137,751
Net loss (gain) on disposal of vehicles and equipment	93	(357)
Allowance for inventory obsolescence	8,363	11,027
Allowance for expected credit losses	5	4
Provision for accident claims	2,641	401
(Write-back) Provision for service benefits	(136)	1,706
Provision for reinstatement and maintenance costs	1,745	7,588
Audit fees:		
Auditor of the Company	253	178
Non-audit fees:		
Auditor of the Company	8	84

22. INTEREST INCOME

	Group	
	2023 \$'000	2022 \$'000
Interest income from bank and short-term deposits	12,825	4,521
Interest income from net investment on sublease	9	3
	12,834	4,524

23. FINANCE COSTS

	Group	
	2023 \$'000	2022 \$'000
Interest expense on lease liabilities	1,151	1,473
Unwinding of discount on provision (Note 16(c))	364	–
	1,515	1,473

24. TAX EXPENSE

	Group	
	2023 \$'000	2022 \$'000
Current taxation	23,218	36,324
Deferred tax (Note 11)	(4,323)	(21,387)
	18,895	14,937

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2022: 17%) to profit before taxation as a result of the following differences:

Profit before taxation	87,971	82,959
Taxation charge at statutory rate	14,955	14,103
Non-allowable items	1,631	1,700
Tax-exempt income	(35)	(17)
Under/(Over) provision of deferred tax in prior years	1,823	(849)
Under provision of income tax in prior years	521	–
	18,895	14,937

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

25. EARNINGS PER SHARES

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders of the Company for the year by the weighted average number of ordinary shares in issue during the financial year as follows:

	2023	2022
Profit attributable to shareholders of the Company (\$'000)	69,076	68,022
Weighted average number of ordinary shares in issue ('000)	311,924	311,865
Basic earnings per share (in cents)	22.15	21.81

Fully diluted earnings per share approximates the basic earnings per share as the effect of the dilutive shares outstanding at the end of the financial year is not material to the basic earnings per share.

26. BUSINESS SEGMENT INFORMATION

The Group operates principally in Singapore.

Following the developments in the public transport industry, the Group's business segment information reported to the Group's chief operating decision maker for purposes of resource allocation and assessment of segment performance are based on the following:

- (a) Public Transport Services: Income is generated substantially from the provision of bus and rail services to commuters travelling on public transportation systems under contracts with the transport regulator.
- (b) Other Commercial Services: Income is generated substantially through –
 - (i) advertisements on buses and trains and at bus interchanges and rail stations; and
 - (ii) rental collections from commercial and shop space at bus interchanges and rail stations.

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's Profit or Loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

26. BUSINESS SEGMENT INFORMATION (cont'd)

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and vehicles, premises and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire vehicles, premises and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of accounts payable and accruals, deposits, provisions and lease liabilities.

	Public Transport Services \$'000	Other Commercial Services \$'000	Total \$'000
31 December 2023			
Revenue	1,470,277	56,859	1,527,136
RESULTS			
Segment results	40,192	36,460	76,652
Interest income			12,834
Finance costs			(1,515)
Profit before taxation			87,971
Tax expense			(18,895)
Profit after taxation			69,076
<i>Other information</i>			
Additions of vehicles, premises and equipment	13,162	1,515	14,677
Depreciation expense	87,547	5,071	92,618
<i>Statement of Financial Position</i>			
ASSETS			
Segment assets	756,700	21,288	777,988
Unallocated corporate assets			394,208
			1,172,196
LIABILITIES			
Segment liabilities	398,265	27,751	426,016
Unallocated corporate liabilities			64,096
			490,112

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

26. BUSINESS SEGMENT INFORMATION (cont'd)

	Public Transport Services \$'000	Other Commercial Services \$'000	Total \$'000
31 December 2022			
Revenue	1,464,995	50,316	1,515,311
RESULTS			
Segment results	50,753	29,155	79,908
Interest income			4,524
Finance costs			(1,473)
Profit before taxation			82,959
Tax expense			(14,937)
Profit after taxation			68,022
<i>Other information</i>			
Additions of vehicles, premises and equipment	13,671	1,124	14,795
Depreciation expense	89,090	4,901	93,991
<i>Statement of Financial Position (Restated)</i>			
ASSETS			
Segment assets	820,621	23,655	844,276
Unallocated corporate assets			366,918
			1,211,194
LIABILITIES			
Segment liabilities	462,890	27,070	489,960
Unallocated corporate liabilities			74,913
			564,873

27. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Operating leases, in which the Group and the Company are the lessors and intermediate lessors, relate to rental of spaces and floor areas at bus interchanges, bus depots and train stations. The properties are managed and maintained by the Group.

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Maturity analysis of operating lease payments:				
Within one year	18,282	16,310	6,873	4,722
In the second to fifth year inclusive	13,638	14,009	7,329	3,171
	31,920	30,319	14,202	7,893

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

28. CAPITAL COMMITMENTS

As at 31 December 2023, the Group and the Company have the following capital commitments contracted for but not provided for in the Financial Statements:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Purchase of vehicles, premises and equipment	14,277	13,450	7,512	5,416

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Financial assets				
Amortised cost	642,915	578,286	922,336	871,552
Financial instruments designated in hedge accounting relationships:				
Hedging instrument	–	34	–	–
Financial liabilities				
Amortised cost	341,882	341,501	212,483	239,849
Lease liabilities	19,310	79,121	19,310	79,121
Financial instruments designated in hedge accounting relationships:				
Hedging instrument	509	652	–	–

(b) Financial risk, management policies and objectives

The main areas of financial risk faced by the Group are foreign currency exchange rate risk, interest rate risk, credit risk, liquidity risk and fuel price risk. The Group recognises that management of financial risk is an important aspect in its drive towards creating shareholders' value. It is the Group's policy not to participate in speculative financial instruments. The Group oversees financial risk management and regularly reviews its policy governing risk management practices.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Foreign exchange rate risk management

The Group is exposed to currency risk as a result of its purchases of spare parts, fuel and any other purchases where the currency denomination differs from its functional currency (Singapore dollars). Its exposures include United States Dollar ("USD"), Swedish Kroner ("SEK"), Euro ("EUR"), Japanese Yen ("JPY"), Malaysian Ringgit ("MYR") and Sterling Pound ("GBP").

The Group manages its foreign exchange exposure through active currency management using hedging instruments such as forwards and options where necessary.

Based on sensitivity analysis performed, the exposure to changes in foreign exchange rates is minimal and hence the resulting impact on profit or equity of the Group is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(b) Financial risk, management policies and objectives (cont'd)

Interest rate risk management

The Group's primary interest rate risk relates to deposits. The Group uses hedging instruments such as interest rate swaps and caps, where necessary, to achieve the desired interest rate profile in its effort to manage interest rate risk.

Interest rate sensitivity

Based on sensitivity analysis performed at end of the reporting period, the exposure to changes in interest rates and the resulting impact on the profit or Other Comprehensive Income of the Group is not significant.

Credit risk management

The Group has minimal credit risk arising from its public transport operations as the credit risk that arises from its public transport operations is mainly from LTA and commuters who use the contactless smart card where cash is collected upfront. The remaining credit risk from advertisement and rental revenue is controlled via upfront deposits or strict credit terms and regular monitoring of advertisers' and tenants' financial standing. The Group enters into treasury transactions (including fixed deposit placements) only with creditworthy financial institutions. Cash and deposits are kept with reputable financial institutions. There is no significant concentration of credit risk.

The Group develops and maintains its credit risk grading to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date and expected credit losses as at end of the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the rate of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, where relevant.

The carrying amount of financial assets represents the Group's maximum exposure to credit risk as disclosed in the notes to the Financial Statements. The assessment of credit risk and expected credit loss of the Company's receivable due from subsidiary is disclosed in Note 3.2(d).

Liquidity risk management

The Group regularly reviews its liquidity position comprising free cash flows from its operations and credit lines from banks to ensure its ability to access funding at any time at the best possible rates.

Fuel price risk management

Fuel, comprising diesel and electricity, is part of the operating cost of the Group. The Group seeks to hedge the price risk associated with its fuel needs and uses hedging instruments, where necessary, to achieve the desired hedge outcome.

Following the transition to the BCM, the fuel indexation in the contracts with LTA provides a natural hedge to the diesel price risk. In view of this, the fuel price risk faced by the Group relates mainly to electricity. Based on sensitivity analysis performed and taking into account the fuel hedges in place, as at end of the reporting period, every one percentage point change in the rates of electricity using the closing rates as at end of the reporting period as a basis will impact the Group's annual electricity costs by \$291,000 (2022: \$317,000). The sensitivity analysis assumes that consumption is held constant at the same level as in 2023.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(b) Financial risk, management policies and objectives (cont'd)

Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other current liabilities approximate the respective fair values due to the relatively short-term maturity of these financial instruments. Management considers that the carrying amounts of non-current receivables in the financial statements to approximate their respective fair values.

The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the Financial Statements.

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

- (i) quoted prices in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (Level 3).

(c) Hedging instruments

	Group		Company	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<u>Financial assets</u>				
At fair values:				
Fuel hedges	–	34	–	–
<u>Financial liabilities</u>				
At fair values:				
Fuel hedges	262	301	–	–
Foreign exchange hedges	247	351	–	–
	509	652	–	–

The Group utilises hedging instruments to hedge significant future transactions and cash flows.

The Group and the Company use fuel hedges contract to hedge against fuel price risks. These arrangements are designed to address fuel price exposure and are accounted for as cash flow hedges. The fair value of the Group's fuel hedging instruments comprised Nil (2022: \$34,000) of assets and \$262,000 (2022: \$301,000) of liabilities on cash flow hedges in Other Comprehensive Income. No fuel hedging instruments for the Company.

The Group and the Company use forward contracts and options to manage their exposure to foreign exchange risks. These arrangements are designed to address foreign exchange risk on future purchases of goods and are accounted for as cash flow hedges. The fair value of the Group's foreign exchange hedging instruments comprised \$247,000 (2022: \$351,000) of liabilities on cash flow hedges in Other Comprehensive Income. The Company did not utilise fuel hedging instruments in 2023.

The Group's hedging instruments are measured at fair value whereby future cash flows are estimated based on contracted rates and observable forward rates at the end of the reporting period, discounted at a rate that reflects the credit risk of the various counterparties.

At the end of the reporting period, the Group has outstanding hedges with notional amounts for fuel hedges and foreign exchange hedges amounting to \$9,670,000 respectively (2022: \$10,956,000).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(d) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group's capital management objectives are to safeguard its ability to continue as a going concern and to maximise shareholder value. Management monitors the gross and net gearing of the Group and its implication on weighted average cost of capital in deciding the optimal capital structure. These objectives determine the Group's decisions on the amount of dividends to be paid to shareholders and the sources of capital to be raised, be it equity or debt.

With respect to debt capital, as of 31 December 2023, the Group does not have outstanding borrowings (2022: Nil). The Group's equity capital refers to total equity.

No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

30. DIVIDENDS

(a) During the financial year, the Company paid dividends as follows:

	2023	2022
	\$'000	\$'000
Tax-exempt one-tier final dividend in respect of the previous financial year:		
– 5.45 cents (2022: 2.45 cents) per ordinary share	16,997	7,641
Tax-exempt one-tier interim dividend in respect of the current financial year:		
– 5.58 cents (2022: 5.45 cents) per ordinary share	17,407	16,996
	<u>34,404</u>	<u>24,637</u>

(b) Subsequent to the end of the financial year, the Directors of the Company recommended that a tax-exempt one-tier final dividend of 5.58 cents per ordinary share totalling \$17,408,000 (2022: \$16,997,000) be paid for the financial year ended 31 December 2023. The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividend has not been accrued as a liability for the current financial year.

Together with the tax exempt one-tier interim dividend of 5.58 cents per ordinary share (2022: 5.45 cents per ordinary share), total distributions paid and proposed in respect of the financial year ended 31 December 2023 will be 11.16 cents per ordinary share (2022: 10.90 cents per ordinary share).

31. LICENCE FOR RAIL SERVICES

Consolidated Rail Licence as part of NRFF (Version 2)

On 11 November 2021, the Company entered into a framework agreement with LTA and SBS Transit DTL Pte. Ltd. (now known as SBS Transit Rail Pte. Ltd.) to transit the DTL to NRFF (Version 2). Under this framework agreement, LTA will issue a Consolidated Rail Licence to SBS Transit Rail Pte. Ltd., to operate the DTL, NEL and SPLRT. The NRFF (Version 2) is designed to reduce commercial volatility for rail operators in delivering a reliable and financially sustainable public rail service. With the transfer of NEL and SPLRT to SBS Transit Rail Pte. Ltd. as part of the Consolidated Rail Licence, the related assets and liabilities were transferred at carrying amounts as at 31 December 2021 from SBS Transit Ltd to SBS Transit Rail Pte. Ltd..

The Consolidated Rail Licence took effect from 1 January 2022 to operate the NEL, SPLRT and the DTL for a period of 11 years. This Consolidated Rail Licence supersedes the licence granted to NEL and SPLRT dated 1 April 2018 and the licence granted to DTL dated 19 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

31. LICENCE FOR RAIL SERVICES (cont'd)

Consolidated Rail Licence as part of NRFF (Version 2) (cont'd)

Under NRFF Version 2, LTA owns and pay for the operating assets, including additions, renewals and replacements. In exchange for the right to operate, maintain and derive revenue from the Licensed Systems, the Company will pay an annual licence charge to the LTA over the licence period. The licence charge structure under the NRFF provides for some sharing between the Company and the LTA of revenue risks under the Fare Revenue Shortfall Sharing as well as profit sharing via an Earnings Before Interest and Tax Cap/Collar. These are explained below:

(i) Fare Revenue Shortfall Sharing ("FRSS")

The licence charge structure has a FRSS mechanism which offers some level of protection against revenue risks arising from uncertainties in ridership and fares. Under this mechanism, if the actual revenue falls short of the target revenue by 2% to 6%, LTA will share 50% of the shortfall. If the shortfall between the actual revenue and the target revenue exceeds 6%, LTA will bear 75% of the incremental revenue shortfall beyond 6%.

(ii) Earnings Before Interest and Tax ("EBIT") Cap / Collar

The licence charge structure provides for profit sharing via an EBIT (as computed in accordance with the licence agreement) cap and collar mechanism whereby LTA shares in the upside of the EBIT above the cap as well as the downside risks below the collar. If the EBIT margin is lower than 3.50%, LTA will share 50% of the shortfall. LTA's sharing of the shortfall is limited by the amount of licence charge payable by SBS Transit Rail Pte. Ltd. for the year. If the EBIT margin exceeds the cap of 5%, the excess will be shared via a tiered structure, whereby 85% to 95% of the incremental EBIT above the 5% cap will be shared with LTA.

LTA's sharing under the FRSS and/or the EBIT Cap/Collar is limited by the amount of licence charge payable by the SBS Transit Rail Pte. Ltd. for the year.

In addition, the LTA may reimburse or be reimbursed by SBS Transit Rail Pte. Ltd. when new regulatory changes initiated by LTA after the transition lead to changes in operating costs or revenue. Regulatory changes that may impact operating costs or revenue include modifications to operating performance standards for the rail lines, maintenance performance standards for the operating assets, key performance indicators or codes of practice and changes in rentable and advertising spaces available for generating non-fare revenue.

32. CONTRACTS UNDER THE BUS CONTRACTING MODEL ("BCM")

The Company entered into public bus services contracts (collectively known as the "Negotiated Contract") with LTA for the operation of public bus services under the BCM. The Negotiated Contract was effective from 1 September 2016 following the expiry of the Bus Service Operating Licence on 31 August 2016. Including the two bus packages secured through tender, the Company operates a total of 9 bus packages which cover a total of 220 bus services, 7 bus depots, 1 bus park, 18 bus interchanges and 15 bus terminals. The fleet size required to operate the 9 packages is around 3,600 buses. The 9 bus packages are: Sengkang-Hougang, Bedok, Jurong West, Tampines, Serangoon-Eunos, Clementi, Bishan-Toa Payoh, Bukit Merah and Seletar.

The contracted expiry dates of the 9 bus packages range from 2024 to 2030.

Under the BCM, revenue for the Company is derived from the provision of public bus services to LTA which comprises service fee and leasing fee while LTA retains all fare revenue collected from the provision of the bus services. The service fee is indexed to changes in wage levels, inflation and fuel costs. In addition, the Company retains revenue from other commercial services comprising advertising and rental.

As part of the Negotiated Contract, the Company leases its fleet of close to 2,900 buses to LTA. In consideration of the Company using its fleet for the provision of the bus services, LTA pays a leasing fee based on the depreciation of the buses over the statutory lifespan. LTA also pays a leasing fee for the use of the other existing assets of the Company (bus depot and related equipment) based on the depreciation of such assets.

The Company's performance will be assessed annually under an incentive-disincentive framework including key performance indicators such as bus service availability, bus punctuality and maintenances of buses, bus interchanges, bus depots and bus ticketing system.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32. CONTRACTS UNDER THE BUS CONTRACTING MODEL ("BCM") (cont'd)

In addition to operating and managing bus services to specified performance standards, the Company's responsibilities include the following:

- (a) Operate, manage and maintain the buses and their on-board equipment;
- (b) Operate and maintain the bus interchanges and bus depots including the equipment and systems therein;
- (c) Operate the buses, bus depots and related equipment that are provided by LTA for the provision of the bus services;
- (d) Charge and collect fares as approved by the PTC, on behalf of LTA, for travel on the bus services;
- (e) Provide bus service information at all bus stops and bus interchanges served by the bus services; and
- (f) Provide customer management services, such as lost and found service, and a hotline for commuter feedback and enquiries.