NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

1 GENERAL

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, namely bus and rail services.

The principal activities of the subsidiary 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 2021 and the Statement of Financial Position and Statement of Changes in Equity of the Company as at 31 December 2021 were authorised for issue by the Board of Directors on 23 February 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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*.

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2021, 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 discussed below.

COVID-19-Related Rent Concessions beyond 30 June 2021 - Amendment to SFRS(I) 16

The Group has early adopted during the year ended 31 December 2020 the *COVID-19-Related Rent Concessions (Amendment to SFRS(I) 16)* that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to SFRS(I) 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In March 2021, Accounting Standards Council ("ASC") issued *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to SFRS(I) 16)* that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

Refer to Note 10 (b) on impact to the Group's Financial Statements for the adoption of the *COVID-19-Related Rent Concessions beyond 30 June 2021 — Amendments to SFRS(I) 16*.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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) 3 *Reference to the Conceptual Framework*(1)
- Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use*(1)
- Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*(1)
- Annual Improvements to SFRS(I)s 2018 – 2020(1)
- Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current*(2)
- Amendments to SFRS(I) 1-8 *Definition of Accounting Estimates*(2)
- Amendments to SFRS(I) 1-12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*(2)

(1) Applies to annual periods beginning on or after 1 January 2022.
(2) Applies to annual periods beginning on or after 1 January 2023.

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.

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.

Changes in the Group's ownership interests in the subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions.

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 financial assets are recognised and derecognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

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

<u>Classification of financial assets</u>

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.

Investments in debt instruments that meet both the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at FVTPL.

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocable elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocable designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Classification of financial assets (cont'd)

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.

Debt instruments classified as FVTOCI

Investments in debt instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, any gains or losses on such a financial asset are recognised in Other Comprehensive Income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognised. When the financial asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from equity to Profit or Loss for the period.

Interest income is recognised in Profit or Loss and is included in the "Net income from investments" line item in Profit or Loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach permitted by SFRS(I) 9 *Financial Instruments* for trade receivables. The 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.

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.

A default on a financial asset is when the counterparty fails to make contractual payments within a specific period after the credit period granted.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the Investment Revaluation Reserve is reclassified to 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.

Borrowings

Interest-bearing loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in Profit or Loss over the term of the borrowings.

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 31).

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. The fair value of hedging instrument is classified as a non-current asset or a non-current liability if the maturity of the hedge relationship exceeds 12 months and as a current asset or current liability if the maturity of the hedge relationship is within 12 months.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Hedging instruments and hedge accounting (cont'd)

At the inception of the hedge relationship, the Group 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 highly 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.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates any interest rate swap for hedging of interest rate risk arising from borrowings as cash flow hedges. 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 31 (c) contains details of the fair values of the hedging instruments.

(a) Fair value hedge

Changes in the fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in Profit or Loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

(b) 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 when the hedged item is realised.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

The lease liability is presented as a separate line in the Statements of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The Group as lessee (cont'd)

The right-of-use assets are presented within vehicles, premises and equipment in the Statements of Financial Position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

VEHICLES, PREMISES AND EQUIPMENT – Vehicles 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	17
Leasehold land and buildings (including leasehold improvements)	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 period of the bus contracts or the useful life of the underlying asset.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IMPAIRMENT OF NON-FINANCIAL ASSETS – At the end of each reporting year, 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 to sell 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.

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.

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.

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.

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.

DEFERRED INCOME – Deferred income comprises advance receipts from customers that are recognised to Profit or Loss when the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 $3,000 is payable to an employee retiring on or after attaining the retirement age and on completion of at least five years of service. 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 15 years are entitled to long service awards of $500 for 15 years of service, $700 for 20 years, $900 for 25 years, $1,100 for 30 years and $1,300 for 35 years. Provision is made in the Financial Statements based on the number of years of service rendered by qualifying employees.

The provision for retirement benefits and long service awards is discounted using the market yield of Singapore Government Bonds at end of the reporting year.

(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 year.

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.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income 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
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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 scheduled bus services is recognised as and when services are rendered, including an estimation of the expected consideration on achieving certain performance targets. Revenue from commuters for rail services is recognised as and when services are rendered and 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.

Lease revenue comprises leasing fees for the buses and other assets used in the provision of bus services under the Bus Contracting Model ("BCM"). Lease revenue is recognised upon completion of services.

Revenue from other commercial services comprises advertising and rental income. Advertising production revenue is recognised when production is completed and advertising media revenue is recognised on a time proportionate basis over the term relevant contract. Rental income is recognised on a straight-line basis over the term of the relevant lease.

BORROWING COSTS – Borrowing costs incurred to finance the purchase of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in Profit or Loss in the period which they are incurred.

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 year.

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 subsidiary 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 year 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. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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).

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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

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:

<u>Provision for rail contract</u>

As the COVID-19 pandemic is still on-going, the timing of the recovery of travel and economic activities to pre-COVID-19 levels is uncertain and there could be significant shifts in ridership patterns and fare adjustments.

Significant judgement is exercised in key assumptions relating to ridership, fare adjustments and availability of grants from the Authorities, taking into consideration the timing of the recovery of travel and economic activities to pre-COVID-19 levels, in projecting the future financial performance of the DTL, NEL and SPLRT under the Consolidated Rail Licence disclosed in Note 33 (b). Based on Management's assessment, no provision for rail contract is required.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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:

1. 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.

(a) 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 used as a basis 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.

(b) Retirement benefits

Retirement benefits subject to a maximum of $3,000 is payable to a retiring employee on or after attaining the retirement age and on completion of at least five years of service. Provision is made 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 of 0.66% to 1.93% (2020 : 0.36% to 1.16%) per annum 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. Provision for retirement benefits is disclosed in Note 17.

(c) Long service awards

Staff with more than 15 years of service are entitled to long service awards of $500 for 15 years of service, $700 for 20 years, $900 for 25 years, $1,100 for 30 years and $1,300 for 35 years. Provision is made 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 of 0.66% to 1.93% (2020 : 0.36% to 1.16%) per annum 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. Provision for long service awards is disclosed in Note 17.

2. 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.

The terms of the rail licence contract and useful life of buses are considered in the determination of the useful life of the inventories. In addition to identification of obsolete inventories based on considerations such as phasing out of vehicle models and inventories purchased for specific projects which have ended, Management identifies inventories that are slow moving (i.e. stocks with no movement for 2 years and beyond) and evaluates the carrying value of inventories. An allowance for inventory obsolescence is recognised for these inventories based on its useful life and inventory turnover.

Allowance for inventory obsolescence is disclosed in Note 7.

3. 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. 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
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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:

	The Group	
	2021 $'000	2020 $'000
Purchases of inventories from a related company	27,956	26,907
Shared and corporate services charged from ultimate holding company	6,759	5,330
Rental expense from:		
Ultimate holding company	2,839	2,806
Related company	660	592
Purchase of goods and services from:		
Ultimate holding company	–	296
Related companies	3,921	2,866
Associate of the ultimate holding company	–	159
Sales of goods and services to:		
Ultimate holding company	(22)	(22)
Related companies	(1,045)	(1,067)
Associate of the ultimate holding company	–	(4)
Transfer of computers and automated equipment to a related company	–	(4)
Rental income from related companies	(209)	(204)

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

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Cash and bank balances	8,034	5,560	5,974	4,376
Fixed deposits	196,000	80,000	196,000	80,000
Total	204,034	85,560	201,974	84,376

Fixed deposits bear effective interest rate of 0.17% to 0.30% (2020 : 0.12% to 0.32%) per annum and for a tenure of approximately 20 to 86 days (2020 : 47 to 90 days). The fixed deposits can be readily converted to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS
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6 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Trade receivables from:				
Related companies (Note 4)	–	6	–	6
Related parties (Note 4)	–	81	–	68
Outside parties	124,013	152,499	122,240	149,947
Accrued income	55,421	47,095	29,106	24,095
	179,434	199,681	151,346	174,116
Allowance for expected credit losses	(50)	(193)	(38)	(156)
	179,384	199,488	151,308	173,960
Other receivables from:				
Ultimate holding company (Note 4)	25	23	25	23
Related companies (Note 4)	1,500	812	1,500	812
Subsidiary (Note 8)	–	–	275,118	325,925
Outside parties	49,578	49,002	48,589	47,052
	51,103	49,837	325,232	373,812
Prepayments	17,755	16,664	11,130	12,609
Interest receivable	21	11	21	11
Staff advances	540	533	339	325
Security deposits from outside parties	1,305	1,274	1,288	1,257
Accrued income	3,038	6,850	1,000	4,128
Net investment on sublease	232	228	232	228
Grant receivables	–	15,345	–	9,443
	73,994	90,742	339,242	401,813
Allowance for expected credit losses	(6)	(207)	(5)	(203)
	73,988	90,535	339,237	401,610
Total	253,372	290,023	490,545	575,570

The amounts outstanding are interest-free and the credit period ranges from 7 to 30 days (2020 : 7 to 30 days).

The expected risks of default on trade and other receivables at the reporting date is insignificant as a majority of receivables is from the Land Transport Authority ("LTA") and from creditworthy parties where Management has assessed the credit risk to be low. 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. Receivables from LTA are classified as current as they are expected to be received within the Group's normal operating cycle.

An allowance has been made for estimated irrecoverable amounts of the Group of $56,000 (2020 : $400,000) and of the Company of $43,000 (2020 : $359,000). Write-back of allowance recognised in Profit or Loss amounted to $344,000 (2020 : allowance of $566,000) for Group and $316,000 (2020 : allowance of $358,000) for Company. This allowance is determined by reference to expected credit losses which incorporate forward looking estimates. There has been no significant change in the estimation techniques or significant assumptions made during the current reporting period in assessing the allowance for expected credit losses.

Grants receivables relate to the amounts granted to the Group and the Company under the COVID-19 Government Relief Measures, mainly the Jobs Support Scheme ("JSS") initiative by the Singapore Government as disclosed in Note 21 (ii). The initiative is intended to defray certain manpower costs.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

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 $28,552,000 (2020 : $21,602,000) for the Group and $21,790,000 (2020 : $17,448,000) for the Company. The cost of inventories recognised as an expense includes $6,950,000 (2020 : $20,159,000) in respect of write-downs of inventories. The carrying amount of the Group's inventories is $101,482,000 (2020 : $111,980,000) and $73,340,000 (2020 : $84,674,000) for the Company.

8 SUBSIDIARY

The Company has investment in unquoted equity shares representing 100% equity interest in SBS Transit Rail Pte. Ltd. (Formerly known as "SBS Transit DTL Pte. Ltd.") incorporated in Singapore. The cost of investment in the subsidiary was $100,000,000 (2020 : $5,000,000). The subsidiary is audited by Deloitte & Touche LLP, Singapore.

The current principal activities of the subsidiary are those of the operation and maintenance of DTL. With effect from 1 January 2022, the subsidiary will operate the NEL, SPLRT (which was transferred from SBS Transit Ltd to the subsidiary from 1 January 2022) and the DTL under a Consolidated Rail Licence for a period of 11 years. This Consolidated Rail Licence will supersede the licence granted to NEL, SPLRT dated 1 April 2018 and the licence granted to DTL dated 19 December 2013. Refer to Note 33 for details.

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.

9 PREPAYMENTS

Prepayments pertain to downpayments for the purchase of vehicles, premises and equipment.

10 VEHICLES, PREMISES AND EQUIPMENT

		The Group		The Company	
		31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Vehicles, premises and equipment owned	(a)	473,100	548,562	447,510	531,104
Right-of-use assets classified within vehicles, premises and equipment	(b)	90,100	70,335	90,100	70,335
Total		563,200	618,897	537,610	601,439

NOTES TO THE FINANCIAL STATEMENTS
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10 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

(a) Vehicles, premises and equipment owned

	Buses $'000	Leasehold building[N1] $'000	Leasehold improve-ments $'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
The Group									
Cost or valuation:									
At 1 January 2020	1,120,006	46,608	55,995	26,775	52,393	9,026	21,873	10,600	1,343,276
Additions	60	73	235	2,159	5,291	1,151	903	5,373	15,245
Disposals	(3,158)	–	–	(2,571)	(2,724)	(516)	(510)	–	(9,479)
Reclassification	1,656	–	903	2,862	2,574	–	161	(8,156)	–
Transfer to related company	–	–	–	(10)	–	–	–	–	(10)
At 31 December 2020	1,118,564	46,681	57,133	29,215	57,534	9,661	22,427	7,817	1,349,032
Additions	1	253	12,176	2,757	7,911	128	676	11,049	34,951
Disposals	(153,808)	–	(2,341)	(1,403)	(2,387)	(658)	(1,818)	–	(162,415)
Reclassification	7,679	–	382	3,762	2,211	–	–	(14,034)	–
At 31 December 2021	972,436	46,934	67,350	34,331	65,269	9,131	21,285	4,832	1,221,568
Accumulated depreciation:									
At 1 January 2020	589,004	11,387	38,542	19,652	33,586	5,872	14,349	–	712,392
Depreciation	77,706	3,440	2,418	4,842	4,697	1,050	1,836	–	95,989
Disposals	(3,158)	–	–	(2,568)	(1,194)	(510)	(475)	–	(7,905)
Transfer to related company	–	–	–	(6)	–	–	–	–	(6)
At 31 December 2020	663,552	14,827	40,960	21,920	37,089	6,412	15,710	–	800,470
Depreciation	71,229	3,474	4,711	6,956	5,236	942	1,770	–	94,318
Disposals	(137,892)	–	(2,341)	(1,293)	(2,373)	(639)	(1,782)	–	(146,320)
At 31 December 2021	596,889	18,301	43,330	27,583	39,952	6,715	15,698	–	748,468
Carrying amount:									
At 31 December 2021	375,547	28,633	24,020	6,748	25,317	2,416	5,587	4,832	473,100
At 31 December 2020	455,012	31,854	16,173	7,295	20,445	3,249	6,717	7,817	548,562

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

10 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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

	Buses $'000	Leasehold building[N1] $'000	Leasehold improve-ments $'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
The Company									
Cost or valuation:									
At 1 January 2020	1,120,006	46,608	38,623	23,381	46,109	6,543	19,584	10,457	1,311,311
Additions	60	73	202	1,602	4,603	1,151	866	5,184	13,741
Disposals	(3,158)	–	–	(2,461)	(2,723)	(516)	(487)	–	(9,345)
Reclassification	1,656	–	897	2,862	2,574	–	161	(8,150)	–
Transfer to related company	–	–	–	(10)	–	–	–	–	(10)
Transfer from subsidiary	–	–	–	1	–	–	–	–	1
At 31 December 2020	1,118,564	46,681	39,722	25,375	50,563	7,178	20,124	7,491	1,315,698
Additions	1	253	570	2,248	7,224	106	548	10,514	21,464
Disposals	(153,808)	–	(2,341)	(1,306)	(2,340)	(658)	(1,807)	–	(162,260)
Reclassification	7,679	–	382	3,747	2,211	–	–	(14,019)	–
Transfer to subsidiary	–	–	–	(2)	–	–	–	–	(2)
At 31 December 2021	972,436	46,934	38,333	30,062	57,658	6,626	18,865	3,986	1,174,900
Accumulated depreciation:									
At 1 January 2020	589,004	11,387	33,729	17,233	30,566	4,422	13,238	–	699,579
Depreciation	77,706	3,440	1,301	4,197	3,869	756	1,529	–	92,798
Disposals	(3,158)	–	–	(2,459)	(1,193)	(510)	(457)	–	(7,777)
Transfer to related company	–	–	–	(6)	–	–	–	–	(6)
At 31 December 2020	663,552	14,827	35,030	18,965	33,242	4,668	14,310	–	784,594
Depreciation	71,229	3,474	1,373	6,383	4,339	701	1,469	–	88,968
Disposals	(137,892)	–	(2,341)	(1,199)	(2,328)	(639)	(1,772)	–	(146,171)
Transfer to subsidiary	–	–	–	(1)	–	–	–	–	(1)
At 31 December 2021	596,889	18,301	34,062	24,148	35,253	4,730	14,007	–	727,390
Carrying amount:									
At 31 December 2021	375,547	28,633	4,271	5,914	22,405	1,896	4,858	3,986	447,510
At 31 December 2020	455,012	31,854	4,692	6,410	17,321	2,510	5,814	7,491	531,104

[N1] : The Group's leasehold building at Soon Lee bus depot are stated at their revalued amounts (Note 19) 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 34). As at 31 December 2021, the carrying amount of the Group's leasehold building at Soon Lee bus depot would have been $9,703,000 (2020 : $10,913,000), had the leasehold building been carried at cost less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

10 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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

Details of leasehold land and building owned 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 (8 years 3 months unexpired)	Bus depot

Details of other leasehold buildings 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 (4 years unexpired)	Bus depot
No. 4 Defu Ave 1 Singapore	45,190 sq m	43 years from 1 January 1983 (4 years 11 months unexpired)	Bus depot
No. 1470 Bedok North Ave 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 (2 years 11 months unexpired)	Bus depot

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

10 VEHICLES, PREMISES AND EQUIPMENT (CONT'D)

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

The Group leases several leasehold land and buildings at an average lease term of 11 years (2020 : 9 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
The Group and The Company			
Cost:			
At 1 January 2020	122,826	17,600	140,426
Adjustments	(869)	–	(869)
At 31 December 2020	121,957	17,600	139,557
Additions	30,787	–	30,787
At 31 December 2021	152,744	17,600	170,344
Accumulated depreciation:			
At 1 January 2020	51,846	4,319	56,165
Depreciation	11,761	1,296	13,057
At 31 December 2020	63,607	5,615	69,222
Depreciation	9,727	1,295	11,022
At 31 December 2021	73,334	6,910	80,244
Carrying amount:			
At 31 December 2021	79,410	10,690	90,100
At 31 December 2020	58,350	11,985	70,335

No lease expired in the current financial year (2020 : one third). The remaining contracts in the corresponding year were extended through exercising the extension options resulting in additions to right-of-use assets of $40,213,000 (2020 : $NIL). The additions are net of modification of lease space amounting to $7,488,000 (2020 : $NIL) and remeasurement of right-of-use assets arising from change in future lease payments from change in index or rate which are not considered as lease modification under SFRS(I) 16 amounting to $1,938,000 (2020 : $869,000).

(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 19) 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 34). As at 31 December 2021, the carrying amount of the Group's leasehold land would have been $4,932,000 (2020 : $5,546,000), had the leasehold land been carried at cost less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS
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11 DEFERRED TAX ASSETS/LIABILITIES

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Deferred tax assets	27,065	26,695	–	–
Deferred tax liabilities	(44,619)	(62,676)	(44,619)	(62,676)
Net	(17,554)	(35,981)	(44,619)	(62,676)
At beginning of year	(35,981)	(53,400)	(62,676)	(74,940)
Credit to Profit or Loss (Note 25)	30,683	25,115	18,106	12,260
Utilisation of deferred tax assets under Group Relief Scheme:				
– SBS Transit Rail Pte. Ltd. (Formerly known as "SBS Transit DTL Pte. Ltd.")	(12,156)	(7,753)	–	–
Arising from movement in Other Comprehensive Income Statement	(100)	57	(49)	4
At end of year	(17,554)	(35,981)	(44,619)	(62,676)

The balance comprises the tax effects of:

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Deferred tax assets				
Unutilised tax losses	22,910	24,924	–	–
Excess of tax written down value over carrying amount	1,990	1,672	–	–
Other items	2,165	99	–	–
	27,065	26,695	–	–
Deferred tax liabilities				
Excess of carrying amount over tax written down value	(64,808)	(78,967)	(64,808)	(78,967)
Other items	20,189	16,291	20,189	16,291
	(44,619)	(62,676)	(44,619)	(62,676)
Net deferred tax liabilities	(17,554)	(35,981)	(44,619)	(62,676)

NOTES TO THE FINANCIAL STATEMENTS
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12 BORROWINGS

	The Group and The Company	
	31 December 2021 $'000	31 December 2020 $'000
Unsecured borrowings at amortised cost		
Bank Loans (Current)	–	25,000

As at 31 December 2020, the remaining unsecured bank loan of $25 million with a remaining tenure of 9 months at the end of the reporting period was unsecured and bore a floating interest rate of 0.81% per annum.

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 2021 $'000	Financing cash flows[i] $'000	Non-cash changes New lease $'000	31 December 2021 $'000
Borrowings	25,000	(25,000)	–	–
Lease liabilities (Note 28)	71,526	(10,701)	30,787	91,612
Total	96,526	(35,701)	30,787	91,612

	1 January 2020 $'000	Financing cash flows[i] $'000	Non-cash changes New lease $'000	31 December 2020 $'000
Borrowings	75,000	(50,000)	–	25,000
Lease liabilities (Note 28)	83,176	(11,329)	(321)	71,526
Total	158,176	(61,329)	(321)	96,526

[i] The cash flows make up the net amount of new loans raised and repayment of borrowings in the Group Cash Flow Statement.

NOTES TO THE FINANCIAL STATEMENTS
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13 TRADE AND OTHER PAYABLES

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Payables to:				
Ultimate holding company (Note 4)	5,332	2,449	5,299	2,444
Related companies (Note 4)	3,595	4,237	3,381	4,173
Related parties (Note 4)	–	20	–	20
Outside parties	74,702	59,302	66,653	54,100
Accruals	212,096	181,375	162,768	150,730
Deferred income	2,842	2,715	2,519	2,328
Total	298,567	250,098	240,620	213,795

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 (2020 : 30 days).

14 DEPOSITS RECEIVED

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Deposits received	11,050	9,733	8,132	8,253
Less: Due within 12 months	(3,766)	(3,915)	(2,657)	(3,561)
Due after 12 months	7,284	5,818	5,475	4,692

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

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Deferred grants	4,772	29,885	4,772	21,505
Analysed as:				
Current	–	24,042	–	15,662
Non-current	4,772	5,843	4,772	5,843
	4,772	29,885	4,772	21,505

As at 31 December 2020, current deferred grants related to the amounts granted to the Group and the Company under the COVID-19 Government Relief Measures, mainly the JSS initiative by the Singapore Government as disclosed in Note 21 (ii). The initiative was intended to defray certain manpower costs.

Non-current deferred grants relate to capital grants.

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16 PROVISION FOR ACCIDENT CLAIMS

	The Group and The Company	
	31 December 2021 $'000	31 December 2020 $'000
At beginning of year	19,630	21,205
Charge to Profit or Loss	365	2,980
Payments	(3,920)	(4,555)
At end of year	16,075	19,630

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 (a)).

17 PROVISION FOR SERVICE BENEFITS AND LONG SERVICE AWARDS

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
At beginning of year	12,340	11,335	11,759	10,930
Charge to Profit or Loss	202	1,720	190	1,540
Payments	(879)	(715)	(868)	(711)
At end of year	11,663	12,340	11,081	11,759

The balance comprises provision for:

Retirement benefits	7,898	8,387	7,534	8,025
Long service awards	3,765	3,953	3,547	3,734
Total	11,663	12,340	11,081	11,759

18 SHARE CAPITAL

	The Group and The Company			
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Number ('000) of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning and end of year	311,865	311,865	100,499	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.

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19 OTHER RESERVES

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Premises revaluation reserve:				
At beginning and end of year	40,265	40,265	40,265	40,265
Hedging reserve:				
At beginning of year	–	278	–	20
Gain (Loss) on cash flow hedges	484	(278)	236	(20)
At end of year	484	–	236	–
Total	40,749	40,265	40,501	40,265

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).

20 REVENUE

Revenue comprises the following amounts:

	The Group	
	2021 $'000	2020 $'000
Transport services	1,168,316	1,097,702
Lease revenue	97,015	98,097
Other commercial services	45,511	35,148
Total	1,310,842	1,230,947

Revenue from transport services are mainly contracts with the Government (public sector) in Singapore for an average of 9 years. 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 5% (2020 : 5%) of the total revenue.

NOTES TO THE FINANCIAL STATEMENTS
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21 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 $2,090,340 (2020 : $2,905,162).

		The Group	
		2021 $'000	2020 $'000
(ii)	Cost of contribution to Central Provident Fund	56,750	58,196
	Government grant (included in staff costs)	(52,151)	(107,286)

The Group received wage support for local employees under JSS from the Singapore Government as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. Grant income is recognised in Profit or Loss on a systematic basis over the period impacted by COVID-19 in which the related salary costs for which the grant is intended to compensate is recognised as expenses. Government grant from JSS for the year is $52,151,000 (2020 : $95,975,000) (Note 22).

22 OPERATING PROFIT

In addition to the charges and credits disclosed elsewhere in the notes to the Financial Statements, this item includes the following charges (credits):

	The Group	
	2021 $'000	2020 $'000
Directors' fees	598	517
Cost of inventories recognised in repairs and maintenance costs	137,405	133,492
Net loss (gain) on disposal of vehicles and equipment	15,812	(274)
Allowance for inventory obsolescence	6,950	20,159
(Write-back) Allowance for expected credit losses	(344)	395
Provision for accident claims	365	2,980
Provision for service benefits and long service awards	202	1,720
Government grant	56,323	109,789
Audit fees:		
Paid to auditors of the Company	137	116
Non-audit fees:		
Paid to auditors of the Company	115	87

Excluding the Government grant (COVID-19 related) of $56,323,000 (2020 : $109,789,000), the Group would have recorded an Operating Loss of $2,769,000 (2020 : $29,806,000).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

23 NET INCOME FROM INVESTMENTS

	The Group	
	2021	2020
	$'000	$'000
Interest income from bank and short-term deposits	285	263
Interest income from net investment on sublease	6	9
Total	291	272

24 FINANCE COSTS

	The Group	
	2021	2020
	$'000	$'000
Interest expense on lease liabilities	1,300	2,111
Interest expense on bank loans	39	1,136
Total	1,339	3,247

25 TAX EXPENSE (CREDIT)

	The Group	
	2021	2020
	$'000	$'000
Current taxation	31,555	23,166
Deferred tax (Note 11)	(30,683)	(25,115)
Total	872	(1,949)

The taxation charge varied from the amount of taxation charge determined by applying the Singapore income tax rate of 17% (2020 : 17%) to profit before taxation as a result of the following differences:

	The Group	
	2021	2020
	$'000	$'000
Profit before taxation	52,506	77,008
Taxation charge at statutory rate	8,926	13,091
Non-taxable items	(8,037)	(15,710)
Tax-exempt income	(17)	(17)
Under provision of deferred tax in prior years	–	687
	872	(1,949)

NOTES TO THE FINANCIAL STATEMENTS
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26 EARNINGS PER SHARE

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:

	2021	2020
Profit attributable to shareholders of the Company ($'000)	51,634	78,957
Weighted average number of ordinary shares in issue ('000)	311,865	311,865
Basic earnings per share (in cents)	16.56	25.32

Fully diluted earnings per share is the same as the basic earnings per share as there is no dilutive shares outstanding at the end of financial years ended 31 December 2021 and 31 December 2020.

27 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 transport systems.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
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27 BUSINESS SEGMENT INFORMATION (CONT'D)

	Public Transport Services $'000	Other Commercial Services $'000	Total $'000
31 December 2021			
REVENUE	1,265,331	45,511	1,310,842
RESULTS			
Segment results	30,978	22,576	53,554
Net income from investments			291
Finance costs			(1,339)
Profit before taxation			52,506
Tax expense			(872)
Profit after taxation			51,634
OTHER INFORMATION			
Additions of vehicles, premises and equipment	22,627	12,324	34,951
Depreciation expense	101,286	4,054	105,340
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Segment assets	900,513	23,327	923,840
Unallocated corporate assets			229,946
Consolidated total assets			1,153,786
LIABILITIES			
Segment liabilities	435,698	27,798	463,496
Unallocated corporate liabilities			88,725
Consolidated total liabilities			552,221
31 December 2020			
REVENUE	1,195,799	35,148	1,230,947
RESULTS			
Segment results	56,872	23,111	79,983
Net income from investments			272
Finance costs			(3,247)
Profit before taxation			77,008
Tax credit			1,949
Profit after taxation			78,957
OTHER INFORMATION			
Additions of vehicles, premises and equipment	14,198	1,047	15,245
Depreciation expense	107,436	1,610	109,046
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Segment assets	1,008,330	20,615	1,028,945
Unallocated corporate assets			110,856
Consolidated total assets			1,139,801
LIABILITIES			
Segment liabilities	380,672	25,301	405,973
Unallocated corporate liabilities			146,802
Consolidated total liabilities			552,775

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

28 LEASE LIABILITIES

The Group as lessee

	The Group 2021 $'000	The Group 2020 $'000
Maturity analysis:		
Within one year	12,430	14,009
In the second to fifth year inclusive	55,589	58,160
After five years	29,769	4,654
	97,788	76,823
Less: Future finance charges	(6,176)	(5,297)
	91,612	71,526
Analysed as:		
Current	11,131	12,215
Non-current	80,481	59,311
	91,612	71,526

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

The total cash outflow for leases (including short-term leases and leases of low value assets) amount to $10,701,000 (2020 : $11,329,000).

As at 31 December 2021, the Group is committed to $35,000 (2020 : $44,800) for leases exempted under SFRS(I) 16.

29 OPERATING LEASE ARRANGEMENTS

The Group as lessor

Operating leases, in which the Group is the lessor, 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.

	The Group		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Maturity analysis of operating lease payments:				
Within one year	15,003	16,801	12,515	13,413
In the second to fifth year inclusive	13,625	13,317	12,217	9,758
Total	28,628	30,118	24,732	23,171

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

30 CAPITAL COMMITMENTS

As at 31 December 2021, the Group and the Company have the following capital commitments contracted for but not provided for in the Financial Statements:

	The Group		The Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Purchase of vehicles, premises and equipment	17,608	25,257	15,959	24,026

31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Financial assets				
Amortised cost	438,998	358,919	681,069	647,336
Financial instruments designated in hedge accounting relationships: Hedging instrument	653	–	319	–
Financial liabilities				
Amortised cost	290,234	263,922	229,385	226,454
Financial instruments designated in hedge accounting relationships: Hedging instrument	69	–	34	–

(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.

NOTES TO THE FINANCIAL STATEMENTS
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31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

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.

Foreign currency sensitivity

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.

Interest rate risk management

The Group's primary interest rate risk relates to borrowings, investments in fixed income securities and 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.

Summary quantitative data of the Group's interest-bearing financial instruments are disclosed in Section (e) of this note.

Interest rate sensitivity

Based on sensitivity analysis performed at end of the reporting period, the exposure to changes in interest rates is minimal and hence the resulting impact on the profit or Other Comprehensive Income of the Group is insignificant.

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 only with creditworthy institutions. Its investments in fixed income instruments are above investment grade as assigned by international credit-rating agencies. 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 gradings 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.

NOTES TO THE FINANCIAL STATEMENTS
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31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

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

Credit risk management (cont'd)

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.

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 $463,000 (2020 : $312,000). The sensitivity analysis assumes that consumption is held constant at the same level as in 2021.

NOTES TO THE FINANCIAL STATEMENTS
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31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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, short term loans and other liabilities approximate the respective fair values due to the relatively short-term maturity of these financial instruments.

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).

The fair values of the Group's investments are classified into Level 1. The Group's hedging instruments are classified into Level 2. None of the fair value of the financial instrument is classified in Level 3. There are also no transfers between Levels 1 and 2 of the fair value hierarchy during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
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31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(c) Hedging instruments

	The Group		The Company	
	31 December 2021 $'000	31 December 2020 $'000	31 December 2021 $'000	31 December 2020 $'000
Financial assets				
At fair values:				
Fuel hedges	653	–	319	–
Financial liabilities				
At fair values:				
Foreign exchange hedges	69	–	34	–

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 and the Company's fuel hedging instruments comprised $653,000 and $319,000 respectively of assets on cash flow hedges in Other Comprehensive Income.

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 and the Company's foreign exchange hedging instruments comprised $69,000 and $34,000 respectively of liabilities on cash flow hedges in Other Comprehensive Income.

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 and Company have outstanding fuel and foreign exchange hedges with notional amounts totalling $10,422,000 (2020 : $NIL).

(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. The Group's debt capital refers to borrowings comprising loans under Note 12 while equity refers to total equity.

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS
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31 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (CONT'D)

(e) The following are the expected contractual undiscounted cash outflows (including interest payments) of the Group's and the Company's financial liabilities:

		Contractual cash flows				
	Carrying amount $'000	Total $'000	Within 1 year $'000	Within 2 to 5 years $'000	Beyond 5 years $'000	Effective interest rate %
2021						
Short Term Bank Loans – Unsecured	–	–	–	–	–	–
2020						
Short Term Bank Loans – Unsecured	25,000	25,050	25,050	–	–	0.81

32 DIVIDENDS

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

	2021 $'000	2020 $'000
Tax-exempt one-tier final dividend in respect of the previous financial year: – 6.30 cents (2020 : 5.90 cents) per ordinary share	19,647	18,400
Tax-exempt one-tier interim dividend in respect of the current financial year: – 5.75 cents (2020 : NIL cents) per ordinary share	17,932	–
Total	37,579	18,400

(b) Subsequent to the end of the financial year, the Directors of the Company recommended that a tax-exempt one-tier first and final dividend of 2.45 cents per ordinary share totalling $7,641,000 (2020 : $19,647,000) be paid for the financial year ended 31 December 2021. 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 5.75 cents per ordinary share (2020 : NIL cents per ordinary share), total distributions paid and proposed in respect of the financial year ended 31 December 2021 will be 8.20 cents per ordinary share (2020 : 6.30 cents per ordinary share).

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33 LICENCE FOR RAIL SERVICES

(a) Current Rail Financing Framework (Existing Licences till 31 December 2021)

North East Line, Punggol LRT System and Sengkang LRT System (collectively, the "Licensed System')

With effect from 1 April 2018, the Company was granted a licence to operate the Licensed Systems under the NRFF (Version 2) for a period of 15 years. If the Company applies for an extension, LTA may extend the term of the new licence for a further five years subject to terms and conditions as LTA may impose and the Company may accept.

The NRFF is an asset-light model whereby the LTA will make the capital investments in operating assets and thereby retain the ability and flexibility to decide on the additions, renewals and replacements and undertake long term planning for the rapid transit system network. It allows the LTA to respond more promptly to commuter needs, while relieving the Company of the cost of asset renewal and upgrade, and of procuring additional operating assets when ridership demand increases, in order to meet service level and reliability standards. The NRFF was first implemented in 2011 when the Company was awarded the tender for the DTL.

With the transition to the NRFF (Version 2), the Company will no longer need to buy over the first set of operating assets from the LTA. Going forward, LTA will also own and pay for the operating assets, including additions, renewals and replacements. In conjunction with the transition to the NRFF (Version 2), the Company had entered into Sale and Purchase Agreements with the LTA on 14 February 2018 for the sale of certain operating assets required for the operation of the Licensed Systems which were purchased by the Company prior to the transition. The aggregate consideration for the sale was based on the respective net book values of such assets on the date of transfer amounted to $29,210,000.

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 the Company 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 Company for the year.

In addition, the LTA may reimburse or be reimbursed by the Company 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

33 LICENCE FOR RAIL SERVICES (CONT'D)

(a) Current Rail Financing Framework (Existing Licences till 31 December 2021) (cont'd)

Downtown Line MRT System

A licence dated 19 December 2013 was issued by LTA to the subsidiary of the Company under which the subsidiary of the Company is licensed to operate the DTL.

The licence sets out the conditions governing the operation of the DTL and includes, among others, the following:

(i) The licence is for a period of 19 years commencing from 20 December 2013. LTA may, if it deems fit, renew the licence for such further period with revised terms and conditions of the renewed licence.

(ii) The licence fee payable to LTA is prescribed under the subsidiary legislation of the Rapid Transit Systems Act during the Licence Term.

(iii) The subsidiary of the Company shall pay LTA a licence charge which consists of Fixed Charge and Revenue Share Charge. A yearly Fixed Charge is payable from financial year 2019 to end of licence period. If the Operating Surplus minus the Fixed Charge for a financial year is more than the Threshold Profit, the subsidiary of the Company shall pay Revenue Share Charge.

(iv) After the commencement of revenue service of the last stage, the subsidiary of the Company shall pay LTA a Cash-Bid Amount if the Net Operating Surplus for a financial year is more than the Threshold Profit.

(v) All Operating Assets shall remain the property of LTA except for Spares, Special Tools, Non-Proprietary Items and End Devices purchased by the subsidiary of the Company during the Licence Term.

(b) New Rail Financing Framework (Effective from 1 January 2022)

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.

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

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33 LICENCE FOR RAIL SERVICES (CONT'D)

(b) New Rail Financing Framework (Effective from 1 January 2022) (cont'd)

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

In exchange for the right to operate, maintain and derive revenue from the Licensed Systems, SBS Transit Rail Pte. Ltd. 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 SBS Transit Rail Pte. Ltd. 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 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.

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34 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. Under the Negotiated Contract, the Company operates a total of 8 bus packages with an average contract period of 7 years. The 8 bus packages are: Bukit Merah, Sengkang-Hougang, Bedok, Jurong West, Tampines, Serangoon-Eunos, Clementi and Bishan-Toa Payoh. The contracted expiry dates of the 8 bus packages range from 2018 to 2026 and any further extension may be granted at the sole discretion of LTA.

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.

Subsequent to the Negotiated Contract, the Company was awarded the Seletar Bus Package in April 2017 and the Bukit Merah Bus Package (the first among the 8 bus packages within the Negotiated Contract to expire) in February 2018 respectively through the tender process conducted by LTA. Both bus packages secured through the tender process have a contract period of five years which can be extended by another two years. The Seletar and Bukit Merah Bus Packages had commenced operations from March 2018 and November 2018 respectively.

Among the seven negotiated contract packages, one was extended on 1 September 2021 for three years while another five will be extended by an average of three years from their original service terms as part of the transition of DTL to NRFF (Version 2).

Including the two bus packages secured through tender, the Company operates a total of 9 bus packages which cover a total of 228 bus services, 7 bus depots, 1 bus park, 17 bus interchanges and 15 bus terminals. The fleet size required to operate the 9 packages is around 3,500 buses.

Under the BCM, LTA retains all fare revenue collected from the provision of the bus services. Revenue for the Company is derived from the provision of bus services which comprises service fee and leasing fee. 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.

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, bus depots including the equipment and systems therein;

(c) Charge and collect fares as approved by the PTC, on behalf of LTA, for travel on the bus services;

(d) Provide bus service information at all bus stops and bus interchanges served by the bus services; and

(e) Provide customer management services, such as lost and found service, and a hotline for commuter feedback and enquiries.

35 CONTINGENT EVENT

13 Bus Captains commenced legal proceedings against the Company between 20 September 2019 and 1 March 2020 in relation to, *inter alia*, working hours, rest days, overtime pay and allowances. At the date of this report, the Company is in the midst of legal proceedings. As at 31 December 2021, Management is of the view that no provision is required with regard to the above.