TRANSFORMING SINGAPORE AVIATION

ANNUAL REPORT 2016 / 2017

CAAS

Civil Aviation Authority of Singapore

CONTENTS

OUR VISION
A leader in civil aviation; a city connecting the world.

OUR MISSION
To grow a safe, vibrant air hub and civil aviation system, making a key contribution to Singapore's success.

Cover – Photo credit of Changi Airport Group

CHAIRMAN AND DIRECTOR-GENERAL'S STATEMENT

Singapore Aviation delivered yet another strong performance in 2016. Growth in air passenger and air cargo traffic have been stronger than expected, with air passenger movements reaching an all-time high of 58.7 million and air cargo tonnage rising to 1.97 million tonnes for the year.

OVERCOMING CHALLENGES, BEING FUTURE-READY

As the international aviation industry grows, many more airports are increasingly vying to become the aviation hub of choice. Burgeoning air traffic also places more demands on capacity and capabilities, both in the air and on the ground. These challenges are expected to grow in complexity in the future. To ensure that Singapore continues to be an aviation hub of choice, it is vital for our industry to be future-ready.

CAAS has continued to grow the market. In 2016, CAAS continued to drive greater connectivity by exploring other strategies to promote air travel demand to and from Changi Airport, such as facilitating sea-to-air transfers between Changi Airport and Tanah Merah Ferry Terminal. Amidst more aggressive hub competition, performance matters even more. We therefore launched an Air Traffic Management (ATM) Performance Task Force to better manage delays and optimise arrival management processes.

Infrastructural developments to prepare us for greater growth in the future are also progressing well. Terminal 4 will open its doors very soon, and we have already commenced the design and engineering studies for Phase 1 of Terminal 5. With Changi East's developments progressing smoothly, there are also plans to upgrade Terminals 1 through 4 at Changi West.

Construction for the new Seletar Passenger Terminal Building also commenced in October 2016. Slated for completion by the end of 2018, the two-storey terminal will be large enough to handle up to 700,000 passengers annually. This is 26 times the number of passengers that Seletar Airport currently caters for.

Our strong growth performance – underscoring Singapore's position as a leading aviation hub – will undoubtedly bring new challenges. CAAS' efforts to ensure the long-term growth and viability of Singapore Aviation is underpinned by our focus on three core areas: safety and engagement, innovation and productivity, and thought leadership and sustainability.

> "To ensure that Singapore continues to be an aviation hub of choice, it is vital for our industry to be future-ready."

CHAIRMAN AND DIRECTOR-GENERAL'S STATEMENT

SAFETY AND ENGAGEMENT

Maintaining the highest safety standards is essential for entrenching Singapore's leading position as an aviation hub of choice. CAAS continuously strives to enhance the safety of our airports and airlines.

During the year, CAAS conducted eight regulatory framework reviews to ensure that we continue to meet international regulatory standards. In addition, through our new Air Traffic Safety Electronics Personnel competency framework, we have established an effective competency-based training and assessment programme, creating greater operational safety. We have also developed a certification framework for new aerodrome infrastructure projects and enhanced our ground handling safety regulatory framework. These efforts contribute to greater safety within the industry and provide the support to enable it to thrive.

A key component of ensuring aviation safety is the provision of safe and efficient air traffic services. Entrusted with the responsibility of providing air traffic services in the Singapore Flight Information Region (FIR), we take this responsibility seriously, for the safety and efficiency of global air navigation. We are one of the top air navigation services providers in the world, and continue to work closely with the International Civil Aviation Organization (ICAO) and neighbouring States to improve operational safety and increase efficiency for airlines at the same time.

Tapping on innovation, CAAS will also be pushing ahead to strengthen its core capability in air traffic management. Working with MITRE Asia Pacific Singapore, CAAS is exploring the smart digital tower concept that can serve the traffic demand at a busy airport like Changi. A prototype for the concept is already under way. The smart digital tower will support the operations of the main control tower, resulting in more seamless service and greater efficiencies at Changi Airport. Our continued investments in advance ATM technology ensure that CAAS remains at the forefront of safe and efficient air traffic services provision.

The growing use of Unmanned Aircraft Systems (UAS) in Singapore has also created a need for greater regulation and management. To meet this need, the Unmanned Aviation Programme Office was set up, and an unmanned pilot licensing framework has been developed. We have started to lay the ground for greater use of UAS in Singapore and have administered a Whole-of-Government Master Contract, facilitating the safe use of UAS by the public sector. At the same time, we are working with the Air Traffic Management Research Institute on developing urban UAS traffic management solutions. These initiatives serve to provide more effective regulatory oversight, keeping Singapore's airspace safer.

On 27 June 2016, Singapore Airlines flight SQ368 caught fire on landing. The aviation community responded promptly and coordinated closely to ensure that no harm came to all 222 passengers and 19 crew members. Incidents such as these remind us of the value of building a strong safety culture within the aviation community and travelling public. As part of our safety promotion efforts in 2016, CAAS developed the Airside Safety Culture Toolkit and carried out a second run of our "Pack It Right For Your Flight" campaign. These efforts allowed us to engage meaningfully with airside workers and the travelling public respectively, who are key stakeholders in ensuring greater safety effectiveness.

On the aviation personnel licensing front, CAAS has launched two online portals – the Civil Aviation Personnel Licensing System (CAPELS) and the Electronic Licensing Medical Records System (ELMeRS). CAPELS caters to flight crew, air traffic controllers and aircraft maintenance engineers, while ELMeRs allows flight crew and air traffic controllers to access services and information related to their medical assessments.

INNOVATION AND PRODUCTIVITY

CAAS has taken the lead on several fronts to create greater capacity, build more capabilities and provide better service, to ensure that Singapore Aviation is primed to meet the challenges of the future. In 2016, CAAS completed the Air Transport Industry Transformation Map (ITM), an ambitious plan to transform Singapore Aviation, improve the sector's competitiveness and service standards, and grow the sector's value-add by S$1 billion by 2020.

To achieve this, we must have the right manpower resources to support the industry's progress. The ITM aims to increase productivity by 40%, and redesign or create 8,000 good aviation jobs for Singaporeans by 2025. This includes more jobs for professionals, technicians and cabin

> " CAAS has taken the lead on several fronts to create greater capacity, build more capabilities and provide better service, to ensure that Singapore Aviation is primed to meet the challenges of the future. "

crew. Initiatives such as the Earn and Learn Programme for Passenger Agents help support and accelerate skills development in the sector.

In order to achieve productivity gains, we need to leverage on innovation. To accelerate the adoption of technology for greater operational productivity, we launched the S$15 million Fast and Seamless Travel Fund and the S$12.5 million Smart Apron Programme. These programmes will help the industry to create greater value, and reap productivity gains. Collaboration is key in our efforts to boost productivity. CAAS is therefore working closely with the aviation community.

THOUGHT LEADERSHIP AND SUSTAINABILITY

CAAS recognises that aviation is a globalised industry, with Singapore being part of a larger international community. Over the years, CAAS has built up the ability to contribute to this community as a thought leader, as well as to its sustainability.

CAAS has had the privilege to play an integral role in moulding global aviation through our active participation in ICAO and other key international aviation organisations. To date, Singapore participates in 116 ICAO expert bodies, of which we chair 19. Regionally, CAAS hosted the first Asia-Pacific Remotely Piloted Aircraft Systems Symposium, as part of our efforts to share our knowledge in regulating a new and rapidly developing sector, and to increase collaboration with our partners in the Asia-Pacific region.

As a key player in the global arena, Singapore believes in actively participating and driving thought leadership. A key highlight in 2016 was when we partnered ICAO to make the historic Global Market Based Measure agreement for climate change a reality. CAAS is proud of our role in this significant first step to ensure that the growth of the international aviation industry is done sustainably and responsibly.

As a testament to the impact we have made on the international aviation stage, Singapore obtained unprecedented support in 2016, and was re-elected into the ICAO Council at the 39th ICAO General Assembly, as well as the Air Navigation Commission. Moving forward, CAAS will continue to work closely with ICAO and other key aviation organisations to support the development of regional and international aviation.

SOLID FUNDAMENTALS, TRANSFORMATIVE VISION

With the strong growth in traffic, CAAS achieved a net surplus of S$76 million for the year ended 31 March 2017. In the face of stiffer international competition, CAAS invested an additional 8% of its operating expenditure in furthering productivity and manpower capabilities to make Singapore a future-ready aviation hub. With a healthy financial position of S$2.7 billion in net assets as at 31 March 2017, CAAS is well-positioned to bring Singapore's aviation to greater heights.

The development of a robust aviation eco-system in Singapore is only made possible through the continued support of our aviation community. The ITM, for example, is a joint effort led by the Industry Tripartite Committee. 16 key representatives from industry, unions and government sit on the Committee and lead the work together.

We would like to thank each and every committed staff member at CAAS who unfailingly contributes to Singapore's continued growth and success as an aviation hub of choice.

The performance of Singapore Aviation is driven by a relentless ambition to be ready for the future. We believe that we are ready to take on the challenges of the future together, and are confident that Singapore Aviation will grow from strength to strength.

LEE HSIEN YANG
Chairman

KEVIN SHUM
Director-General

AUTHORITY MEMBERS

As at 31 March 2017

CHANDRA MOHAN K NAIR
Member

EDMUND CHENG
Deputy Chairman

LEE HSIEN YANG
Chairman

CHAM HUI FONG
Member

PROF CHONG TOW CHONG
Member

CHOO OI YEE
Member

HAN KOK JUAN
Member

KEVIN SHUM
Member

KHOO CHIN HEAN
Member

LIM YEOW KHEE
Member

MG MERVYN TAN
Member

MARY YEO
Member

PROF WEE CHOW HOU
Member

THE AUTHORITY'S COMMITTEES

As at 31 March 2017

STAFF & REMUNERATION COMMITTEE

Chairman
Lee Hsien Yang

Members
Edmund Cheng
Prof Chong Tow Chong
Han Kok Juan
Kevin Shum
MG Mervyn Tan

Secretary
Ms Florence Tan

INVESTMENT COMMITTEE

Chairman
Khoo Chin Hean

Members
Ms Choo Oi Yee
Kevin Shum

Secretary
Ms Chia Sin Yee

AUDIT COMMITTEE

Chairman
Prof Wee Chow Hou

Members
Chandra Mohan K Nair
Lim Yeow Khee
Ms Mary Yeo

Secretary
Sng Hock Seng

TENDERS COMMITTEE

Chairman
Lee Hsien Yang

Alternate Chairman
Han Kok Juan

Members
Ms Cham Hui Fong
Kevin Shum

Alternate Member
Prof Chong Tow Chong

PRINCIPAL OFFICERS

As at 31 March 2017

from left to right

SOH POH THEEN
Deputy Director-General
(Air Navigation Services)

KEVIN SHUM
Director-General

TAY TIANG GUAN
Deputy Director-General

from left to right

DANIEL NG
Director
(Aviation Industry)

PHUA CHAI TECK
Director
(Airport Development and Planning)

YEO CHENG NAM
Director
(Aeronautical Telecommunications & Engineering)

LOO CHEE BENG
Director
(Air Navigation Services Policy and Planning)

MARGARET TAN
Director
(Air Transport)

ROSLY BIN MD SAAD
Director
(Air Traffic Services)

Not pictured:

Ng Cher Keng
Director (Airport Economic Regulation and Aviation Security)

PRINCIPAL OFFICERS

As at 31 March 2017

from left to right

TAN SIEW HUAY
Director
(Legal)

SNG HOCK SENG
Director
(Internal Audit)

LYDIA TAN
Director
(Corporate Communications)

DALEN TAN
Division Head
(Futures and Planning Office)

FLORENCE TAN
Director
(Human Resource)

PETER WEE
Director
(Corporate Development and Emergency Preparedness)

CHIA SIN YEE
Director
(Finance)

from left to right

CHEW CHOONG CHENG
Director
(Aerodrome and Air Navigation Services Regulation)

MICHAEL LIM
Director
(Singapore Aviation Academy)

ADRIAN CHANG
Division Head
(Safety Policy and Licensing)

EILEEN POH
Director
(International Relations) / Alternate Representative on the Council of the ICAO

TAN KAH HAN
Senior Director
(Safety Regulation) / Director (Airworthiness and Flight Operations)

DR JARNAIL SINGH
Chairman
Civil Aviation Medical Board

Not pictured:

Ng Tee Chiou
Permanent Representative on the Council of the ICAO

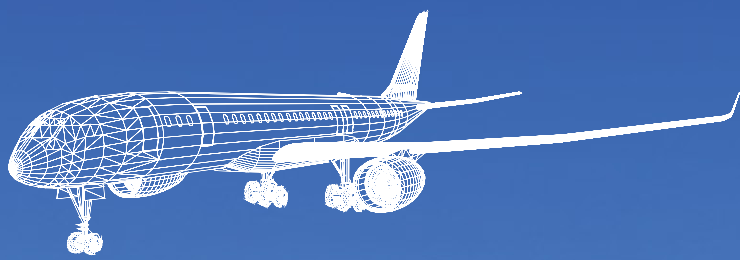
CONSTANT PROGRESS

Singapore's global reach is integral to its position as the aviation hub of choice. With new Air Services Agreements (ASAs) concluded each year, these enhance Singapore's connectivity by enabling new airlines to operate at Changi Airport, and offering travellers more destination options.

Growing Our Connectivity

11 new and expanded ASAs

- Bahamas
- Belize
- Benin
- Canada
- China
- Cook Islands
- Dominican Republic
- Ghana
- Nicaragua
- Nigeria
- Thailand



8 new destinations

- Australia (Canberra)
- China (Urumqi)
- Fiji (Nadi)
- Germany (Dusseldorf)
- India (Amritsar and Jaipur)
- Japan (Sapporo)
- New Zealand (Wellington)

4 new airlines

- West Air
- Fiji Airways
- Neptune Air
- Silkway West Airlines

From Strength To Strength

Having attained over 500 awards and accolades, Changi Airport has grown from strength to strength over the years.

Passenger Movements

2016	**58.70M**
2015	55.45M
2014	54.10M
2013	53.70M
2012	51.20M

Commercial Aircraft Movements

2016	**360.50K**
2015	346.30K
2014	341.40K
2013	343.80K
2012	324.70K

Airfreight Movements

2016	**1.97M**
2015	1.85M
2014	1.84M
2013	1.84M
2012	1.83M

A STEADY HAND

Faced with the challenges of growing air traffic, CAAS has continued to have a steady hand on air traffic management (ATM) for the Singapore Flight Information Region (FIR). CAAS continues to invest in our ATM capabilities and create greater capacity to ensure that air traffic growth is sustainable. Besides further developing CAAS' manpower capabilities, we actively collaborate with regional partners to enhance our systems, services and operational processes. These initiatives will enable us to achieve greater air navigation safety and efficiency, benefiting all airspace users of the Singapore FIR, as well as the regional and international aviation community.

Traffic Movements in Singapore FIR

(as at 31 March 2017)

Keeping Our Skies Safe

(as at 31 March 2017)

420
Air Traffic Control Officers

90
Air Navigation Systems Engineering Officers

GROWTH THROUGH SAFETY

CAAS' safety regulatory oversight covers a spectrum of aviation organisations and personnel. Through a series of regulatory reviews, effective risk management and industry engagements, we support the growth of the industry while ensuring that it meets the highest international safety standards. In FY16/17, CAAS carried out eight key regulatory framework reviews, made 47 rule and guidance material amendments, and conducted 65 industry consultations.

CAAS Approval Holders
(as at 31 March 2017)

4,417
Pilots

7
Air Operator Certificate Holders

441
Air Traffic Control Officers

2,172
Aircraft Maintenance License Holders

2
Certified Aerodromes

219
Registered Aircraft

525
Engineering Approvals Granted

10
Maintenance Training Organisations

1
Air Traffic Control Organisation

161
Maintenance and Repair Organisations

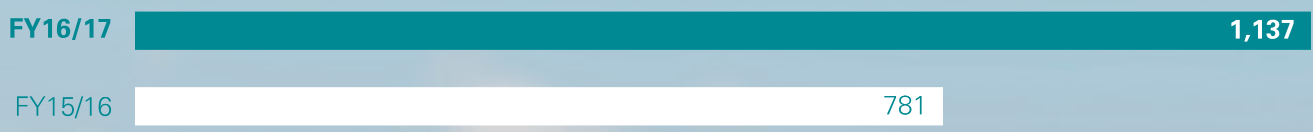
11
Aviation Training Organisations

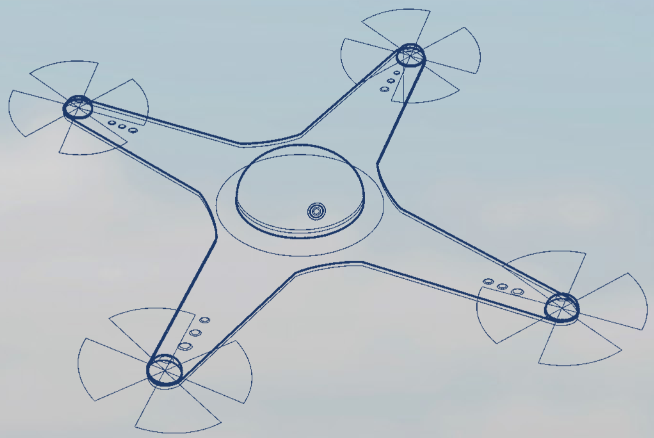
43
Design and Production Organisations

DEVELOPING UNMANNED AVIATION

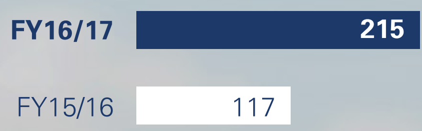
Recognising the growing role that Unmanned Aircraft Systems (UAS) will have in Singapore's future, CAAS has spearheaded initiatives to enhance safety, improve facilitation processes, and create better solutions for tomorrow. We have stepped up our efforts to facilitate and regulate UAS operations in Singapore through the Enhanced Permit Regime.

Activity Permits Issued
(as at 31 March 2017)





Operator Permits Issued
(as at 31 March 2017)



FUTURE TALENT POOL

To ensure a sustainable pipeline of manpower and talent to meet Singapore Aviation's needs, CAAS has launched various initiatives to seed interest in aviation amongst the young, as well as to attract and retain talent for the industry.

Aviation Career Fair

Held in February 2017 at Crowne Plaza Hotel, CAAS partnered with other government agencies to provide more than 2,300 job opportunities for Singaporeans to benefit from the growth of the aviation sector.

Aviation Immersion Programme

Launched in November 2016, the immersion programme equips teachers with the knowledge to champion aviation careers and offer better career guidance to their students. 35 teachers from seven secondary schools attended the three-day programme.

MAKING AN IMPACT

Through the Singapore Aviation Academy (SAA), the training arm of CAAS, we are committed to providing the highest quality of training. SAA has broadened its capabilities through a growing spectrum of aviation-focused programmes and new training packages, benchmarked against international standards and best practices, to meet the training needs of the global aviation community. These expanding capabilities serve to further SAA's vision to drive thought leadership and contribute to the development of global aviation human capital. Growing in popularity and demand, SAA's on-site training programmes have made an undeniable impact around the world.

Introduced 16 new programmes

Trained 2,778 international participants from 158 States

SAA in FY16/17

Conducted 40 on-site programmes in 74 States

Organised 6 topical conferences and seminars

Launched 2 new training packages

(as at 31 March 2017)

FINANCIAL STATEMENTS

FOR YEAR ENDED 31 MARCH 2017

CONTENTS

STATEMENT BY THE AUTHORITY MEMBERS

We, Lee Hsien Yang and Kevin Shum, being two of the Authority Members of Civil Aviation Authority of Singapore (the "Authority"), do hereby state that, in the opinion of the Authority Members:

(i) the accompanying statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, together with the notes thereto, are drawn up so as to present fairly, in all material respects, the state of affairs of the Authority as at 31 March 2017 and the results, changes in equity and cash flows of the Authority for the financial year then ended on that date in accordance with the provisions of the Civil Aviation Authority of Singapore Act (Cap. 41, 2014 Revised Edition) (the "Act") and Singapore Statutory Board Financial Reporting Standards;

(ii) proper accounting and other records have been kept, including records of all assets of the Authority whether purchased, donated or otherwise have been kept in accordance with the provisions of the Act; and

(iii) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Authority during the financial year have been in accordance with the provisions of the Act.

On behalf of the Authority

Lee Hsien Yang
Chairman

Kevin Shum
Director-General

Singapore
22 June 2017

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2017

MEMBERS OF THE AUTHORITY
CIVIL AVIATION AUTHORITY OF SINGAPORE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Civil Aviation Authority of Singapore (the "Authority"), which comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Civil Aviation Authority of Singapore Act (Cap. 41, 2014 Revised Edition) (the "Act") and Singapore Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Authority as at 31 March 2017 and the results, changes in equity and cash flows of the Authority for the year ended on that date.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Statement by the Authority Members, but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2017

MEMBERS OF THE AUTHORITY
CIVIL AVIATION AUTHORITY OF SINGAPORE

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and Singapore Statutory Board Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

A statutory board is constituted based on its Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to dissolve the Authority or for the Authority to cease operations.

Management is responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

MEMBERS OF THE AUTHORITY
CIVIL AVIATION AUTHORITY OF SINGAPORE

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Opinion

In our opinion:

(i) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Authority during the year are, in all material respects, in accordance with the provisions of the Act; and

(ii) proper accounting and other records have been kept, including records of all assets of the Authority whether purchased, donated or otherwise.

Basis for Opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Compliance Audit section of our report. We are independent of the Authority in accordance with the ACRA Code together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

Responsibilities of Management for Compliance with Legal and Regulatory Requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2017

MEMBERS OF THE AUTHORITY
CIVIL AVIATION AUTHORITY OF SINGAPORE

Auditor's Responsibilities for the Compliance Audit

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act.

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

22 June 2017

STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2016/17	2015/16
		S$'000	S$'000
Equity			
Capital account	4	2,179,090	2,179,090
Accumulated surplus		471,654	451,156
		2,650,744	2,630,246
Non-current assets			
Property, plant and equipment	5	6,039,805	6,126,807
Capital work-in-progress	6	260,590	51,347
Investment in joint venture	7	34,817	35,940
Investment in associate	8	10,435	13,207
Available-for-sale investment	9	3,600	3,600
Long-term investment	10	150	150
Other receivables and prepayments	11	43,614	36,573
		6,393,011	6,267,624
Current assets			
Trade and other receivables and prepayments	11	227,633	159,745
Cash and cash equivalents	12	789,547	765,174
		1,017,180	924,919
Current liabilities			
Trade and other payables	13	248,776	183,994
Contribution payable to Government Consolidated Fund	15	16,465	12,070
		265,241	196,064
Net current assets		751,939	728,855
Non-current liabilities			
Deferred income	16	7,556	7,966
Deferred capital grants	17	4,476,181	4,346,795
Provision for pension and post-retirement medical benefits plan	18	10,469	11,472
		4,494,206	4,366,233
Net assets		2,650,744	2,630,246

Changi Airport Development Fund - net assets	23	4,048,254	3,005,717

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2017

	Note	2016/17	2015/16
		S$'000	S$'000
Income			
Airport licence fee		2,530	2,530
Aviation levy		135,970	129,699
Annual ground rent		78,570	78,520
Air navigation service charge		202,271	160,749
Aviation training programme fee		7,988	8,024
Certification, examination and licence fee		15,099	14,640
Other operating income		4,745	6,486
		447,173	400,648
Expenditure			
Salaries, wages and staff benefits	19	165,348	147,858
Maintenance of buildings and equipment		40,773	38,341
Rental expense		9,925	8,812
Depreciation of property, plant and equipment	5	105,426	68,079
Property tax		20,752	3,357
Services related expenses		28,250	25,395
Other operating expenses		61,837	56,899
		432,311	348,741
Non-operating income (net)	20	16,203	11,239
Share of results of joint venture		(1,123)	807
Share of results of associate, net of tax		(1,072)	2,916
Surplus for the year before government grants		28,870	66,869
Government grants			
Deferred capital grants amortised	17	44,812	7,393
Operating grants	14	19,235	459
		64,047	7,852
Surplus for the year before contribution to Government Consolidated Fund		92,917	74,721
Contribution to Government Consolidated Fund	15	(16,480)	(12,070)
Net surplus for the year		76,437	62,651
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of the pension and post-retirement medical benefit plans		793	–
Total comprehensive income for the year		77,230	62,651

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

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Note	Capital account S$'000	Accumulated surplus S$'000	Total S$'000
At 1 April 2015		2,179,090	388,505	2,567,595
Total comprehensive income for the year		–	62,651	62,651
At 31 March 2016		2,179,090	451,156	2,630,246
Net surplus for the year		–	76,437	76,437
Other comprehensive income for the year		–	793	793
Total comprehensive income for the year		–	77,230	77,230
Dividends paid to Government during the year	4	–	(56,732)	(56,732)
At 31 March 2017		2,179,090	471,654	2,650,744

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

STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Note	2016/17	2015/16
		S$'000	S$'000
Cash flows from operating activities			
Surplus for the year before government grants		28,870	66,869
Adjustments for:			
Share of results of joint venture		1,123	(807)
Share of results of associate, net of tax		1,072	(2,916)
Depreciation of property, plant and equipment	5	105,426	68,079
Gain on disposal of property, plant and equipment	20	(4,064)	(17)
Write-off of property, plant and equipment	20	225	111
Changes in fair value of forward foreign exchange contracts		–	(3,957)
Interest income	20	(11,932)	(10,688)
Dividend income	20	(83)	–
Provision for pension and post-retirement medical benefits	18	248	237
Amortisation of deferred income	16	(410)	(410)
Amortisation of prepaid lease	11	410	410
(Write back of impairment loss) / Impairment loss on trade receivables	11	(3)	3
Operating cash flows before changes in working capital		120,882	116,914
Changes in working capital:			
Trade and other receivables and prepayments		(42,315)	(20,638)
Trade and other payables		50,957	(5,645)
Repayment of staff loans		9	27
Pension and post-retirement medical benefits paid		(872)	(1,288)
Cash generated from operations		128,661	89,370
Contribution paid to Government Consolidated Fund		(12,085)	(13,969)
Net cash generated from operating activities		116,576	75,401

STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Note	2016/17	2015/16
		S$'000	S$'000
Cash flows from investing activities			
Interest received		11,658	6,543
Purchase of property, plant and equipment and payment for capital work-in-progress		(227,892)	(4,054,054)
Proceeds from disposal of property, plant and equipment		4,064	25
Additional investment in joint venture	7	–	(96)
Dividends received		1,783	–
Net cash used in investing activities		(210,387)	(4,047,582)
Cash flows from financing activities			
Dividends paid to Government	4	(56,732)	–
Receipts from government grants		174,916	4,014,115
Net cash generated from financing activities		118,184	4,014,115
Net increase in cash and cash equivalents		24,373	41,934
Cash and cash equivalents at beginning of year		765,174	723,240
Cash and cash equivalents at end of year	12	789,547	765,174

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

These notes form an integral part of the financial statements.

1. Domicile and activities

The Civil Aviation Authority of Singapore (the "Authority") was reconstituted under the Civil Aviation Authority of Singapore Act (Cap. 41, 2014 Revised Edition). The supervisory ministry is the Ministry of Transport. Its principal place of business and registered office is at 4th level, Terminal 2, Singapore Changi Airport, Singapore 819643.

The principal functions and duties of the Authority are:

(i) to regulate safety and promote safety and security in civil aviation and to exercise safety regulatory oversight over civil aviation operations in Singapore and the operation of Singapore aircraft outside Singapore;

(ii) to exercise licensing and regulatory functions in respect of the operation of airports and the provision of airport services and facilities in Singapore;

(iii) to regulate and promote competition and fair and efficient market conduct in the operation of airports and the provision of airport services and facilities or, in the absence of a competitive market, to prevent the misuse or abuse of monopoly or market power;

(iv) to regulate, encourage, promote, facilitate and assist in the use, development and improvement of air services, airports and aerospace industries;

(v) to ensure that there are, provided in every airport (whether by itself or by any airport licensee), adequate and efficient airport services and facilities on such terms as the Authority thinks expedient;

(vi) to provide air navigation services within the Singapore Flight Information Region and such other area as the Minister for Transport may authorise;

(vii) to provide or co-ordinate search and rescue services to aircraft in distress within the Singapore Search and Rescue Region;

(viii) to coordinate with the Air Accident Investigation Bureau of Singapore in relation to investigations under Part IIA of the Air Navigation Act (Cap. 6);

(ix) to encourage, promote, facilitate and assist in the development and improvement of civil aviation capabilities, skills and services in Singapore;

(x) to provide technical, consultancy and management services relating to any of the matters referred to in this subsection;

(xi) to act internationally as the national authority or body representing Singapore in respect of matters relating to civil aviation;

(xii) to discharge or facilitate the discharge of international obligations of the Government as a Contracting State or otherwise in respect of civil aviation;

1. Domicile and activities (cont'd)

(xiii) to collaborate and enter into agreements and arrangements with organisations in respect of any matter relating to civil aviation and any other matter as the Authority thinks expedient;

(xiv) to foster appropriate education and provide training and training facilities in respect of any matter relating to civil aviation;

(xv) to advise the Government on all matters relating to civil aviation;

(xvi) to promote understanding of civil aviation policies and programmes;

(xvii) to promote research and development on any matter relating to civil aviation; and

(xviii) to carry out such other functions and duties as are conferred or imposed on the Authority by or under the Civil Aviation Authority of Singapore Act or any other written law.

The principal activities of the joint venture and associate are disclosed in Notes 7 and 8 respectively.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Civil Aviation Authority of Singapore Act (Cap. 41, 2014 Revised Edition) (the "Act") and Singapore Statutory Board Financial Reporting Standards ("SB-FRS"). SB-FRS includes Statutory Board Financial Reporting Standards, Interpretations of SB-FRS and SB-FRS Guidance Notes as promulgated by the Accountant-General. As a statutory board, the Authority is required to comply with policies and instructions issued from time to time by the Ministry of Finance ("MOF") and other central government agencies.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore Dollars, which is the Authority's functional and presentational currency. All financial information presented in Singapore Dollars has been rounded to the nearest thousand (S$'000), unless otherwise stated.

2. Basis of preparation (cont'd)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with the SB-FRS and the Authority's accounting policies as described in Note 3 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates.

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

Information about critical accounting estimates, assumptions and judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 28.

2.5 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Authority has adopted all the new and revised SB-FRS which is effective for annual financial periods beginning on or after 1 April 2016. The adoption of the new and revised SB-FRS did not result in substantial changes to the Authority's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

3. Significant accounting policies

3.1 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Authority with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Authority with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Authority recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 3.2.

3. Significant accounting policies (cont'd)

3.2 Joint ventures and associates

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

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

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

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

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

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

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Authority. Where necessary, adjustments are made to bring the accounting policies in line with those of the Authority.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

3. Significant accounting policies (cont'd)

3.3 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Authority's functional currency.

Transactions in foreign currencies are translated to the functional currency of the Authority at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in income or expenditure.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

3.4 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

3. Significant accounting policies (cont'd)

3.4 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

(i) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Authority manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Authority's documented risk management or investment strategy. Attributable transaction costs are recognised in income or expenditure as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in income or expenditure.

(ii) Loans and receivables

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

Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Cash and cash equivalents comprise cash on hand, bank balances and bank deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in fair value reserve in equity. However, if available-for-sale equity instruments do not have a quoted market price in an active market and other methods of reasonably estimating its fair value are inappropriate, the available-for-sale investment is stated at cost less impairment losses.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

3. Significant accounting policies (cont'd)

3.4 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Authority is recognised as a separate asset or liability. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus, directly attributable transaction costs.

Subsequent measurement

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

Derecognition

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

(c) Offsetting of financial instruments

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

3. Significant accounting policies (cont'd)

3.4 Financial instruments (cont'd)

(d) Derivative financial instruments

The Authority holds derivative financial instruments to hedge its foreign currency risk exposure. The Authority uses forward foreign exchange contracts to hedge its risks associated with foreign currency fluctuations.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in income or expenditure as incurred. Subsequent to initial recognition, changes in the fair value of separated embedded derivatives are recognised immediately in income or expenditure.

(e) Equity instruments

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

3.5 Property, plant and equipment and capital work-in-progress

Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent cost

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Authority, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The cost of the day-to-day servicing of property, plant and equipment is recognised in income or expenditure as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

3. Significant accounting policies (cont'd)

3.5 Property, plant and equipment and capital work-in-progress (cont'd)

Depreciation (cont' d)

Depreciation is recognised as an expense in income or expenditure on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Authority will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment is installed and ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Leasehold land	over remaining lease term of 22 to 97 years
Leasehold buildings	15 to 30 years
Plant and equipment	7 to 15 years
Vehicles and vessels	5 to 10 years
Office/other equipment, furniture and fixtures	1 to 3 years
Capital improvements	5 to 15 years

No depreciation is provided on capital work-in-progress as these assets are not yet available for use. Capital work-in-progress is transferred to the various categories of property, plant and equipment and depreciated upon the completion of the capital project.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment. The gain or loss on disposal is recognised net within non-operating income or expenditure.

3. Significant accounting policies (cont'd)

3.6 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Authority first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

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

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

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

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

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

(b) Available-for-sale financial assets

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

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

3. Significant accounting policies (cont'd)

3.7 Impairment of non-financial assets

The carrying amounts of the Authority's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit (CGU) exceeds its estimated recoverable amount.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use and are largely independent of the cash inflows of other assets or CGU.

The Authority's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of testing of the CGU to which the corporate asset is allocated.

Impairment losses of continuing operations are recognised in income and expenditure, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Provisions

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

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

3. Significant accounting policies (cont'd)

3.9 Employee benefits

Defined contribution plans

The Authority makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Defined benefit plans

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

Provision is made for the payment of retirement benefits to those pensionable employees who did not opt for transfer to the Central Provident Fund scheme. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the Projected Unit Credit Method.

Defined benefit costs comprise the following:

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

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

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

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

Short-term employee benefits

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

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 statement of financial position date.

3. Significant accounting policies (cont'd)

3.10 Revenue

Revenue is measured at fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and revenue can be reliably measured. Revenue is reduced for rebates and other similar allowances.

Rental income

Rental income from the land leased is recognised on a straight-line basis over the term of the lease.

License fee income

License fee income is recognised on a straight-line basis over the term of the licenses.

Aviation levy

Pursuant to the provisions in the Civil Aviation Authority of Singapore (Aviation Levy) Order 2009, the aviation levy is payable and recognised as income upon passenger embarking on an aircraft from Changi Airport or Seletar Airport.

Air navigation service charge

Air navigation service charge is payable by the airport licensees of Changi Airport and Seletar Airport for the air navigation services provided by the Authority in connection with the airports. Air navigation services are services provided to air traffic during all phases of operations to ensure their safe and efficient movement.

The air navigation service charge is recognised as income as and when the services are rendered by the Authority, pursuant to the provisions in the Civil Aviation Authority of Singapore (Service Charge) Order 2009.

Service income

Income from services is recognised as and when services are rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive the payment have been established.

Deferred income

Premiums received in advance from long-term leases are recorded in a deferred income account and are credited to the income on a straight-line basis over the period of the leases.

3. Significant accounting policies (cont'd)

3.11 Government grants

Government grants are only recognised when there is reasonable assurance that the Authority will comply with the conditions attached to them and the grants will be received. Government grants issued for the construction or acquisition of non-current assets are recognised as deferred income in the statement of financial position and transferred to income on a systematic basis over the useful life of the assets. Grants that compensate the Authority for expenses incurred are recognised in income or expenditure as other income on a systematic basis in the same period in which the expenses are recognised.

Government grants received but not utilised are included in the "Grants received in advance" account.

3.12 Leases

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

(a) As lessee

Leased assets in which the Authority assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Where the Authority has the use of assets under operating leases, payments made under the leases are recognised in income or expenditure on a straight-line basis over the term of the lease. Lease incentives received are recognised in income or expenditure as an integral part of the total lease payments made.

(b) As lessor

Where the Authority leases out its assets under an operating lease, payments received under the leases are recognised in income or expenditure on a straight-line basis over the term of the lease.

3.13 Income tax

The Authority is a tax-exempted institution under the provisions of the Income Tax Act (Chapter 134, 2014 Revised Edition).

3.14 Club memberships

Club memberships are stated at cost less accumulated impairment losses. Gain or loss on disposal of club membership is determined as the difference between the net disposal proceeds and the carrying amount of the club membership and is accounted for in income or expenditure as they arise.

3. Significant accounting policies (cont'd)

3.15 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Authority if that person:

(i) Has control or joint control over the Authority;

(ii) Has significant influence over the Authority; or

(iii) Is a member of the key management personnel of the Authority or of a parent of the Authority.

(b) An entity is related to the Authority if any of the following conditions applies:

(i) The entity and the Authority are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Authority or an entity related to the Authority. If the Authority is itself such a plan, the sponsoring employers are also related to the Authority.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Authority or to the parent of the Authority.

The Government does not exert control over certain entities that would be deemed as related parties under Paragraph 9 of SB-FRS 24. In view of this, for purposes of complying with the requirements of paragraph 18 of SB-FRS 24, the disclosure of transactions with Government-related entities other than Ministries, Organs of State and other Statutory Boards, are not required unless there are circumstances to indicate that these transactions are unusual and their disclosure would be of interest to readers of the financial statements.

3.16 Changi Airport Development Fund

The Changi Airport Development Fund (the "Fund") is a fund set up to account for moneys received and disbursed for the specific purpose of expanding Changi Airport. The net assets of the Fund are presented as a line at the bottom of the statement of financial position as prescribed by SB-FRS Guidance Note 3 Accounting and Disclosures for Trust Funds. Receipts and expenditure relating to the Fund are accounted for directly in this Fund on an accrual basis. Details of receipts, expenditure, assets and liabilities are disclosed in Note 23.

3. Significant accounting policies (cont'd)

3.17 New standards and interpretations not yet adopted

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

Description	Effective for annual periods beginning on or after
SB-FRS 109 Financial Instruments	1 January 2018
SB-FRS 115 Revenue from Contracts with Customers	1 January 2018
SB-FRS 1001 Accounting and Disclosure for Non-Exchange Revenue	1 January 2018
SB-FRS 116 Leases	1 January 2019

Except for SB-FRS 115 and SB-FRS 116, the Authority expects that the adoption of the other standards above will not have a material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of SB-FRS 115 and SB-FRS 116 are described below.

SB-FRS 115 Revenue from Contracts with Customers

SB-FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under SB-FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SB-FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Authority include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Authority is currently assessing the impact of SB-FRS 115 and plans to adopt the new standard on the required effective date.

SB-FRS 116 Leases

SB-FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Authority is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

4. Capital account

This represents the value of assets and liabilities transferred from the former Department of Civil Aviation when the Authority was established, less any subsequent return of assets to the Government.

Dividend

Under the Capital Management Framework for Statutory Boards (FCM No. M26/2008), the Minister for Finance, the body incorporated by the Minister for Finance (Incorporation) Act, as the ultimate shareholder of the Authority, expects an annual return in the form of dividends in return for the Government's equity injections.

5. Property, plant and equipment

	Leasehold land	Leasehold buildings	Plant and equipment	Vehicles and vessels	Office/other equipment, furniture and fixtures	Capital improvements	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Cost:							
At 1 April 2015	2,458,655	128,365	495,406	603	28,986	51,717	3,163,732
Additions	–	–	–	–	107	–	107
Transfers from capital work-in-progress (Note 6)	4,011,228	742	37,216	263	1,076	595	4,051,120
Disposals / write-off	–	(882)	(10,899)	(156)	(231)	(138)	(12,306)
At 31 March 2016	6,469,883	128,225	521,723	710	29,938	52,174	7,202,653
Additions	–	–	–	–	97	–	97
Transfers from capital work-in-progress (Note 6)	2,448	–	12,425	469	2,469	741	18,552
Disposals / write-off	–	(4,150)	(17,169)	(68)	(2,751)	(969)	(25,107)
At 31 March 2017	6,472,331	124,075	516,979	1,111	29,753	51,946	7,196,195

5. Property, plant and equipment (cont'd)

	Leasehold land	Leasehold buildings	Plant and equipment	Vehicles and vessels	Office/other equipment, furniture and fixtures	Capital improvements	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Accumulated depreciation:							
At 1 April 2015	583,957	88,359	287,466	435	25,853	33,884	1,019,954
Depreciation for the year	29,331	2,989	31,174	71	2,332	2,182	68,079
Disposals / write-off	–	(813)	(10,899)	(147)	(231)	(97)	(12,187)
At 31 March 2016	613,288	90,535	307,741	359	27,954	35,969	1,075,846
Depreciation for the year	66,791	2,255	32,307	103	1,854	2,116	105,426
Disposals / write-off	–	(3,980)	(17,140)	(68)	(2,726)	(968)	(24,882)
At 31 March 2017	680,079	88,810	322,908	394	27,082	37,117	1,156,390
Carrying amount:							
At 31 March 2016	5,856,595	37,690	213,982	351	1,984	16,205	6,126,807
At 31 March 2017	5,792,252	35,265	194,071	717	2,671	14,829	6,039,805

6. Capital work-in-progress

	Note	2016/17	2015/16
		S$'000	S$'000
At beginning of the year		51,347	48,520
Capital expenditure incurred during the year		227,795	4,053,947
Transfer to property, plant and equipment	5	(18,552)	(4,051,120)
At end of the year		260,590	51,347

7. Investment in joint venture

	2016/17	2015/16
	S$'000	S$'000
Cost of investment in joint venture	31,070	31,070
Share of accumulated surplus of joint venture	3,747	4,870
	34,817	35,940

During the year, the Authority increased its investment in the joint venture by S$nil (2015/16: S$96,000).

Details of the joint venture are as follows:

Name	Principal activities	Place of business	Authority's interest	
			2016/17	2015/16
			%	%
Airport Logistics Park of Singapore[1]	Developing, marketing, managing and provision of facilities to the free trade zone logistics park	Singapore	20	20

[1] Unincorporated entity

7. Investment in joint venture (cont'd)

Airport Logistics Park of Singapore is structured as a separate vehicle and the Authority has a residual interest in its net assets. The Authority jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities. Accordingly, the Authority has classified its interest in Airport Logistics Park of Singapore as a joint venture.

The summarised financial information in respect of Airport Logistics Park of Singapore, based on its FRS financial statements and reconciliation with the carrying amount of the investment in the financial statements are as follows:

	2016/17	2015/16
	S$'000	S$'000
Revenue	7,078	6,940
Interest income	768	619
Depreciation expense	(1,657)	(1,632)
Other expenses	(11,806)	(1,898)
(Loss) / Profit before tax	(5,617)	4,029
Income tax expense	–	–
(Loss) / Profit after tax	(5,617)	4,029
Other comprehensive income	–	–
Total comprehensive income	(5,617)	4,029
Cash and cash equivalents	58,356	52,024
Trade and other receivables	587	641
Total current assets	58,943	52,665
Non-current assets	118,089	129,791
Total assets	177,032	182,456
Current liabilities	(1,594)	(1,338)
Non-current liabilities	(1,353)	(1,417)
Total liabilities	(2,947)	(2,755)
Net assets	174,085	179,701
Net assets	174,085	179,701
Proportion of the Authority's ownership	20%	20%
Authority's share of net assets	34,817	35,940
Carrying amount of interest in joint venture	34,817	35,940

There are no other financial liabilities included in the current and non-current liabilities except for trade and other payables and provisions.

8. Investment in associate

	2016/17	2015/16
	S$'000	S$'000
Investment in associate	10,435	13,207

Details of the associate are as follows:

Name	Principal activities	Place of incorporation and business	Effective equity held by the Authority 2016/17	Effective equity held by the Authority 2015/16
			%	%
Experia Events Pte Ltd	Organising and management of conferences, exhibition and other related activities	Singapore	17	17

Although the Authority has 17% equity interest in Experia Events Pte Ltd, the Authority determined that it has significant influence because it has representation on the board of Experia Events Pte Ltd.

The summarised financial information in respect of Experia Events Pte Ltd, based on its FRS financial statements and reconciliation with the carrying amount of the investment in the financial statements are as follows:

	2016/17	2015/16
	S$'000	S$'000
Revenue	15,953	46,579
(Loss)/profit before tax	(6,310)	17,153
Other comprehensive income	–	–
Total comprehensive income	(6,310)	17,153
Current assets	33,986	37,001
Non-current assets	57,231	60,113
Current liabilities	(26,367)	(16,160)
Non-current liabilities	(3,470)	(3,265)
Net assets	61,380	77,689
Net assets	61,380	77,689
Proportion of the Authority's ownership	17%	17%
Authority's share of net assets	10,435	13,207
Carrying amount of interest in associate	10,435	13,207

During the year, the Authority received dividend income amounting to S$1,700,000 (2015/16: S$nil) from the associate.

9. Available-for-sale investment

The available-for-sale investment is stated at cost less impairment loss, if any. Fair value information has not been disclosed for the investment as its fair value cannot be measured reliably. These equity shares are not quoted on any market and do not have any comparable industry peer that is listed.

The investment in unquoted equity shares offers the Authority the opportunity for returns through dividend income. During the year, the Authority received dividend income amounting to S$83,000 (2015/16: S$nil) from the investment (Note 20).

10. Long-term investment

The long-term investment pertains to the Authority's corporate membership at the National Service Resort and Country Club.

11. Trade and other receivables and prepayments

	Note	2016/17	2015/16
		S$'000	S$'000
Other receivables and prepayments (non-current)			
Prepaid lease		7,557	7,966
Staff loans		6	9
Liquidated damages receivable		13,062	15,779
Prepayments		22,989	12,819
		43,614	36,573
Trade and other receivables and prepayments (current)			
Trade receivables			
- Related parties	22	370	715
- Third parties		83,882	83,771
Accrued income		66,509	43,038
Prepaid lease		410	410
Staff loans		10	16
Liquidated damages receivable		3,926	5,009
Prepayments		23,047	9,336
Grant receivable		38,327	5,571
Others		11,152	11,879
		227,633	159,745

The above balances that are not denominated in the functional currency of the Authority are as follows:

	2016/17	2015/16
	S$'000	S$'000
Denominated in:		
- Australian Dollar	11	274

11. Trade and other receivables and prepayments (cont'd)

(a) *Trade receivables*

The average credit period for trade receivables ranges from 7 to 30 days (2015/16: 7 to 30 days). No interest is charged on the trade receivables for payment received before due date of the invoice. Thereafter, the Authority reserves the right to charge interest at 5.5% or 8.5% (2015/16: 8%) per annum on the overdue balance.

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

	2016/17	2015/16
	S$'000	S$'000
Not past due and not impaired	84,210	84,094
Past due but not impaired	42	392
Past due and impaired	–	–
Total trade receivables, net	84,252	84,486

Trade receivables are provided on estimated non-recoverable amounts based on management's assessment and past default experience.

Included in the Authority's trade receivable balance are receivables with a carrying amount of S$42,000 (2015/16: S$392,000) which are past due at the reporting date for which the Authority has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

The Authority's trade receivables that are impaired at the end of the reporting period and the movement in the allowance accounts used to record the impairment are as follows:

	Individually impaired	
	2016/17	2015/16
	S$'000	S$'000
Trade receivables – nominal amounts	–	3
Less: Allowance for impairment	–	(3)
Balance at end of the year	–	–
Movement in the allowance accounts:		
Balance at beginning of the year	3	–
(Write back)/charge for the year	(3)	3
Balance at end of the year	–	3

The Authority's exposure to credit risks related to trade receivables is disclosed in Note 24.

11. Trade and other receivables and prepayments (cont'd)

(b) Prepaid lease

Prepaid lease represents premium paid in advance to Singapore Land Authority for leasehold land. The land is leased to the Authority's associate, Experia Events Pte Ltd, under a back-to-back lease arrangement and the amount received was recognised as deferred income (Note 16).

	S$'000
Cost:	
At 1 April 2015, 31 March 2016 and 31 March 2017	12,290
Accumulated amortisation:	
At 1 April 2015	3,504
Amortisation charge for the year	410
At 31 March 2016	3,914
Amortisation charge for the year	410
At 31 March 2017	4,324
Carrying amount:	
At 1 April 2015	8,786
At 31 March 2016	8,376
At 31 March 2017	7,966

(c) Staff loans

These comprise various loans to the Authority's staff in accordance with the terms of the Authority's loan schemes.

Staff loans carry interest at 4.25% (2015/16: 4.25%) per annum, except for study loans which are interest-free. The repayment period for study loan and other staff loans are up to 3 and 5 years respectively (2015/16: 3 and 5 years respectively). In the opinion of the management, the carrying amount of staff loans approximates their fair value at the date of the statement of financial position.

11. Trade and other receivables and prepayments (cont'd)

(d) Liquidated damages receivable

The contract for the delivery of the Long Range Radar and Display System (LORADS) III Air Traffic Control (ATC) System allows the Authority to claim liquidated damages from the contractor for delays in meeting agreed contractual milestones.

For the year ended 31 March 2017, the Authority has a liquidated damages credits receivable of S$18,802,000 (2015/16: S$22,094,000) under this contract arising from agreed contractual milestones not being achieved by the contractor. The credits receivable is to be applied against future evolutions to the LORADS III ATC System or other additional services from the contractor. The Authority has identified certain upcoming projects for the application of these credits, which are forecast to be utilised by Year 2021.

The credits receivable was measured at an amortised cost of S$16,988,000 (2015/16: S$20,788,000). The initial credits receivable was measured and recognised in 2012/13 at its fair value based on the discounted cash flow method. The discount rate used was based on the average cost of debt applicable to the industry and the jurisdiction of the contractor. The fair value of the credits receivable on the liquidated damages was estimated based on the Authority's assumption to fully utilise them by Year 2021. In the unlikely event that this assumption does not materialise, adjustments may have to be made to the annual amortisation of the discount on initial recognition and the carrying value of the credits receivable.

The Authority had obtained a banker's guarantee from the contractor to secure the receivable. The Authority continuously monitors its credit risk exposure and the credit rating of the contractor. The Authority assessed that the credit quality of these receivables are of acceptable risk and the receivables will be fully recoverable.

12. Cash and cash equivalents

	2016/17	2015/16
	S$'000	S$'000
Bank and cash balances	774,335	746,824
Fixed deposits	15,212	18,350
	789,547	765,174

The carrying amounts of cash and cash equivalents approximate their fair values.

The bank and cash balances include amounts placed with Accountant-General's Department under the Government's Centralised Liquidity Management ("CLM") scheme. These amounts are centrally maintained at consolidated pool and are available upon request.

Fixed deposits carry effective interest rates ranging from 1.34% to 2.45% (2015/16: 2.19% to 2.45%) per annum.

12. Cash and cash equivalents (cont'd)

The above balances that are not denominated in the functional currency of the Authority are as follows:

	2016/17	2015/16
	S$'000	S$'000
Denominated in:		
- Australian Dollar	15,223	18,360
- Canadian Dollar	1	6
	15,224	18,366

13. Trade and other payables

	Note	2016/17	2015/16
		S$'000	S$'000
Trade payables			
- Related parties	22	143	284
- Third parties		12,685	12,062
Income billed and received in advance		79,880	80,161
Accrued expenses		63,969	17,727
Salary related accruals		23,589	22,329
Sundry and other payables		5,301	2,183
Deposits received		2,973	2,837
Grants received in advance	14	14,217	–
Current portion of			
- Deferred income	16	410	410
- Deferred capital grant	17	44,834	44,812
- Provision for pension and post-retirement medical benefits	18	775	1,189
		248,776	183,994

The average credit period on purchases of goods and services is 1 month (2015/16: 1 month).

The above balances that are not denominated in the functional currency of the Authority are as follows:

	2016/17	2015/16
	S$'000	S$'000
Denominated in:		
- United States Dollar	16	11
- Canadian Dollar	13	54
	29	65

14. Grants received in advance

	Note	2016/17	2015/16
		S$'000	S$'000
At beginning of the year		–	–
Operating grants received during the year		33,452	459
Transfer to income or expenditure		(19,235)	(459)
At end of the year		14,217	–
Comprising:			
- Current	13	14,217	–
- Non-current		–	–
		14,217	–

The Authority received government operating grants for certain operating activities. These grants received in advance will be recorded in the income and expenditure statement when the expenses are incurred.

15. Contribution payable to Government Consolidated Fund

The contribution to the Government Consolidated Fund is payable in accordance with Section 3(a) of the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap. 319A, 2004 Revised Edition). The contribution is based on a percentage of the net surplus as specified by the Minister for Finance. The contribution rate is pegged to the prevailing corporate tax rate and the applicable rate for 2016/17 is 17% (2015/16: 17%).

16. Deferred income

	Note	2016/17	2015/16
		S$'000	S$'000
At beginning of the year		8,376	8,786
Amortisation for the year		(410)	(410)
At end of the year		7,966	8,376
Comprising:			
- Current	13	410	410
- Non-current		7,556	7,966
		7,966	8,376

Deferred income represents amount received from the land leased to the Authority's associate, Experia Events Pte Ltd. The land lease amount is amortised over 30 years effective September 2006.

17. Deferred capital grants

	Note	2016/17	2015/16
		S$'000	S$'000
At beginning of the year		4,391,607	384,885
Capital grants received during the year		174,220	4,014,115
Amortisation for the year		(44,812)	(7,393)
At end of the year		4,521,015	4,391,607
Comprising:			
- Current	13	44,834	44,812
- Non-current		4,476,181	4,346,795
		4,521,015	4,391,607

The Authority received government capital grants for the alienation of land and related construction cost. There is no unfulfilled condition or contingency attached to the grants.

18. Provision for pension and post-retirement medical benefits plan

The Authority provides pension and post-retirement medical benefit schemes to certain of its employees who did not opt for transfer to the Central Provident Fund Scheme. The pension and post-retirement medical benefits schemes are closed to new entrants.

(a) Pension Scheme

An eligible employee, upon reaching his retirement date and who has completed at least 10 years of service, is entitled to opt for one of the three retirement benefit options:

Option (i) : Fully commuted pension gratuity
Option (ii) : Full annual pension
Option (iii) : Partial commutation of pension with gratuity

(b) Post-Retirement Medical Benefits Scheme

An eligible employee, upon reaching his retirement date and who has completed at least 10 years of service, is entitled to the following post-retirement medical benefits:

Option (i) : Hospitalisation benefits
Option (ii) : Outpatient benefits
Option (iii) : Dental benefits

18. Provision for pension and post-retirement medical benefits plan (cont'd)

The actuarial valuation of the present value of the defined benefit obligation was carried out as at 31 March 2017 by a qualified independent actuary in accordance with SB-FRS 19. In assessing the plan's liabilities, the Projected Unit Credit actuarial methodology has been applied.

In recognising actuarial gains or losses, the Authority has adjusted its net liability to be equal to the present value of obligation. Any actuarial gain or loss arising in the year of valuation will be recognised in other comprehensive income immediately. This actuarial gain and loss recognition methodology will be applied consistently in all future actuarial valuations.

The principal financial assumptions used for the purpose of the actuarial valuations were as follows:

	Valuation at	
	2016/17	**2015/16**
	%	%
Pension Scheme		
Discount rate	1.9	1.6
Post-Retirement Medical Benefit Scheme		
Discount rate	2.3	2.7
Medical inflation rate	4.0 – 5.0	4.0

The amount recognised in the statement of financial position in respect of the Authority's defined benefit obligation is as follows:

	Note	**2016/17**	**2015/16**
		S$'000	S$'000
Current	13	775	1,189
Non-current		10,469	11,472
Total liability recognised in the statement of financial position		11,244	12,661

Amounts recognised in income or expenditure in respect of the defined benefit plan are as follows:

	Note	**2016/17**	**2015/16**
		S$'000	S$'000
Interest cost		248	265
Gain on settlement		–	(28)
	19	248	237

18. Provision for pension and post-retirement medical benefits plan (cont'd)

The charge for the year is included in salaries, wages and staff benefits expense in the statement of comprehensive income.

Changes in the present value of the defined benefit obligation are as follows:

	2016/17	2015/16
	S$'000	S$'000
Opening defined benefit obligation	12,661	13,712
Interest cost	248	265
Gain on settlement	–	(28)
Remeasurement gain recognised in other comprehensive income	(793)	–
Benefits paid	(872)	(1,288)
Closing defined benefit obligation	11,244	12,661

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

		Increase/(decrease) in Defined Benefit Obligation	
		2016/17	2015/16
	%	S$'000	S$'000
Pension Scheme			
Discount rate	+ 0.5	(266)	(288)
	- 0.5	287	311
Post-Retirement Medical Benefit Scheme			
Discount rate	+ 0.5	(299)	(347)
	- 0.5	328	381
Medical inflation rate	+ 0.5	307	468
	- 0.5	(283)	(428)

19. Salaries, wages and staff benefits

The following are included in salaries, wages and staff benefits:

	Note	2016/17	2015/16
		S$'000	S$'000
Pension and post-retirement medical benefits cost	18	248	237
Employer's contribution to Central Provident Fund		18,454	13,387

20. Non-operating income (net)

	2016/17	2015/16
	S$'000	S$'000
Non-operating income		
Interest income	11,932	10,688
Dividend income [1]	83	–
Gain on disposal of property, plant and equipment	4,064	17
Gain on foreign exchange	737	27
Others	–	692
	16,816	11,424
Non-operating expense		
Net changes in fair value of forward foreign exchange contracts	–	(74)
Write-off of property, plant and equipment	(225)	(111)
Others	(388)	–
	(613)	(185)
Non-operating income, net	16,203	11,239

[1] Dividend income of S$83,000 (2015/16: S$nil) was received as a return of investment in unquoted equity shares (Note 9).

21. Commitments

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	2016/17	2015/16
	S$'000	S$'000
Capital commitments in respect of property, plant and equipment	115,551	72,876

(b) Operating lease commitments – as lessor

The Authority leases land to the airport operator and a related party. The future minimum lease receivables under non-cancellable leases are as follows:

	2016/17	2015/16
	S$'000	S$'000
Within one year	78,570	78,570
Between one and five years	302,281	305,281
More than five years	1,566,924	1,642,495
	1,947,775	2,026,346

22. Related party transactions

Some of the Authority's transactions and arrangements are with related parties. The related party balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Key management personnel compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Authority.

Key management personnel compensation is as follows:

	2016/17	2015/16
	S$'000	S$'000
Salaries and other short-term employee benefits	2,757	2,324
Central Provident Fund contributions	52	51

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

22. Related party transactions (cont'd)

Other related party transactions

During the financial year, other than those disclosed elsewhere in the financial statements, there were the following significant related party transactions based on terms agreed between the parties:

	Balances	
	2016/17	**2015/16**
	S$'000	S$'000
Amounts due from:		
Ministries	247	367
Statutory Boards	123	348
Amounts due to:		
Ministries	118	2
Statutory Boards	25	282

	Transactions	
	2016/17	**2015/16**
	S$'000	S$'000
Sales to:		
Ministries	8,188	10,227
Statutory Boards	578	768
Purchases from:		
Associate	66	383
Ministries	1,798	1,273
Statutory Boards	24,190	3,910,908
Settlement of liabilities on behalf of:		
Ministries	730	940
Statutory Boards	823	1,386

23. Changi Airport Development Fund

(a) The Changi Airport Development Fund (the "Fund") was established in accordance with Section 25A and Section 25B of the Act which came into effect on 1 September 2015. The moneys in the Fund may be withdrawn by the Authority only for the specific purpose of expanding Changi Airport. The Authority was given the authority to administer the Fund under Sections 25A and 25B of the Act. Upon dissolution of the Fund, the remaining balance would be transferred back to the Consolidated Fund and the past reserves of the Government.

(b) The results of the Fund for the year are as follows:

	2016/17	**2015/16**
	S$'000	S$'000
Funds from Government	1,000,000	3,000,000
Interest income	42,537	5,717
Surplus for the year	1,042,537	3,005,717
Accumulated surplus as at 1 April	3,005,717	–
Accumulated surplus as at 31 March	4,048,254	3,005,717

(c) The assets and liabilities of the Fund as at 31 March are as follows:

	2016/17	**2015/16**
	S$'000	S$'000
Accumulated fund	4,048,254	3,005,717
Non-current assets		
Investment in Special Singapore Government Securities	3,000,747	–
Current assets		
Cash placed with Accountant-General's Department under CLM scheme	1,018,801	3,000,053
Interest receivable	28,706	5,664
	1,047,507	3,005,717
Net assets	4,048,254	3,005,717

The assets and liabilities of the Fund are excluded from the assets and liabilities of the Authority.

24. Financial risk management objectives and policies

Overview

The Authority is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, market price risk and foreign currency risk.

This note represents information about the Authority's exposure to each of the above risks, the Authority's objectives, policies and processes for measuring and managing risk, and the Authority's management of capital.

Risk management framework

Risk management is integral to the operations of the Authority. The Authority has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Authority's risk management process to ensure that an appropriate balance between risk and control is achieved.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Authority's exposure to credit risk arises primarily from trade and other receivables.

The Authority has a credit policy in place which monitors their balances on an ongoing basis. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving derivative financial instruments are allowed only with counterparties who have sound credit ratings.

At the end of the reporting period, the Authority has a concentration of credit risk as about 99% (2015/16: 99%) of the trade receivables were due from the Authority's sole major customer. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Further details of credit risk on trade and other receivables are disclosed in Note 11.

24. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting financial obligations due to shortage of funds. The Authority's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Authority monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Authority's operations and to mitigate the effects of fluctuations in cash flows.

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the contractual cash flows of financial liabilities based on the earliest date on which the Authority can be required to pay.

	Within 1 year	**After 1 year but within 5 years**	**After 5 years**	**Total**
	S$'000	S$'000	S$'000	S$'000
2016/17				
Non-derivative financial liabilities				
Trade and other payables	107,482	–	–	107,482
2015/16				
Non-derivative financial liabilities				
Trade and other payables	55,821	–	–	55,821

(c) Market price risk

Market price risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

24. Financial risk management objectives and policies (cont'd)

(d) Foreign currency risk

The Authority transacts business in various foreign currencies and therefore is exposed to foreign exchange risk, mainly arising from the Australian Dollar.

At the reporting date, the carrying amounts of significant monetary items denominated in currencies other than the Authority's functional currency are as follows:

	Liabilities		Assets	
	2016/17	**2015/16**	**2016/17**	**2015/16**
	S$'000	S$'000	S$'000	S$'000
United States Dollar	(16)	(11)	–	–
Australian Dollar	–	–	15,234	18,634
Canadian Dollar	(13)	(54)	1	6
	(29)	(65)	15,235	18,640

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of the Authority. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items. The analysis adjusts the translation at year end for a 5% change in spot foreign currency rates for monetary items.

If the relevant foreign currency were to strengthen by 5% against the functional currency of the Authority, surplus before contribution to Government Consolidated Fund will increase/(decrease) by:

	2016/17	**2015/16**
	S$'000	S$'000
United States Dollar	(1)	(1)
Australian Dollar	762	932
Canadian Dollar	(1)	(2)
	760	929

A 5% weakening of the above currency against the Singapore Dollar at the reporting dates would have equal but opposite effects on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The Authority does not engage in speculative foreign exchange transactions.

25. Financial instruments

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

	2016/17	2015/16
	S$'000	S$'000
Financial assets		
Cash and cash equivalents	789,547	765,174
Trade and other receivables	217,169	165,258
Loans and receivables at amortised cost	1,006,716	930,432
Available-for-sale financial asset	3,600	3,600
	1,010,316	934,032
Financial liabilities		
Trade and other payables	(107,482)	(55,821)
Financial liabilities at amortised cost	(107,482)	(55,821)

26. Fair values of assets and liabilities

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

(iii) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

26. Fair values of assets and liabilities (cont'd)

Fair value hierarchy

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

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

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

(a) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Authority's assets not measured at fair value but for which fair value is disclosed:

	Level 1	**Level 2**	**Level 3**	**Total**	**Carrying amount**
	S$'000	S$'000	S$'000	S$'000	S$'000
31 March 2017					
Liquidated damages receivable	–	–	17,575	17,575	16,988
31 March 2016					
Liquidated damages receivable	–	–	21,288	21,288	20,788

<u>Determination of fair value</u>

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at the average cost of debt applicable to the industry and the jurisdiction of the contractor at the end of the reporting period.

(b) Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of trade and other receivables, cash and cash equivalent, and trade and other payables based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Available-for-sale financial assets are stated at cost less impairment losses as these financial assets are not quoted on any market and do not have any comparable industry peer that is listed.

27. Capital management

The Authority reviews its capital structure at least annually to ensure that the Authority will be able to continue as a going concern.

The capital structure of the Authority comprises capital and accumulated surplus. The Authority's overall strategy remains unchanged from 2015/16.

28. Critical accounting estimates, assumptions and judgements

The preparation of the Authority's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Authority's accounting policies, management is of the opinion that there is no instance of application of judgement which is expected to have a significant effect on the amounts recognised in the financial statements.

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 are discussed below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

Defined benefit plans

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and medical inflation rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The net benefit liability as at 31 March 2017 is S$11,244,000 (2015/16: S$12,661,000). Further details are provided in Note 18.

29. Comparative information

During the year, the Authority changed the presentation of certain line items in the statement of comprehensive income, statement of cash flows and the related notes to the financial statements to reflect more appropriately the nature of the line items. As a result, "government grants" are shown as separate line items from "Other operating income". Comparative figures have been adjusted to conform to the current year's presentation.

30. Events occurring after the reporting period

On 31 May 2017, the Authority declared a dividend payable to the Government of S$54,163,000 in respect of the financial year ended 31 March 2016. The dividend is payable on 30 June 2017.

31. Authorisation of financial statements

The financial statements for the year ended 31 March 2017 were authorised for issue by the Authority members on 22 June 2017.

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