FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

For the financial year ended 31 March 2020

The directors present their statement to the member together with the audited financial statements of the Group for the financial year ended 31 March 2020 and the balance sheet of the Company as at 31 March 2020.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 7 to 67 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 March 2020 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Mr Liew Mun Leong	
Mr Abdul Wahab Bin Mohamed Yusoff	(Appointed on 1 October 2019)
Mr Eric Ang Teik Lim	
Mr Michael George William Barclay	
Mr Chia Song Hwee	
Mrs Chng Sok Hui	(Appointed on 1 October 2019)
Mr Kelvin Fan Sui Siong	
Mr Kee Teck Koon	(Appointed on 1 March 2020)
Ms Kwa Kim Li	(Appointed on 1 October 2019)
Mr Ng Chee Khern	
Mrs Tan Ching Yee	
Mr Tan Gee Paw	
Mr Tan Kong Yam	
Mr Lim Zhi Jian	(Alternate director to Mrs Tan Ching Yee)
Mr Lee Seow Hiang	

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations.

DIRECTORS' STATEMENT

For the financial year ended 31 March 2020

SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Liew Mun Leong
Director

Lee Seow Hiang
Director

17 July 2020

INDEPENDENT AUDITOR'S REPORT

To the Member of Changi Airport Group (Singapore) Pte. Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the accompanying consolidated financial statements of Changi Airport Group (Singapore) Pte. Ltd. (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the financial year ended 31 March 2020;
- the consolidated statement of comprehensive income of the Group for the financial year ended 31 March 2020;
- the balance sheets of the Company and the Group as at 31 March 2020;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

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

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Member of Changi Airport Group (Singapore) Pte. Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 17 July 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 March 2020

	Note	**Group 2020 $'000**	Group 2019 $'000
Revenue	4	3,118,641	3,039,915
Expenses			
– Depreciation		(678,164)	(502,596)
– Amortisation of intangible assets		(52,027)	(43,472)
– Maintenance of land, buildings and equipment		(348,235)	(304,398)
– Services and security related expenses		(326,480)	(309,689)
– Employee compensation	5	(287,519)	(307,974)
– CAAS services and licence fees		(246,457)	(230,989)
– Annual ground rent		–	(75,879)
– Regulatory contribution		(25,461)	(84,921)
– Property tax		(80,903)	(68,595)
– Other operating expenses		(206,911)	(191,497)
Total expenses		(2,252,157)	(2,120,010)
Operating profit		866,484	919,905
Finance expenses	6	(286,210)	(212,580)
Other income and losses – net	7	(181,918)	94,322
Share of results of associated companies and joint ventures	16	16,271	12,408
Profit before income tax		414,627	814,055
Income tax expense	8	(268,282)	(240,366)
Profit after tax		146,345	573,689
Profit after tax attributable to:			
Equity holder of the Company		434,539	677,276
Non-controlling interests		(288,194)	(103,587)
		146,345	573,689

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 March 2020

	Group	
	2020	2019
	$'000	$'000
Profit after tax	**146,345**	573,689
Other comprehensive loss:		
Items that will not be reclassified to income statement:		
Share of other comprehensive income of associated company	**–**	5,309
Currency translation losses arising on consolidation – Non–controlling interests	**(84,451)**	(111,863)
	(84,451)	(106,554)
Items that may be reclassified subsequently to income statement:		
Cash flow hedges		
– Fair value (losses)/gains	**(15,064)**	7,826
– Share of fair value losses from an associated company	**(5,359)**	(13,154)
Currency translation losses arising on consolidation	**(94,853)**	(131,607)
	(115,276)	(136,935)
Other comprehensive loss, net of tax	**(199,727)**	(243,489)
Total comprehensive (loss)/income	**(53,382)**	330,200
Total comprehensive (loss)/income attributable to:		
Equity holder of the Company	**324,052**	544,407
Non–controlling interests	**(377,434)**	(214,207)
	(53,382)	330,200

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

BALANCE SHEETS

As at 31 March 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**2,422,266**	1,762,845	**2,162,708**	1,588,829
Trade and other receivables	10	**215,870**	297,478	**114,945**	207,254
Other current assets	11	**124,045**	31,338	**107,136**	21,016
Other investments	18	**105,669**	102,677	**105,669**	102,677
Derivative financial instruments	24	**–**	8,207	**–**	8,207
Inventories		**13,177**	12,518	**6,708**	7,534
Tax recoverable		**7,381**	9,733	**–**	–
		2,888,408	2,224,796	**2,497,166**	1,935,517
Non-current assets					
Trade and other receivables	10	**–**	–	**871,606**	1,322,488
Other non-current assets		**134**	735	**15,965**	8,844
Property, plant and equipment	12	**6,623,770**	6,254,006	**6,567,973**	6,190,833
Intangible assets	13	**3,548,747**	4,619,135	**–**	–
Right-of-use assets	14	**1,136,363**	–	**1,136,363**	–
Investments in subsidiaries	15	**–**	–	**12,602**	263,767
Investments in associated companies and joint ventures	16	**216,195**	345,680	**11,947**	11,947
Investment property	17	**1,487,982**	1,492,275	**–**	–
Other investments	18	**11,666**	7,909	**9,044**	7,657
Deferred tax assets	19	**40,227**	163,755	**–**	–
		13,065,084	12,883,495	**8,625,500**	7,805,536
Total assets		**15,953,492**	15,108,291	**11,122,666**	9,741,053
LIABILITIES					
Current liabilities					
Trade and other payables	20	**1,006,210**	1,227,012	**787,777**	929,658
Concession payable	21	**18,231**	24,453	**–**	–
Loans and borrowings	22	**46,842**	1,009,623	**–**	–
Lease liabilities	23	**80,760**	–	**80,760**	–
Derivative financial instruments	24	**–**	137	**–**	–
Deferred income	25	**86,324**	40,199	**64,672**	19,586
Current tax liabilities		**197,292**	189,742	**181,095**	187,291
		1,435,659	2,491,166	**1,114,304**	1,136,535
Non-current liabilities					
Trade and other payables	20	**174,225**	145,323	**144,792**	133,215
Concession payable	21	**2,704,791**	3,065,657	**–**	–
Loans and borrowings	22	**1,756,399**	642,228	**–**	–
Lease liabilities	23	**1,074,465**	–	**1,074,465**	–
Derivative financial instruments	24	**111,941**	–	**–**	–
Deferred income	25	**397,223**	203,526	**361,955**	150,130
Deferred tax liabilities	19	**163,564**	99,201	**163,433**	98,762
		6,382,608	4,155,935	**1,744,645**	382,107
Total liabilities		**7,818,267**	6,647,101	**2,858,949**	1,518,642
NET ASSETS		**8,135,225**	8,461,190	**8,263,717**	8,222,411
EQUITY					
Share capital and reserves	26	**3,438,940**	3,548,624	**3,787,080**	3,791,566
Retained profits	27	**4,453,551**	4,290,167	**4,476,637**	4,430,845
		7,892,491	7,838,791	**8,263,717**	8,222,411
Non-controlling interests		**242,734**	622,399	**–**	–
Total equity		**8,135,225**	8,461,190	**8,263,717**	8,222,411

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 March 2020

	Share capital $'000	Hedging and other reserves $'000	Currency translation reserve $'000	Sinking fund reserve $'000	Retained profits $'000	Non-controlling interests $'000	Total equity $'000
2020							
Beginning of financial year	**3,280,387**	**19,926**	**(257,579)**	**505,890**	**4,290,167**	**622,399**	**8,461,190**
Profit for the year	–	–	–	–	434,539	(288,194)	146,345
Other comprehensive income	–	(15,634)	(94,853)	–	–	(89,240)	(199,727)
Total comprehensive income	**–**	**(15,634)**	**(94,853)**	**–**	**434,539**	**(377,434)**	**(53,382)**
Dividend paid	–	–	–	–	(271,623)	–	(271,623)
Sinking fund contribution	–	–	–	803	(803)	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	1,271	(2,231)	(960)
Total transactions with owners and other movements in equity	**–**	**–**	**–**	**803**	**(271,155)**	**(2,231)**	**(272,583)**
End of financial year	**3,280,387**	**4,292**	**(352,432)**	**506,693**	**4,453,551**	**242,734**	**8,135,225**
2019							
Beginning of financial year	**3,280,387**	**21,188**	**(125,972)**	**409,547**	**4,014,786**	**836,606**	**8,436,542**
Profit for the year	–	–	–	–	677,276	(103,587)	573,689
Other comprehensive income	–	(1,262)	(131,607)	–	–	(110,620)	(243,489)
Total comprehensive income	**–**	**(1,262)**	**(131,607)**	**–**	**677,276**	**(214,207)**	**330,200**
Dividend paid	–	–	–	–	(305,552)	–	(305,552)
Sinking fund contribution	–	–	–	96,343	(96,343)	–	–
Total transactions with owners and other movements in equity	**–**	**–**	**–**	**96,343**	**(401,895)**	**–**	**(305,552)**
End of financial year	**3,280,387**	**19,926**	**(257,579)**	**505,890**	**4,290,167**	**622,399**	**8,461,190**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020

	Note	**2020** **$'000**	2019 $'000
Cash flows from operating activities			
Profit after tax		**146,345**	573,689
Adjustments for:			
– Income tax expense		**268,282**	240,366
– Depreciation		**678,164**	502,596
– Amortisation of intangible assets		**52,027**	43,472
– Government grant		**(68,405)**	(26,096)
– Net loss on disposal of property, plant and equipment		**600**	2,048
– Impairment of intangible assets		**323,265**	–
– Impairment of investment in associated company		**36,923**	9,600
– Impairment of trade and other receivables		**4,965**	2,952
– Share of results of associated companies and joint ventures		**(16,271)**	(12,408)
– Unrealised currency translation differences		**(24,168)**	(16,231)
– Fair value gain on financial assets held at fair value		**(1,005)**	(2,623)
– Fair value loss/(gain) on derivatives		**1,834**	(1,834)
– Amortisation of deferred revenue		**(24,369)**	(15,343)
– Finance expenses		**286,210**	212,580
– Interest income		**(52,069)**	(42,458)
– Gain on dilution of interest in associated company		**–**	(29,782)
– Gain on disposal of associated companies		**(19,945)**	–
– Regulatory contribution		**25,461**	84,921
		1,617,844	1,525,449
Changes in working capital			
– Inventories		**(659)**	1,023
– Trade and other receivables		**114,093**	48,955
– Other assets		**(5,392)**	8,280
– Trade and other payables		**(45,490)**	43,508
Cash generated from operations		**1,680,396**	1,627,215
Interest received		**47,317**	47,075
Government grants received		**27,307**	26,096
Income tax paid		**(106,604)**	(140,845)
Net cash provided by operating activities		**1,648,416**	1,559,541

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020

	Note	**2020** **$'000**	2019 $'000
Cash flows from investing activities			
Additions to property, plant and equipment and capital work-in-progress		**(1,092,541)**	(1,129,861)
Additions to investment property and investment property under development		**(61,521)**	(305,746)
Additions to intangible assets		**(23,160)**	(38,629)
Payment of concession liabilities		**(23,854)**	(370,034)
Proceeds from return of capital from a fund investment		**–**	1,592
Proceeds from disposal of property, plant and equipment		**99**	280
Proceeds from disposal of associated companies		**70,775**	–
Investment in associated companies and joint ventures		**(45)**	(91,422)
Dividend income received		**11,167**	7,040
Purchase of financial assets at fair value through profit or loss		**(5,767)**	(1,732)
Proceeds from financial assets at amortised cost		**–**	2,750
Deposits held in trust		**(960)**	–
Net cash used in investing activities		**(1,125,807)**	(1,925,762)
Cash flow from financing activities			
Proceeds from loans and borrowings, net of transactions costs		**397,205**	518,469
Repayment of loans and borrowings		**(56,117)**	(144,138)
Interest paid		**(47,997)**	(62,623)
Payment of lease principal		**(76,467)**	–
Restricted bank deposits		**12,638**	(71,378)
Dividend paid		**(271,623)**	(305,552)
Government grants received		**193,398**	70,028
Net cash from financing activities		**151,037**	4,806
Net increase/(decrease) in cash and cash equivalents		**673,646**	(361,415)
Cash and cash equivalents at beginning of financial year	9	**1,691,467**	2,064,924
Effects of currency translation on cash and cash equivalents		**(2,547)**	(12,042)
Cash and cash equivalents at end of financial year	9	**2,362,566**	1,691,467

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

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

1. GENERAL INFORMATION

Changi Airport Group (Singapore) Pte. Ltd. (the "Company") is incorporated in the Republic of Singapore. The address of its registered office is 60 Airport Boulevard #046-037, Changi Airport Terminal 2, Singapore 819643.

The principal activities of the Company are to own, develop, operate, manage and provide airport and airport-related facilities and services.

The principal activities of its subsidiaries, associated companies and joint ventures are disclosed in Note 32.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

Interpretations and amendments to published standards effective in 2019

On 1 April 2019, the Group adopted the new or amended FRSs that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs.

The adoption of these new or amended FRSs did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except for the adoption of FRS 116 *Leases*, which materially affects how the Group accounts for its leases.

FRS 116 replaces the previous lease accounting standards. It requires almost all leases to be recognised on the balance sheet, including a lessee's right-of-use (ROU) asset, which represents its right to use the underlying assets, and its lease liabilities, which represent its obligations to make lease payments. The previous method of recognising operating lease expenses on a straight-line basis in the profit or loss has been replaced with a depreciation charge for ROU assets and an interest expense for lease liabilities.

On initial application of FRS 116, the modified retrospective approach was applied, hence comparative information has not been restated. Leases which had remaining lease terms of less than 12 months as at 1 April 2019 were accounted for as short-term leases, while leases that had previously been classified as operating leases under FRS 17 were brought onto the balance sheet as lease liabilities, measured at the present value of the remaining lease payments, amounting to $1,106,359,000. Correspondingly, ROU assets of $1,182,069,000 were recognised, measured at an amount equal to the lease liability and adjusted for the amount of prepaid or accrued lease payments as at 1 April 2019. No adjustment to the opening balance of retained earnings or any other components of equity was required.

Further details can be found in Notes 2.17, 14 and 23.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating revenue transactions within the Group.

The Group recognises revenue when it transfers control over a good or service to a customer.

(a) Airport service fees

Airport service fees comprise landing, parking, and aerobridge fees, and passenger service and security fees. Revenue is recognised in the accounting period in which the related airport services have been rendered.

(b) Airport concessions and rental income

Airport concessions relate to rental income from retail tenants and are computed based on the higher of percentage of sales or specified minimum guaranteed sums. The rental income derived from rental of property is recognised on a straight-line basis over the period of the lease.

(c) Interest income

Interest income is recognised using the effective interest method.

2.3 Government grants

Government grants that compensate the Group for expenses incurred are recognised in profit and loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Other government grants related to assets are recognised initially as deferred grants at fair value when there is reasonable assurance that the grants will be received and the Group will comply with the conditions associated with the grant. The deferred grants are subsequently amortised to profit or loss on a systematic basis over the periods in which the assets are put to use.

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

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

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as a bargain purchase in profit or loss on the acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals

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

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

Please refer to Note 2.9 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

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

(c) Associated companies and joint ventures

Associated companies are entities over which the Group has significant influence, but not control. Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

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

(i) Acquisitions

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Group accounting (continued)

(c) Associated companies and joint ventures (continued)

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint ventures' post-acquisition profits or losses in the income statement, and its share of movements in other comprehensive income in the statement of comprehensive income. Dividends received or receivable from the associated companies or joint ventures are recognised as a reduction of the carrying amount of the investments.

When the Group's share of losses in an associated company or joint venture is equals to or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures.

Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Disposals

Investments in associated companies or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost and its fair value and any proceeds on partial disposal is recognised in profit or loss.

Please refer to Note 2.9 for the accounting policy on investments in associated companies and joint ventures in the separate financial statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

(a) Measurement

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

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.8 on borrowing costs).

(b) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(c) Depreciation

Self-constructed property, plant and equipment are capitalised initially as work-in-progress and transferred to the relevant asset category when they are ready for use. No depreciation is recognised on work-in-progress.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives as follows:

	Useful lives
Runways, taxiways and others	30 years
Buildings	5 to 50 years
Plant and equipment	2 to 15 years
Vehicles and vessels	5 to 10 years
Equipment, furniture and fittings	1 to 10 years
Capital improvements	5 to 20 years

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

(d) Disposal

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible assets

(a) Capitalised costs

Capitalised costs are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses.

(b) Infrastructure

Under the concession agreement that a subsidiary of the Company entered into with the Brazilian national agency of civil aviation, Agência Nacional de Aviação Civil ("ANAC" or "Concession Authority"), the subsidiary, as the operator, is required to build or improve the infrastructure used to provide the public service. Such infrastructure acquired during the concession period is to be returned to the Concession Authority at the end of the concession period in consideration for the rights to charge users for the service provided as operator. The infrastructure is amortised based on the economic benefit consumption curve (passenger demand curve) expected over the term of the concession of the airport. The economic benefit consumption curve is reviewed and adjusted as appropriate at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise. Details of the concession arrangement can be found in Note 2.6(d).

(c) Computer software

Acquired computer software licenses are amortised using the straight-line method over their estimated useful lives.

(d) Concession right

Concession right pertains to the right to expand, maintain and operate Antonio Carlos Jobim International ("Galeão") Airport in Rio de Janeiro, Brazil, for a period of 25 years starting from 2 April 2014. The concession right is recognised at present value calculated using a discount rate which is equivalent to the market rate with interest that is comparable with the nature, term and risks related to the concession charges. The concession right is amortised based on the economic benefit consumption curve (passenger demand curve) expected over the term of the concession, limited to the maximum capacity of each investment phase. The economic benefit consumption curve is reviewed and adjusted as appropriate at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Investment phases originate from triggers tied to the passenger demand curve for the purpose of maintaining the level of service required by the Concession Authority.

The finance charges arising from the adjustment of the concession are capitalised according to the changes of the investment phases until termination.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Investment property

Investment property is held for long-term rental yields and/or capital appreciation and is not occupied substantially by the Group. Investment properties include properties that are being constructed or developed for future use as investment properties.

(a) Measurement

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Costs of self-constructed investment properties includes the costs of construction and any other costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management, as well as capitalised borrowing costs (refer to Note 2.8 on borrowing costs).

(b) Subsequent expenditure

Subsequent expenditure relating to investment property that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(c) Depreciation

Self-constructed investment properties are capitalised initially as investment property under development and transferred to investment properties when they are ready for use. No depreciation is recognised on investment property under development.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their useful lives as follows:

	Useful lives
Building	50 years
Plant and equipment	5 to 15 years
Equipment, furniture and fixtures	3 years
Attractions	3 to 30 years
Capital improvements	15 to 20 years

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

(d) Disposal

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for costs that are directly attributable to the construction or development of investment property or property, plant and equipment ("properties"). This includes costs on borrowings acquired specifically for the construction or development of properties, as well as those in relation to general borrowings used to finance the construction or development of properties.

2.9 Investments in subsidiaries, associated companies and joint ventures

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

2.10 Impairment of non-financial assets

Property, plant and equipment
Intangible assets
Right-of-use assets
Investment property
Investments in subsidiaries, associated companies and joint ventures

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

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

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

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

An impairment loss for an asset is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

(a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Financial assets which are debt instruments are reclassified when, and only when, the Group changes its business model for managing them.

At initial recognition

Financial assets are initially recognised at fair value plus transaction costs, except for financial assets at FVPL which are recognised at fair value. Transaction costs of financial assets at FVPL are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments comprise mainly cash and cash equivalents, trade and other receivables, and listed debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- *Debt instruments at amortised cost*

  Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(a) Classification and measurement (continued)

At subsequent measurement (continued)

(i) Debt instruments (continued)

- *Debt instruments at FVOCI*

  Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in other comprehensive income ("OCI") and accumulated in reserves, except for the recognition of impairment gains or losses, interest income and foreign exchange gains or losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method.

- *Debt instruments at FVPL*

  Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movements in fair values and interest income are recognised in profit or loss in the period in which they arise.

(ii) Equity instruments

Equity instruments comprise investments in unquoted instruments held by the Group and Company.

Equity instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for certain equity instruments which are not held for trading, where the Group may irrevocably elect to present fair value changes in other comprehensive income. This election is made on an investment-by-investment basis.

Dividends from these investments are recognised in profit and loss in the period in which the dividend arises.

(b) Impairment

The Group assesses expected credit losses ("ECLs") associated with its debt financial assets at amortised cost and FVOCI on a forward-looking basis.

For trade receivables, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies the general approach of 12-month expected credit losses at initial recognition for all other financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (continued)

(c) Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and the sale proceeds is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and the sale proceeds would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.12 Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless there is an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

The total proceeds from bonds with convertible warrants issued are allocated to the bond and warrant components, which are separately presented on the balance sheet. The bond component is accounted for as borrowings, while the warrant component is accounted for as a derivative financial instrument in accordance with Note 2.15.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in a normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

2.14 Concession payable

Concession payable represents the financial obligations to the Concession Authority for the right to operate Galeão Airport, initially recorded at fair value and subsequently at amortised cost using effective interest rate. The amounts that are payable within 12 months from the balance sheet date are classified as current liabilities. The amounts that are payable more than 12 months from balance sheet date are classified as non-current liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Derivative financial instruments and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 24. The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

Cash flow hedge

(i) Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to limit its interest rate exposure to the fixed rates as specified in these contracts.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve, and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in the profit or loss. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

(ii) Foreign exchange ("FX") commodity swap

The Group had entered into a FX commodity swap to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and commodity prices.

The fair value changes on the effective portion of the FX commodity swap designated as cash flow hedges are recognised in other comprehensive income. The fair value changes on the ineffective portion of the FX commodity swap are recognised immediately in profit or loss.

When a forecast transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Fair value estimation of financial instruments

The fair values of financial instruments traded in active markets (such as exchange-traded, over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of the swaps and option are based on valuation provided by reputable financial institutions. The fair values of interest rate swaps are calculated as the present value of estimated future cash flows discounted at actively quoted interest rates. The fair value of the FX commodity swap is calculated as the present value of estimated cash flows for the fixed and floating legs based on commodity prices and daily average foreign exchange rates. The fair value of the commodity option is derived from the underlying price, strike price and days until expiration.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

2.17 Leases

(i) Where the Group is the lessee, the accounting policy for leases is as follows:

Before 1 April 2019

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

Contingent rents are recognised as expenses in profit or loss when incurred.

From 1 April 2019

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (continued)

(i) Where the Group is the lessee, the accounting policy for leases is as follows: (continued)

Right-of-use assets

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The useful lives of right-of-use assets are as follows:

	Useful lives
Land	2 to 52 years
Plant and equipment	18 months

Lease liabilities

The initial measurement of a lease liability is the present value of the lease payments discounted using the rate implicit in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments include fixed payments, the exercise price of a purchase option if the Group is reasonably certain to exercise the option and an estimate of necessary costs to be incurred by the Group to dismantle, remove or restore the underlying asset as required by the terms and conditions of the lease.

Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities are remeasured with a corresponding adjustment to the right-of-use asset when there is a change in the Group's assessment of whether it will exercise an extension or purchase option, or there are modifications in the scope or the consideration of the lease that was not part of the original term.

Short-term and low value leases

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (continued)

(ii) Where the Group is the lessor, the accounting policy for leases is as follows:

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

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

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

Deferred revenue relates to total lease payments received in advance from lessees who have entered into operating leases with the Group. The deferred revenue is recognised in profit or loss on a straight-line basis over the lease term.

2.18 Inventories

Inventories comprise mainly stock items used for maintenance and repair purposes. These are carried at the lower of cost and net realisable value. Cost is determined on the weighted average basis and includes all costs in bringing each stock item to its present location and condition.

2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Income taxes (continued)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.21 Employee compensation

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

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

2.22 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on these items are included in the currency translation reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

2.23 Cash and cash equivalents

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

2.24 Share capital

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

2.25 Dividends to Company's shareholder

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates 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.

(i) Impact of Coronavirus Disease 2019 (COVID-19)

With the outbreak of the COVID-19 pandemic since the beginning of 2020, the global aviation industry has experienced a significant decline in traffic as a result of air travel restrictions and border controls. Where necessary, the Group has considered the impact of COVID-19 when making estimates and judgments on the recoverability of its assets, based on currently available information.

In addition, the operating results of the Group is expected to be materially impacted in the next financial year. As at the date of these financial statements, the impact of COVID-19 on the longer-term operational and financial performance of the Group is still uncertain, and recovery of the aviation industry is dependent on future developments which the Group is unable to predict with certainty. If the situation persists beyond management's current expectations, the Group's assets may become subject to write downs in the subsequent financial periods.

(ii) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred income tax asset has been recognised. Based on this, the Group has written down deferred tax assets to its recoverable amount. Further disclosures are set out in Notes 8 and 19.

The recoverability of deferred tax assets is also subject to the uncertainty relating to COVID-19 as disclosed in Note 3(i).

(iii) Capitalisation and amortisation of intangibles – concession right

Estimation is exercised in determining the capitalised finance costs and the amortisation of the intangible asset - concession right, subsequent to initial recognition. The concession right is amortised over the concession term based on installed capacity and the projection of the passenger demand curve. The curve reflects the projected use of future economic benefits which is subjected to a significant level of estimation. The Group's disclosure on the above is further set out in Note 13 of the financial statements.

(iv) Impairment of intangible assets

As operations in Galeão Airport have been affected by the challenging business environment in Brazil and the COVID-19 pandemic, an impairment review was carried out to assess the recoverable amount of the intangible assets held by the Group's subsidiary in Brazil.

The recoverable amount of the intangible assets was its value-in-use, calculated using projected cash inflows generated from the use of these intangible assets to expand, manage and operate the Galeão Airport in accordance with the concession agreement for the remaining period up to April 2039. The cash flows were derived from projections, such as passenger numbers determined by an independent consultant prior to the outbreak of COVID-19. These projections have been adjusted by management for the effects of COVID-19, where it is assumed that demand would remain suppressed for the immediate future and recovery of the industry may take a few years. Management did not factor any possible government support that the subsidiary may receive into the cash flow projections.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iv) Impairment of intangible assets (continued)

Cash flows were projected based on the following variables:

- 8.0% CAGR on traffic from 2019 to 2039
- 13.2% CAGR on revenue from 2019 to 2039
- Discount rate of 12.0%

Management estimated traffic, cargo volume and yields based on past performance and its expectations of market developments in Brazil. The weighted average growth rates used were consistent with industry forecasts. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

The recoverable amount of the intangible assets is sensitive to changes in passenger traffic numbers and the discount rate applied. A 5% decrease in passenger traffic or a 0.5% increase in discount rate will result in an increase of impairment by $192,000,000 or $278,000,000.

As a result of the assessment, the Group recorded an impairment charge of $323,265,000 (2019: nil), stemming mainly from a projected reduction in total passenger numbers, spending per passenger and cargo volume.

The recoverability of the Group's intangible assets continues to be subject to the uncertainty relating to COVID-19 as disclosed in Note 3(i). The impairment is disclosed in Note 13 of the financial statements.

(v) Impairment of net investment in a subsidiary

As a consequence of the intangible asset impairment disclosed in Note 3(iv), management assessed that the Company's net investment in Changi Airports International Pte. Ltd. (CAI) was impaired. A sum-of-the-parts valuation model representing CAI's value-in-use was prepared to ascertain the recoverable amount of CAI, which was determined to be $613,000,000.

The significant components of the valuation model were as follows:

- CAI's investments in Brazil, largely influenced by the valuation of intangible assets as disclosed in Notes 3(iv) and 13.
- Fair value less costs to sell CAI's investments in Russia, calculated using a discounted cash flow model. The fair value of the investments falls under Level 3 of the fair value hierarchy, with key unobservable inputs being the discount rate and terminal value exit multiple applied in the model. The discount rate reflected specific risks relating to the investments, while the terminal value exit multiple was derived based on median multiples of listed airport groups that are publicly available. Any reasonable variation to these key inputs would not result in a material change to the recoverable amount of CAI.

Discount rates applied for the valuation ranged from 7.4% to 12.0%. Except for the sensitivity disclosed in Note 3(iv), any reasonable change in the discount rates would not result in a material change to the recoverable amount of CAI.

As a result of the assessment, the Company has impaired the loans extended to CAI and equity investment in CAI by $156,836,000 and $257,164,000 respectively.

The impairments are disclosed in Notes 10 and 15 of the financial statements.

4. REVENUE

	2020 $'000	2019 $'000
Airport service fees	**1,224,024**	1,204,950
Airport concessions and rental income	**1,498,007**	1,463,703
Others	**396,610**	371,262
	3,118,641	3,039,915

The variable rent, computed based on percentage of sales, recognised within the Airport concessions and rental income amounted to $70,170,000 (2019: $86,259,000).

Airport service fees are recognised at a point in time when the services have been rendered. Airport concessions and rental income are recognised over time.

Included in other revenue are franchise fees, utility charges, carpark revenue, sale of goods and services and other sundry income.

5. EMPLOYEE COMPENSATION

	2020 $'000	2019 $'000
Wages and salaries	**235,233**	260,628
Others	**52,286**	47,346
	287,519	307,974

6. FINANCE EXPENSES

	2020 $'000	2019 $'000
Interest expense on borrowings	**93,859**	53,972
Interest expense on lease liabilities	**44,249**	–
Interest expense on concession payable	**148,102**	158,608
	286,210	212,580

7. OTHER INCOME AND LOSSES – NET

	2020 $'000	2019 $'000
Interest income		
– Bank deposits	**52,049**	42,402
– Financial assets at amortised cost	**20**	56
(Loss)/gain on exchange differences	**(11,977)**	1,636
Gain on dilution of interest in an associated company	**–**	29,782
Gain on disposal of associated companies	**19,945**	–
Impairment of investment in associated companies	**(36,923)**	(9,600)
Impairment of intangible assets	**(323,265)**	–
Write-back of provision for claims and recovery of expenses in respect of terminated airport concession	**68,012**	–
Government grants	**46,052**	4,271
Others	**4,169**	25,775
	(181,918)	94,322

Included in government grants were property tax rebates received or receivable, which the Group has passed on to its concessionaires and tenants in accordance with the COVID-19 (Temporary Measures) Act 2020, as well as amounts relating to Jobs Support Scheme.

The write-back of provision for claims relates to the discharge of a performance guarantee previously provided to a third party. Expenses incurred by the Group were recovered from the third party as part of the settlement agreement.

8. INCOME TAXES

Income tax expense

	2020 $'000	2019 $'000
Tax expense attributable to profit is made up of:		
– Current income tax		
– Singapore	**127,132**	152,084
– Foreign	**5,690**	3,440
	132,822	155,524
– Deferred income tax (Note 19)	**142,691**	114,184
	275,513	269,708
(Over)/under provision in prior financial years		
– Current income tax		
– Singapore	**(25,366)**	(20,498)
– Foreign	**9**	(53)
– Deferred income tax (Note 19)	**18,126**	(8,791)
	268,282	240,366

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

	2020 $'000	2019 $'000
Profit before tax	**414,627**	814,055
Less: Share of results of associated companies and joint ventures	**(16,271)**	(12,408)
Profit before tax and share of results of associated companies and joint ventures	**398,356**	801,647
Tax calculated at tax rate of 17% (2019: 17%)	**67,721**	136,280
Effects of:		
– Expenses not deductible for tax purposes	**47,586**	37,295
– Income not subject to tax	**(17,961)**	(6,522)
– Tax incentives	**(1,170)**	(990)
– Deferred tax asset not recognised	**191,539**	135,702
– Deferred tax asset written down	**69,060**	–
– Utilisation of previously unrecognised tax losses	**(51)**	(173)
– Tax in foreign jurisdiction	**(86,680)**	(31,884)
– Foreign withholding tax	**5,469**	–
Tax charge	**275,513**	269,708

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**248,282**	211,275	**152,446**	43,929
Bank deposits	**2,173,984**	1,551,570	**2,010,262**	1,544,900
	2,422,266	1,762,845	**2,162,708**	1,588,829

Included in cash at bank and bank deposits are amounts of $59,700,000 (2019: $71,378,000) that are not readily available for use by the Group, mostly arising from a restriction imposed under a bank loan agreement entered into by a subsidiary of the Company.

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2020	2019
	$'000	$'000
Cash and cash equivalents (as above)	**2,422,266**	1,762,845
Less: Restricted bank deposits	**(58,740)**	(71,378)
Less: Deposits held in trust	**(960)**	–
Cash and cash equivalents per consolidated statement of cash flows	**2,362,566**	1,691,467

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Current				
Trade and other receivables	**156,677**	155,020	**77,014**	83,841
Accrued income	**67,664**	147,451	**39,251**	123,413
Loans to subsidiaries	**–**	–	**4,979**	–
Less: Loss allowances	**(8,471)**	(4,993)	**(6,299)**	–
	215,870	297,478	**114,945**	207,254
Non-current				
Trade and other receivables	**–**	–	**–**	–
Loans to subsidiaries	**–**	–	**1,028,442**	1,322,488
Less: Loss allowances	**–**	–	**(156,836)**	–
	–	–	**871,606**	1,322,488

During the financial year, the Group recognised impairment of trade and other receivables amounting to $4,965,000 (2019: $2,952,000).

Included in trade and other receivables is an amount of $29,190,000 (2019: nil) due from an associated company. The amount is unsecured, interest free and repayable based on an agreed schedule.

Loans to subsidiaries are unsecured, denominated in Singapore Dollars. The non-current loans to subsidiaries have no fixed terms of repayment. The interest income (if any) is determined using the effective interest rate method.

11. OTHER CURRENT ASSETS

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Prepayments and deposits	**16,120**	12,761	**7,945**	3,795
Interest receivable	**22,086**	17,221	**22,086**	17,221
Grants receivable	**69,577**	–	**68,445**	–
Others	**16,262**	1,356	**8,660**	–
	124,045	31,338	**107,136**	21,016

12. PROPERTY, PLANT AND EQUIPMENT

	Runways, taxiways and others $'000	Buildings $'000	Plant and equipment $'000	Vehicles and vessels $'000	Office/ other equipment, furniture and fittings $'000	Capital improve-ments $'000	Work-in-progress $'000	Total $'000
Group								
As at 31 March 2020								
Cost								
Beginning of financial year	759,171	1,985,879	2,901,091	50,919	231,496	1,136,904	1,951,500	9,016,960
Currency translation differences	–	–	18	(22)	(307)	3	–	(308)
Additions	–	–	1,228	–	546	803	928,414	930,991
Transfer from work-in-progress	8,830	273,018	471,038	9,223	27,418	111,057	(900,584)	–
Reclassification	16,042	48,580	(88,096)	(453)	6,179	17,748	–	–
Disposals	(13)	(3,958)	(39,496)	(750)	(2,961)	(3,129)	–	(50,307)
End of financial year	784,030	2,303,519	3,245,783	58,917	262,371	1,263,386	1,979,330	9,897,336
Accumulated depreciation								
Beginning of financial year	208,956	442,122	1,279,007	28,165	150,859	653,845	–	2,762,954
Currency translation differences	–	–	(21)	(14)	(71)	1	–	(105)
Depreciation charge	30,993	82,479	284,692	4,954	50,614	106,597	–	560,329
Reclassification	(51)	2,859	263	69	(2,547)	(593)	–	–
Disposals	(6)	(3,942)	(39,239)	(690)	(2,903)	(2,832)	–	(49,612)
End of financial year	239,892	523,518	1,524,702	32,484	195,952	757,018	–	3,273,566
Net book value								
End of financial year	**544,138**	**1,780,001**	**1,721,081**	**26,433**	**66,419**	**506,368**	**1,979,330**	**6,623,770**
As at 31 March 2019								
Cost								
Beginning of financial year	597,459	1,794,702	2,416,202	48,640	192,238	971,807	1,890,655	7,911,703
Currency translation differences	–	–	1	(10)	(190)	–	–	(199)
Additions	–	–	1,561	54	1,314	806	1,145,197	1,148,932
Transfer from work-in- progress	161,712	192,625	514,169	8,260	44,133	163,453	(1,084,352)	–
Reclassification	–	(396)	(989)	–	346	1,039	–	–
Disposals	–	(1,052)	(29,853)	(6,025)	(6,345)	(201)	–	(43,476)
End of financial year	759,171	1,985,879	2,901,091	50,919	231,496	1,136,904	1,951,500	9,016,960
Accumulated depreciation								
Beginning of financial year	180,226	373,952	1,049,103	29,776	112,024	556,273	–	2,301,354
Currency translation differences	–	–	–	(3)	(27)	–	–	(30)
Depreciation charge	28,732	68,812	258,485	4,411	44,210	97,946	–	502,596
Reclassification	(2)	(38)	(466)	–	702	(196)	–	–
Disposals	–	(604)	(28,115)	(6,019)	(6,050)	(178)	–	(40,966)
End of financial year	208,956	442,122	1,279,007	28,165	150,859	653,845	–	2,762,954
Net book value								
End of financial year	**550,215**	**1,543,757**	**1,622,084**	**22,754**	**80,637**	**483,059**	**1,951,500**	**6,254,006**

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Runways, taxiways and others $'000	Buildings $'000	Plant and equipment $'000	Vehicles and vessels $'000	Office/ other equipment, furniture and fittings $'000	Capital improve-ments $'000	Work-in-progress $'000	Total $'000
Company								
As at 31 March 2020								
Cost								
Beginning of financial year	759,171	1,981,956	2,891,115	50,821	224,312	1,132,226	1,896,657	8,936,258
Additions	–	–	–	–	–	–	928,674	928,674
Transfer from work-in-progress	8,830	224,261	457,516	9,223	25,708	101,596	(827,134)	–
Reclassification	16,042	48,580	(90,514)	(453)	8,597	17,748	–	–
Disposals	(13)	(35)	(34,677)	(750)	(930)	(435)	–	(36,840)
End of financial year	784,030	2,254,762	3,223,440	58,841	257,687	1,251,135	1,998,197	9,828,092
Accumulated depreciation								
Beginning of financial year	208,956	439,098	1,272,361	28,117	145,896	650,997	–	2,745,425
Depreciation charge	30,993	80,569	280,554	4,939	49,186	104,946	–	551,187
Reclassification	(51)	2,859	(1,615)	69	(669)	(593)	–	–
Disposals	(6)	(19)	(34,451)	(690)	(924)	(403)	–	(36,493)
End of financial year	239,892	522,507	1,516,849	32,435	193,489	754,947	–	3,260,119
Net book value								
End of financial year	**544,138**	**1,732,255**	**1,706,591**	**26,406**	**64,198**	**496,188**	**1,998,197**	**6,567,973**
As at 31 March 2019								
Cost								
Beginning of financial year	597,459	1,790,779	2,406,275	48,582	185,145	968,916	1,861,004	7,858,160
Additions	–	–	–	–	–	–	1,120,005	1,120,005
Transfer from work-in-progress	161,712	192,625	514,169	8,260	44,133	163,453	(1,084,352)	–
Reclassification	–	(396)	350	–	–	46	–	–
Disposals	–	(1,052)	(29,679)	(6,021)	(4,966)	(189)	–	(41,907)
End of financial year	759,171	1,981,956	2,891,115	50,821	224,312	1,132,226	1,896,657	8,936,258
Accumulated depreciation								
Beginning of financial year	180,226	372,007	1,044,717	29,770	108,879	553,963	–	2,289,562
Depreciation charge	28,732	67,733	255,965	4,366	41,985	96,942	–	495,723
Reclassification	(2)	(38)	(225)	–	(2)	267	–	–
Disposals	–	(604)	(28,096)	(6,019)	(4,966)	(175)	–	(39,860)
End of financial year	208,956	439,098	1,272,361	28,117	145,896	650,997	–	2,745,425
Net book value								
End of financial year	**550,215**	**1,542,858**	**1,618,754**	**22,704**	**78,416**	**481,229**	**1,896,657**	**6,190,833**

13. INTANGIBLE ASSETS

	Concession right $'000	Infrastructure $'000	Computer software $'000	Capitalised costs $'000	Total $'000
Group					
As at 31 March 2020					
Cost					
Beginning of financial year	3,832,797	826,574	6,216	6,090	4,671,677
Currency translation differences	(860,050)	(176,608)	(2,912)	–	(1,039,570)
Additions	236,645	18,200	9,634	–	264,479
Disposals	–	(14)	(378)	–	(392)
End of financial year	3,209,392	668,152	12,560	6,090	3,896,194
Accumulated amortisation					
Beginning of financial year	31,046	20,255	417	824	52,542
Currency translation differences	(14,432)	(7,298)	(200)	–	(21,930)
Amortisation charge	25,878	19,297	1,586	5,266	52,027
Disposals	–	–	(378)	–	(378)
End of financial year	42,492	32,254	1,425	6,090	82,261
Accumulated impairment					
Beginning of financial year	–	–	–	–	–
Currency translation differences	(58,079)	–	–	–	(58,079)
Impairment charge	295,113	28,152	–	–	323,265
End of financial year	237,034	28,152	–	–	265,186
Net book value					
End of financial year	**2,929,866**	**607,746**	**11,135**	**–**	**3,548,747**
As at 31 March 2019					
Cost					
Beginning of financial year	4,120,071	917,820	7,027	6,090	5,051,008
Currency translation differences	(541,598)	(129,165)	(1,521)	–	(672,284)
Additions	254,324	37,919	710	–	292,953
End of financial year	3,832,797	826,574	6,216	6,090	4,671,677
Accumulated amortisation					
Beginning of financial year	8,197	4,683	95	317	13,292
Currency translation differences	(2,769)	(1,445)	(8)	–	(4,222)
Amortisation charge	25,618	17,017	330	507	43,472
End of financial year	31,046	20,255	417	824	52,542
Net book value					
End of financial year	**3,801,751**	**806,319**	**5,799**	**5,266**	**4,619,135**

13. INTANGIBLE ASSETS (CONTINUED)

The concession right represents the right to charge the users of public services by means of fees for a period of time as set out in the concession agreement with the Concession Authority. The concession right was pledged against bank borrowings (Note 22).

Infrastructure pertains to costs of assets used in the infrastructure of the concession that would be returned to the Concession Authority upon expiration of the concession right.

During the financial year, due to the continuous weak performance and lacklustre economic outlook in Brazil and the COVID-19 pandemic, an impairment review was carried out to assess the recoverable amount of the intangible assets held by the Group's subsidiary in Brazil. As a result of the review, an impairment charge of $323,265,000 was recognised.

Details on estimates and judgments are set out in Note 3(iv).

14. RIGHT-OF-USE ASSETS

The Group and Company leases several pieces of land from the Civil Aviation Authority of Singapore (CAAS) and operational equipment for the operation of Changi Airport.

	Land $'000	Plant and equipment $'000	Total $'000
Group and Company			
As at 31 March 2020			
Cost			
Beginning of financial year	–	–	–
Initial application of FRS 116	1,182,069	–	1,182,069
Additions	–	5,511	5,511
End of financial year	1,182,069	5,511	1,187,580
Accumulated depreciation			
Beginning of financial year	–	–	–
Depreciation charge	50,604	613	51,217
End of financial year	50,604	613	51,217
Net book value			
End of financial year	**1,131,465**	**4,898**	**1,136,363**

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	2019
	$'000	$'000
Unquoted equity shares, at cost	**269,767**	263,767
Less: Impairment allowance	**(257,165)**	–
	12,602	263,767

Details of significant subsidiaries are included in Note 29.

(a) Impairment

In the current financial year, the Company recognised impairment of $257,164,000 (2019: $nil) on its investment in Changi Airports International Pte. Ltd. (CAI). This arose from cumulative losses incurred as a result of sustained economic downturn or weak market conditions in certain countries in which CAI's portfolio assets operate. The Company has accordingly written down the carrying value of CAI to the recoverable amount of the investment, computed based on a sum-of-the-parts valuation model reflecting its value in use to the Company.

Details on estimates and judgments are set out in Note 3(v).

(b) Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information of subsidiaries with material non-controlling interests, namely Rio de Janeiro Aeroporto S.A. (RJA) and Jewel Changi Airport Trust (JCAT). These are presented before inter-company eliminations.

	RJA Group		JCAT	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Summarised balance sheet				
Current assets	**178,774**	210,953	**54,336**	27,183
Non-current assets	**3,589,673**	4,783,961	**1,603,285**	1,605,421
Current liabilities	**(98,712)**	(130,900)	**(205,154)**	(1,173,294)
Non-current liabilities	**(3,053,427)**	(3,534,613)	**(1,528,427)**	(479,260)
Net assets	**616,308**	1,329,401	**(75,960)**	(19,950)
Less: Non-controlling interest	**(292,555)**	(642,811)	**37,220**	9,776
	323,753	686,590	**(38,740)**	(10,174)
Summarised income statement				
Revenue	**299,442**	337,800	**128,647**	650
Loss after tax	**(547,533)**	(194,804)	**(46,237)**	(10,298)
Total comprehensive loss	**(713,175)**	(423,084)	**(56,011)**	(7,761)
Total comprehensive loss allocated to non-controlling interest	**(350,256)**	(207,311)	**(27,445)**	(3,803)
Summarised cash flows				
Net cash from operating activities	**107,882**	98,984	**73,078**	25,844
Net cash from investing activities	**(23,131)**	(408,899)	**(103,443)**	(330,035)
Net cash from financing activities	**(72,453)**	202,808	**44,246**	304,889

16. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**345,680**	266,648	**11,947**	11,947
Capital injection	**45**	90,997	**–**	–
Share of results	**16,271**	12,408	**–**	–
Dividends received	**(11,167)**	(7,040)	**–**	–
Dilution gain	**–**	29,782	**–**	–
Unrealised gain	**(22,718)**	–	**–**	–
Share of other comprehensive income	**(5,261)**	(13,472)	**–**	–
Disposal	**(49,686)**	–	**–**	–
Currency translation differences	**(20,046)**	(24,043)	**–**	–
	253,118	355,280	**11,947**	11,947
Less: Impairment allowance	**(36,923)**	(9,600)	**–**	–
End of financial year	**216,195**	345,680	**11,947**	11,947

Set out below are the significant associated companies and joint ventures of the Group as at 31 March 2020.

(i) Bengal Aerotropolis Projects Limited ("BAPL")

The Group has a 30.2% (2019: 30.2%) equity stake in BAPL, a company incorporated in India. BAPL's principal business is to develop an airport and surrounding township in Durgapur, West Bengal, India.

In the current financial year, BAPL continued to experience business and financial difficulties. Business conditions are expected to remain challenging in the near term. Accordingly, the investment in BAPL was written down by $36,923,000 (2019: $9,600,000) to the recoverable amount determined based on value-in-use for the airport and fair value less cost to sell for the township land.

(ii) Transport AMD-2 Limited ("TAMD-2")

The Group has a 30% (2019: 30%) equity interest in TAMD-2, a company incorporated in the Republic of Cyprus. TAMD-2 holds investments in a group of companies whose principal activities are to provide airport and related services in the cities of Krasnodar, Sochi and Anapa, in the Russian Federation.

In the previous financial year, the Group's interest in TAMD-2 was diluted from 37.5% to 30% due to a conversion of preference shares into equity shares in TAMD-2 by the preference shareholder.

(iii) Terminal Vladivostok and Vladivostok International Airport (collectively "VVO")

VVO consists of Terminal Vladivostok ("TV") and Vladivostok International Airport ("IAV"), whose principal activities are to provide airport and related services in the city of Vladivostok, in the Russian Federation. The shares of TV and IAV were pledged as collateral for the loans taken by TV and IAV.

In January 2020, the Group sold its stake in TV and IAV to the TAMD-2 Group. The consideration was RUB 4,860 million (approximately $106 million), of which RUB 3,250 million (approximately $71 million) has been received. After the transaction, the Group's effective interest in TV decreased from 33.3% to 20.0%, while the Group's effective interest in IAV increased from 17.4% to 18.5%. A net gain on disposal of $19,945,000 was recognised in profit or loss, while an unrealised gain of $22,718,000 relating to the Group's indirect interest in VVO held via TAMD-2 was deferred within the investment in TAMD-2.

16. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES (CONTINUED)

(iv) Fukuoka International Airport Co., Ltd. ("FUK")

The Group has a 21% (2019: 21%) interest in FUK. The principal activities are to provide airport and related services in the city of Fukuoka, Japan.

Further details of significant associated companies and joint ventures are provided in Note 32.

17. INVESTMENT PROPERTY

	Investment property $'000	Investment property under development $'000	Total $'000
Group			
As at 31 March 2020			
Cost			
Beginning of financial year	–	1,492,275	1,492,275
Additions	–	62,675	62,675
Transfers	1,554,950	(1,554,950)	–
End of financial year	1,554,950	–	1,554,950
Accumulated depreciation			
Beginning of financial year	–	–	–
Depreciation charge	66,968	–	66,968
End of financial year	66,968	–	66,968
Net book value			
End of financial year	**1,487,982**	**–**	**1,487,982**
As at 31 March 2019			
Cost			
Beginning of financial year	–	1,117,766	1,117,766
Additions	–	374,509	374,509
End of financial year	–	1,492,275	1,492,275
Net book value			
End of financial year	**–**	**1,492,275**	**1,492,275**

17. INVESTMENT PROPERTY (CONTINUED)

Additions during the year comprised substantially of construction costs. During the financial year, the borrowing costs capitalised as cost of investment property amounted to $953,000 (2019: $26,138,000), with effective interest rates ranging from 2.60% to 3% (2019: 1.50% to 3.12%) per annum.

As at 31 March 2020, the fair value of the investment property was $1,600,000,000 (2019: $1,600,000,000). The fair value of the investment property was obtained based on a valuation performed by an independent professional valuer, in which the Direct Capitalisation Method and Discounted Cash Flow approach were used. The fair value is the average value derived from the two methods. The outbreak of COVID-19 has resulted in market uncertainty and volatility, and accordingly the valuation of investment property may fluctuate more rapidly and significantly subsequent to valuation date as compared to normal market conditions.

The fair value of the investment property is sensitive to changes in total estimated revenues used in the valuation. If total estimated revenues decreased by 5%, the fair value would decrease by approximately $90,000,000.

Details of the fair value measurement hierarchy of the investment property are provided in Note 29(e).

18. OTHER INVESTMENTS

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Current				
Financial assets at amortised cost				
– Bond with fixed interest	**1,010**	–	**1,010**	–
Financial assets at fair value through profit or loss				
– Quoted instruments	**104,659**	102,677	**104,659**	102,677
	105,669	102,677	**105,669**	102,677
Non-current				
Financial asset at amortised cost				
– Bond with fixed interest	**-**	1,032	**-**	1,032
Financial assets at fair value through profit or loss				
– Unquoted instruments	**11,666**	6,877	**9,044**	6,625
	11,666	7,909	**9,044**	7,657

The interest rate for the bond is 4.30% (2019: 4.30%) per annum. The fair value of the bond as at 31 March 2020 approximates its carrying value.

19. DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Deferred income tax assets				
– to be recovered after one year	**(40,227)**	(163,755)	**–**	–
Deferred income tax liabilities				
– to be settled after one year	**163,564**	99,201	**163,433**	98,762

Movement in net deferred income tax liabilities/(assets) is as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(64,554)**	(203,638)	**98,762**	72,218
Under/(over) provision in prior years	**18,126**	(8,791)	**18,394**	(8,954)
Tax charged to profit or loss	**142,691**	114,184	**47,360**	34,415
Tax charged to other comprehensive income	**(3,112)**	1,083	**(1,083)**	1,083
Currency translation differences	**30,186**	32,608	**–**	–
End of financial year	**123,337**	(64,554)	**163,433**	98,762

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of $572,580,000 (2019: $405,131,000) arising from the subsidiaries of the Group at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies in their respective countries of incorporation.

19. DEFERRED INCOME TAXES (CONTINUED)

The movement in deferred income tax assets and liabilities prior to offsetting of balances within the same jurisdiction during the financial year is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Amortisation of intangibles $'000	Others $'000	Total $'000
As at 31 March 2020				
Beginning of financial year	111,768	295,286	3,144	410,198
Charged to profit or loss	67,441	26,518	738	94,697
Credited to other comprehensive income	–	–	(3,112)	(3,112)
Currency translation differences	–	(68,618)	–	(68,618)
End of financial year	**179,209**	**253,186**	**770**	**433,165**
As at 31 March 2019				
Beginning of financial year	82,864	235,239	4,993	323,096
Charged/(credited) to profit or loss	28,904	81,604	(2,932)	107,576
Charged to other comprehensive income	–	–	1,083	1,083
Currency translation differences	–	(21,557)	–	(21,557)
End of financial year	111,768	295,286	3,144	410,198

Deferred income tax assets

	Tax losses $'000	Unutilised capital allowances $'000	Provisions $'000	Leases $'000	Total $'000
As at 31 March 2020					
Beginning of financial year	(458,187)	(832)	(15,733)	–	(474,752)
Charged/(credited) to profit or loss	69,980	(1,119)	(5)	(2,736)	66,120
Currency translation differences	98,804	–	–	–	98,804
End of financial year	**(289,403)**	**(1,951)**	**(15,738)**	**(2,736)**	**(309,828)**
As at 31 March 2019					
Beginning of financial year	(510,835)	(547)	(15,352)	–	(526,734)
Credited to profit or loss	(1,517)	(285)	(381)	–	(2,183)
Currency translation differences	54,165	–	–	–	54,165
End of financial year	(458,187)	(832)	(15,733)	–	(474,752)

19. DEFERRED INCOME TAXES (CONTINUED)

Company

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Others $'000	Total $'000
As at 31 March 2020			
Beginning of financial year	111,347	3,143	114,490
Charged to profit or loss	67,731	723	68,454
Charged to other comprehensive income	–	(1,083)	(1,083)
End of financial year	**179,078**	**2,783**	**181,861**
As at 31 March 2019			
Beginning of financial year	82,564	5,006	87,570
Charged/(credited) to profit or loss	28,783	(2,946)	25,837
Charged to other comprehensive income	–	1,083	1,083
End of financial year	111,347	3,143	114,490

Deferred income tax assets

	Leases $'000	Provisions $'000	Total $'000
As at 31 March 2020			
Beginning of financial year	–	(15,728)	(15,728)
(Credited)/charged to profit or loss	(2,736)	36	(2,700)
End of financial year	**(2,736)**	**(15,692)**	**(18,428)**
As at 31 March 2019			
Beginning of financial year	–	(15,352)	(15,352)
Credited to profit or loss	–	(376)	(376)
End of financial year	–	(15,728)	(15,728)

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Current				
Trade payables	**138,397**	223,653	**119,691**	187,612
Non–trade payables to subsidiaries	**–**	–	**12,548**	20,069
Accrued operating expenses	**223,246**	268,727	**190,725**	245,430
Accrued capital expenditure and development costs	**378,954**	429,065	**246,412**	257,618
Sundry creditors and other accruals	**64,207**	128,313	**46,912**	70,840
Accrued regulatory contribution	**105,449**	84,921	**105,449**	84,921
Deposits received	**95,957**	92,333	**66,040**	63,168
	1,006,210	1,227,012	**787,777**	929,658

The non-trade payables to subsidiaries represent funds from subsidiaries managed by the Company on their behalf, and are unsecured and repayable on demand. The interest payable to subsidiaries for the funds managed ranges from 0.6% to 1.8% (2019: 0.6% to 1.6%).

Accrued regulatory contribution relates to the regulatory contribution that the Company is required to make in accordance with the CAAS Act. During the financial year, an amount of $4,933,000 (2019: nil) was utilised against the provision.

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Non-current				
Accrued capital expenditure and development costs	**50,847**	42,978	**50,847**	42,978
Other non-current liabilities	**123,378**	102,345	**93,945**	90,237
	174,225	145,323	**144,792**	133,215

Included in other non-current liabilities are accruals mainly relating to employee compensation schemes that are deferred and payable over a period of time and other miscellaneous non-current liabilities.

21. CONCESSION PAYABLE

	Group	
	2020	2019
	$'000	$'000
Beginning of financial year	**3,090,110**	3,494,758
Capitalised interest charge	**236,645**	254,324
Interest expense	**148,102**	158,607
Accrued variable concession	**22,497**	3,473
Less: Concession payment	**(23,854)**	(370,034)
Currency translation differences	**(750,478)**	(451,018)
End of financial year	**2,723,022**	3,090,110
Classified as:		
Current	**18,231**	24,453
Non-current	**2,704,791**	3,065,657
	2,723,022	3,090,110

Concession payable is made up of fixed and variable components. Fixed concession payable is discounted using an effective interest rate of 12.5%. Variable concession payable corresponds to 5% of gross operating revenue after deduction of legislated ATAERO fees which are embedded within the regulated airport service fees. ATAERO fees collected (net of revenue taxes) are payable to the Brazilian Civil Aviation National Fund.

22. LOANS AND BORROWINGS

	Group	
	2020	2019
	$'000	$'000
Current		
Bank borrowings – secured	**46,842**	1,009,623
Non-current		
Bank borrowings – secured	**1,322,286**	416,190
Loan from non-controlling interest	**229,027**	226,038
Bond payable – unsecured	**205,086**	–
	1,756,399	642,228

Included in total secured bank borrowings for the Group is an amount of $351,342,000 (2019: $472,368,000) which pertained to borrowings by Concessionária Aeroporto Rio de Janeiro S.A. (CARJ) from the National Bank for Economic and Social Development of Brazil ("BNDES") and other Brazilian commercial banks with an effective interest spread of 3.3% (2019: 3.3%) per annum above the Brazilian Long-term Interest Rate (TJLP). The bank borrowings are guaranteed by the Group's shares in RJA and CARJ, as well as credit rights arising from the concession agreement in Brazil. A corporate guarantee was issued by CAI, which guarantees 49% of the total financing of the subsidiary and is related only to the portion directly lent by BNDES.

22. LOANS AND BORROWINGS (CONTINUED)

Also included in total secured bank borrowings for the Group is an amount of $1,017,786,000 (2019: $953,445,000) which are variable rate borrowings and will be contractually repriced between one to three months. These bank borrowings will mature on the date falling 60 months from the first loan utilisation date and are secured on the assignment of insurances and contractual proceeds.

The loan from non-controlling interest is unsecured and interest expense is determined using the effective interest rate method. The loan is subordinated to external borrowings and is not expected to be repaid within the next twelve months from the end of the financial year.

On 27 March 2019, a subsidiary of the Company entered into an agreement to issue up to $500 million of 10-year fixed rate bonds with 300 million detachable warrants to Surbana Jurong Capital (Aviation) Pte. Ltd. ("Surbana Jurong"). The bond pays an interest of 5% per annum. The warrants are exercisable at Surbana Jurong's discretion into shares of certain subsidiaries held by the issuer at a 25% discount off the fair values of the equity shares up to a total discount of $100 million, at any time between issuance and maturity.

On 11 April 2019, Surbana Jurong subscribed to $300 million of the bonds which included the 300 million detachable warrants. The bond payable is amortised based on the assumption that it will be repaid at maturity date at an effective interest of 9.5%. The warrants are recognised as a derivative financial liability (Note 24).

At the balance sheet date, the fair values of the bank borrowings, loan from non-controlling interest and bond payable approximate their carrying values.

Reconciliation of loans and borrowings arising from financing activities

	2020	2019
	$'000	$'000
Beginning of financial year	**1,651,851**	1,331,906
Proceeds (net of principal and interest payments)	**293,107**	332,134
Non-cash changes:		
– Warrant recognised at inception	**(100,000)**	–
– Accrued interest	**53,755**	47,331
– Foreign exchange movement	**(93,793)**	(50,025)
– Other non-cash movements	**(1,679)**	(9,495)
End of financial year	**1,803,241**	1,651,851

23. LEASE LIABILITIES

	Group and Company	
	2020	2019
	$'000	$'000
Beginning of financial year	**–**	–
Initial adoption of FRS 116	**1,106,359**	–
Additions	**5,511**	–
Interest expense	**44,249**	–
Repayment of principal	**(878)**	–
Repayment of interest	**(16)**	–
End of financial year	**1,155,225**	–
Classified as:		
Current	**80,760**	–
Non-current	**1,074,465**	–
	1,155,225	–

A reconciliation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 March 2019 and the lease liabilities recognised in the balance sheet as at 1 April 2019 is as follows:

	Group	Company
	$'000	$'000
Operating lease commitments disclosed as at 31 March 2019	1,795,669	1,794,230
Less:		
– Commitments for short-term leases	(1,568)	(129)
– Lease payments made on 1 April 2019	(75,589)	(75,589)
Effect of discounting using weighted average incremental borrowing rate of 4.0% per annum	(612,153)	(612,153)
Lease liabilities recognised on 1 April 2019	1,106,359	1,106,359

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Group			Company		
		Fair value			Fair value	
	Contract notional amount $'000	Asset $'000	Liability $'000	Contract notional amount $'000	Asset $'000	Liability $'000
As at 31 March 2020						
Derivatives held for hedging:						
Cash flow hedge						
– Interest rate swaps	**510,000**	**–**	**(11,941)**	**–**	**–**	**–**
Derivatives not held for hedging:						
– Detachable warrants	**100,000**	**–**	**(100,000)**	**–**	**–**	**–**
		–	**(111,941)**		**–**	**–**
Classified as:						
– Current		**–**	**–**		**–**	**–**
– Non-current		**–**	**(111,941)**		**–**	**–**
		–	**(111,941)**		**–**	**–**
As at 31 March 2019						
Derivatives held for hedging:						
Cash flow hedge						
– Interest rate swaps	415,000	–	(137)	–	–	–
– FX commodity swap	36,214	6,373	–	36,214	6,373	–
Derivatives not held for hedging:						
– Commodity option	8,068	1,834	–	8,068	1,834	–
		8,207	(137)		8,207	–
Classified as:						
– Current		8,207	(137)		8,207	–

The weighted average hedged rate for interest rate swaps was 1.9% (2019: 2.0%). The interest rate swaps mature in July 2024.

The weighted average hedged rate for FX commodity swap was $450 (2019: $450) per metric tonne. As at balance sheet date, the FX commodity swap has matured.

Details of the detachable warrants are disclosed in Note 22.

There was no hedge ineffectiveness during the year.

25. DEFERRED INCOME

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Advances received	**54,423**	27,369	**42,635**	15,275
Deferred revenue	**124,900**	146,328	**80,104**	84,413
Deferred grants	**304,224**	70,028	**303,888**	70,028
	483,547	243,725	**426,627**	169,716
Classified as:				
Current	**86,324**	40,199	**64,672**	19,586
Non-current	**397,223**	203,526	**361,955**	150,130
	483,547	243,725	**426,627**	169,716

Deferred grants are amounts granted by the government to the Company to partially defray the costs of construction or acquisition of property, plant and equipment. Additions to deferred grants during the financial year amounted to $218,568,000 (2019: $70,028,000). The deferred grants amortised to profit or loss during the financial year amounted to $350,000 (2019: $nil).

26. SHARE CAPITAL AND RESERVES

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Share capital	**3,280,387**	3,280,387	**3,280,387**	3,280,387
Other reserve (b(i))	**27,861**	27,861	**–**	–
Hedging reserve (b(ii))	**(23,569)**	(7,935)	**–**	5,289
Currency translation reserve (b(iii))	**(352,432)**	(257,579)	**–**	–
Sinking fund reserve (b(iv))	**506,693**	505,890	**506,693**	505,890
	3,438,940	3,548,624	**3,787,080**	3,791,566

(a) Share capital

The Group and Company's share capital comprises 3,280,387,000 (2019: 3,280,387,000) fully paid-up ordinary shares with no par value, amounting to a total of $3,280,387,000 (2019: $3,280,387,000).

26. SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Composition of reserves

(i) Other reserve mainly relates to the difference between the consideration paid to CAAS as compared to the carrying amount of net assets transferred from CAAS, as reflected in the financial records of CAAS as at 1 July 2009 and, adjusted by the requirements of Singapore Financial Reporting Standards. The remaining amount pertains to the share of reserve of an associated company.

(ii) The Group used financial derivatives to hedge cash flow risks arising from changes in interest rates, foreign exchange rates and commodity prices. Fair values on the hedging derivatives are recognised in other comprehensive income and accumulated in the hedging reserve.

(iii) The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of entities in the Group whose functional currencies are different from the presentation currency of these financial statements as well as the Group's share of currency translation differences of its associated companies and joint ventures.

(iv) The sinking fund reserve has been set up for the Changi East Development.

The above reserves are non-distributable.

(c) Movements of reserves

(i) Hedging reserve

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(7,935)**	(1,364)	**5,289**	–
Fair value (losses)/gains	**(12,814)**	17,871	**(3,039)**	15,334
Reclassified to profit or loss	**(2,250)**	(10,045)	**(2,250)**	(10,045)
Share of hedging reserve from an associated company	**(5,359)**	(13,154)	**–**	–
Less: Non-controlling interests	**4,789**	(1,243)	**–**	–
End of financial year	**(23,569)**	(7,935)	**–**	5,289

26. SHARE CAPITAL AND RESERVES (CONTINUED)

(c) Movements of reserves (continued)

(ii) Currency translation reserve

	Group	
	2020	2019
	$'000	$'000
Beginning of financial year	**(257,579)**	(125,972)
Net currency translation differences of foreign subsidiaries, associated companies and joint ventures	**(185,728)**	(237,842)
Reclassified to profit or loss	**6,324**	–
Share of currency translation gain/(loss) of associated companies and joint ventures	**100**	(5,628)
Less: Non-controlling interests	**84,451**	111,863
End of financial year	**(352,432)**	(257,579)

(iii) Sinking fund reserve

	Group and Company	
	2020	2019
	$'000	$'000
Beginning of financial year	**505,890**	409,547
Sinking fund contribution	**803**	96,343
End of financial year	**506,693**	505,890

27. RETAINED PROFITS

Movements in retained profits for the Group and Company are as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**4,290,167**	4,014,786	**4,430,845**	4,056,676
Net profit	**434,539**	677,276	**318,218**	776,064
Dividend paid (Note 33)	**(271,623)**	(305,552)	**(271,623)**	(305,552)
Acquisition of additional interest in a subsidiary	**1,271**	–	**-**	–
Sinking fund contribution	**(803)**	(96,343)	**(803)**	(96,343)
End of financial year	**4,453,551**	4,290,167	**4,476,637**	4,430,845

28. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies and joint ventures (Note 16) are as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Investment property	**4,572**	17,225	**-**	–
Property, plant and equipment	**3,739,833**	2,119,356	**3,732,896**	2,113,550

The Group's share of associated companies' and joint ventures' capital commitments was approximately $4,000,000 (2019: $1,400,000).

(b) Operating lease commitments – where the Group is a lessor

The Group and Company lease out retail and commercial spaces under non-cancellable operating leases. The future minimum lease receivables from operating leases to be received after the reporting date are as follows:

	Group	**Company**
	$'000	**$'000**
As at 31 March 2020		
Not later than one year	194,466	111,704
Between one and two years	142,164	49,452
Between two and three years	49,163	19,688
Between three and four years	31,768	17,864
Between four and five years	19,684	17,931
Later than five years	306,682	299,130
	743,927	515,769
As at 31 March 2019		
Not later than one year	117,912	26,065
Between one and five years	270,221	42,379
Later than five years	385,415	376,110
	773,548	444,554

29. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise the potential adverse effects from these exposures on the Group's financial performance. The Group uses financial instruments such as interest rate swaps and FX commodity swaps to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk

(i) Currency risk

The Group has dominant operations in Singapore and Brazil. Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD") and Euro ("EUR"). The Group also has investments in foreign entities denominated in Russian Roubles ("RUB"), Indian Rupees ("INR") and Japanese Yen ("JPY").

If the USD and EUR had strengthened / weakened by 5% (2019: 5%) against the respective functional currencies of the Group with all other variables including tax rate being held constant, the effects on the net profit after tax or other comprehensive income would not be significant.

(ii) Price risk

The Group is not subject to significant price risk.

(iii) Interest rate risk

The Group's interest-bearing investments are in fixed deposits, with generally short-term maturities of around one year and fixed rate bonds issued by corporates, financial institutions and statutory boards that are held to maturity. Fixed deposits are placed with banks that offer the most competitive interest rate. On average, the interest rates of the fixed deposits are generally repriced every nine months.

The Group is exposed to interest rate risk arising from its loans and borrowings. The Group manages a significant portion of these cash flow interest rate risks using floating-to-fixed interest rate swaps. The Group is also exposed to variations in inflation rates in Brazil, which affect the cash flows associated with the concession payable. If the inflation rate had been higher by 30% (2019: 30%), the effects on the net profit after tax would not be significant.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The major classes of financial assets of the Group and Company are trade and other receivables, other investments and bank deposits. For trade and other receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security deposits where appropriate to mitigate credit risk. The trade and other receivables exposure is continuously monitored and followed up by the Finance Department and relevant business units.

For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties and an exposure cap (limit) is set and approved for each of the counterparties. The financial counterparties' limits and their credit ratings are then continuously monitored by the Treasury team.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial assets presented on the balance sheets.

(i) Trade receivables

For trade receivables, the Group applies the simplified approach where lifetime ECLs are recognised from initial recognition of the receivables. In measuring the expected credit losses, trade receivables are grouped based on similar credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers the historical loss rates for each category of customers under each business and adjusts to reflect current and forward-looking macroeconomic factors which may affect the ability of the customers to settle the receivables.

The Group generally considers a financial asset to be in default if the counterparty fails to make contractual payments within 90 days when they fall due and without recourse.

Trade receivables are written off when there is no reasonable expectation of recovery. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's and Company's credit risk exposures in relation to trade receivables as at 31 March 2020 are set out in the table below:

	Group		**Company**	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Past due 1 to 30 days	**10,092**	6,364	**6,425**	1,636
Past due 31 to 90 days	**1,092**	4,432	**–**	41
More than 90 days	**9,156**	16,687	**–**	160
	20,340	27,483	**6,425**	1,837

The Group recognised a credit loss allowance of $8,471,000 (2019: $4,993,000) and the Company recognised a credit loss allowance of $2,000,000 (2019: nil) in respect of trade receivables.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Financial assets at amortised cost

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group's investments in debt instruments are considered to be low risk investments as they are of investment grade credit rating with at least one major rating agency or are internally assessed to have high credit quality. The credit ratings of the investments are monitored for credit deterioration.

Cash and cash equivalents and other investments are subject to immaterial credit loss.

During the financial year, the Company made credit loss allowances on its loans to subsidiaries amounting to $161,135,000.

(c) Liquidity risk

The Group and the Company adopt prudent liquidity risk management by maintaining sufficient cash and an adequate amount of credit facilities for their operating requirements.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $'000	**Between 1 and 5 years $'000**	**Over 5 years $'000**
Group			
2020			
Trade and other payables	1,006,210	69,063	105,158
Loans and borrowings	101,253	1,664,633	470,569
Concession payable	18,231	645,319	10,479,372
Lease liabilities	79,227	303,096	1,340,123
2019			
Trade and other payables	1,171,812	62,843	82,476
Concession payable	24,453	378,594	13,859,256
Loan and borrowings	1,065,416	664,905	173,661
Company			
2020			
Trade and other payables	787,777	54,969	89,822
Lease liabilities	79,227	303,096	1,340,123
2019			
Trade and other payables	929,658	50,738	82,477

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below analyses the derivative financial instruments of the Group for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year $'000	Between 1 and 5 years $'000
Group		
2020		
Net-settled derivative financial instruments		
– Interest rate swaps	27	90
Net cash outflows	27	90
2019		
Net-settled derivative financial instruments		
– Interest rate swaps	12	–
Net cash outflows	12	–

(d) Capital risk

The Group's objective when managing capital is to ensure that the Group is adequately capitalised and to maintain an optimal capital structure so as to maximise shareholder value.

The Group is in compliance with all externally imposed capital requirements.

(e) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value, as well as assets and liabilities for which fair value disclosure is required, and for which the fair value differs from the carrying amount, classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
2020				
Assets				
Other investments	–	116,325	–	116,325
Investment property	–	–	1,600,000	1,600,000
Total assets	**–**	**116,325**	**1,600,000**	**1,716,325**
Liabilities				
Derivative financial instruments	–	111,941	–	111,941
Total liabilities	**–**	**111,941**	**–**	**111,941**
2019				
Assets				
Other investments	–	109,554	–	109,554
Derivative financial instruments	–	8,207	–	8,207
Investment property	–	–	1,600,000	1,600,000
Total assets	–	117,761	1,600,000	1,717,761
Liabilities				
Derivative financial instruments	–	137	–	137
Total liabilities	–	137	–	137
Company				
2020				
Assets				
Other investments	–	113,703	–	113,703
Total assets	**–**	**113,703**	**–**	**113,703**
2019				
Assets				
Other investments	–	109,302	–	109,302
Derivative financial instruments	–	8,207	–	8,207
Total assets	–	117,509	–	117,509

There were no transfers between levels 1, 2 and 3 during the year.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

Valuation techniques used to derive Level 2 fair values

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The fair values of other investments and derivative financial instruments are calculated as the present value of the estimated future cash flows, and are determined by using counterparty quotes at the balance sheet date.

Valuation techniques used to derive Level 3 fair values

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment property categorised under Level 3 of the fair value hierarchy:

Description	Valuation technique	Key unobservable inputs	Relationship of unobservable inputs to fair value
Mixed-used development	Direct Capitalisation Method	Capitalisation rate	Higher capitalisation rate results in lower fair value
		Total estimated revenue	Lower total revenue results in lower fair value
	Discounted Cash Flow Method	Discount rate	Higher discount rate results in lower fair value
		Total estimated revenue	Lower total revenue results in lower fair value.

30. IMMEDIATE AND ULTIMATE HOLDING ENTITY

The Company's immediate and ultimate holding entity is the Minister for Finance, incorporated in Singapore.

31. RELATED PARTY TRANSACTIONS

(a) In addition to the information disclosed elsewhere in the financial statements, the Group's significant transactions and balances with entities that are related parties to its ultimate holding entity are disclosed as follows:

	Group	
	2020	2019
	$'000	$'000
Revenue		
– Airport service fees	**245,284**	239,653
– Franchise fees	**79,892**	82,221
Expenses		
– Security related expenses	**145,000**	151,912
Receivables		
– Trade and other receivables	**30,343**	38,848
Payables		
– Trade and other payables	**14,359**	1,073

(b) Key management personnel compensation paid or payable amounted to $15,485,000 (2019: $18,760,000). Of this, $12,863,000 or 83% (2019: $13,597,000 or 72%) is attributable to short-term employee benefits such as directors' fees, employee salaries, bonus, leave entitlement and other benefits paid or payable within 12 months after the balance sheet date. The remaining expense is attributable to contributions to the Central Provident Fund and other long-term employee benefits.

32. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2020	2019
			%	%
Significant subsidiaries				
Held by the Company				
Changi Airports International Pte. Ltd. [a]	Investment holding and provision of consultancy services in the field of civil aviation	Singapore	**100**	100
Changi Travel Services Pte. Ltd. [a]	Sale of travel and tour-related products and packages	Singapore	**100**	100
Jewel Changi Airport Holdings Pte. Ltd. [a]	Investment holding	Singapore	**100**	100
Changi Airport Treasury Pte. Ltd.	Provision of financial services	Singapore	**100**	–

32. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP (CONTINUED)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2020	2019
			%	%
Significant subsidiaries (continued)				
Held by the Group				
Changi Airport Consultants Pte. Ltd. [(a)]	Provision of airport-related consultancy services	Singapore	**100**	100
Changi Airport Planners and Engineers Pte. Ltd. [(a)]	Provision of professional engineering services in the field of civil aviation	Singapore	**100**	100
Changi Airports International Capital Pte. Ltd. [(a)]	Other investment holding	Singapore	**100**	100
Changi Airport Saudi Ltd. [(b)]	Provision of airport management and operations services	Saudi Arabia	**100**	100
Rio de Janeiro Aeroporto S.A [(c)]	Investment holding	Brazil	**100**	100
Concessionária Aeroporto Rio de Janeiro S.A [(c)]	Airport concessionaire	Brazil	**51**	51
Jewel Changi Airport Devt Pte Ltd [(a)]	Provision of development, project, and real estate management services	Singapore	**51**	51
Jewel Changi Airport Hotel Pte Ltd [(a)]	Hotel and F&B operations	Singapore	**51**	51
Jewel Changi Airport Trust [(a)]	Operation and management of mixed-use development	Singapore	**51**	51
Jewel Changi Airport Trustee Pte Ltd [(a)]	Provision of trustee-management services	Singapore	**51**	51
CTS Southeast Asia Pte. Ltd. [(a)]	Investment holding	Singapore	**100**	60
Changi Travel International Pte. Ltd. [(a)]	Investment holding	Singapore	**100**	100

32. LISTING OF SIGNIFICANT COMPANIES IN THE GROUP (CONTINUED)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2020 %	2019 %
Significant associated companies and joint ventures				
Held by the Company				
Experia Events Pte Ltd [c]	Organising and management of conferences, exhibitions and other related activities	Singapore	**20**	20
Held by the Group				
Bengal Aerotropolis Projects Ltd [c] [d]	Development of airport and township projects	India	**30.2**	30.2
Transport AMD-2 Ltd [c]	Investment holding	Cyprus	**30**	30
OJSC International Airport Sochi [c]	Provision of airport and airport-related services	Russia	**30**	30
OJSC International Airport Krasnodar [c]	Provision of airport and airport-related services	Russia	**30**	30
OJSC International Airport Anapa [c]	Provision of airport and airport-related services	Russia	**30**	30
Terminal Vladivostok [c]	Provision of airport and airport-related services	Russia	**20**	33.3
Vladivostok International Airport [c]	Provision of airport and airport-related services	Russia	**18.5**	17.4
Fukuoka International Airport Co., Ltd [c]	Provision of airport and airport-related services	Japan	**21**	21

(a) Audited by PricewaterhouseCoopers LLP, Singapore.
(b) Audited by PricewaterhouseCoopers, Saudi Arabia.
(c) Audited by other firms
(d) BAPL has obtained financing from a consortium of banks. As required in the financing agreement, a subsidiary of the Group has undertaken not to sell, assign or transfer its shareholding in BAPL without prior approval of the banks.

33. DIVIDENDS

	Group and Company	
	2020	2019
	$'000	$'000
Final dividend paid in respect of the previous financial year (Note 27)	**271,623**	305,552

For the financial year ended 31 March 2020, no dividend (2019: $271,623,000) has been declared.

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2020 for which the Group has not early adopted.

The Group does not expect the adoption of these mandatory accounting standards or interpretations to have a material impact on the financial statements.

35. EVENT SUBSEQUENT TO BALANCE SHEET DATE

In view of the steep decline in passenger traffic and the likelihood that weak air travel demand will persist in the near term due to COVID-19, the Group has taken measures to optimise resources for airport partners and itself by consolidating its Singapore terminal operations. Terminal 2 operations were suspended for 18 months from 1 May 2020, while Terminal 4 has been placed on standby from 16 May 2020 until air travel demand picks up and sufficient number of flights return to the terminal. In addition, the Minister for Transport has announced on 16 June 2020 that the construction of Terminal 5 will be paused for at least 2 years. These events had no material impact to the carrying values of the Group's assets as at 31 March 2020. Further disclosures of the impact of COVID-19 are disclosed in Note 3(i).

36. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Changi Airport Group (Singapore) Pte. Ltd. on 17 July 2020.