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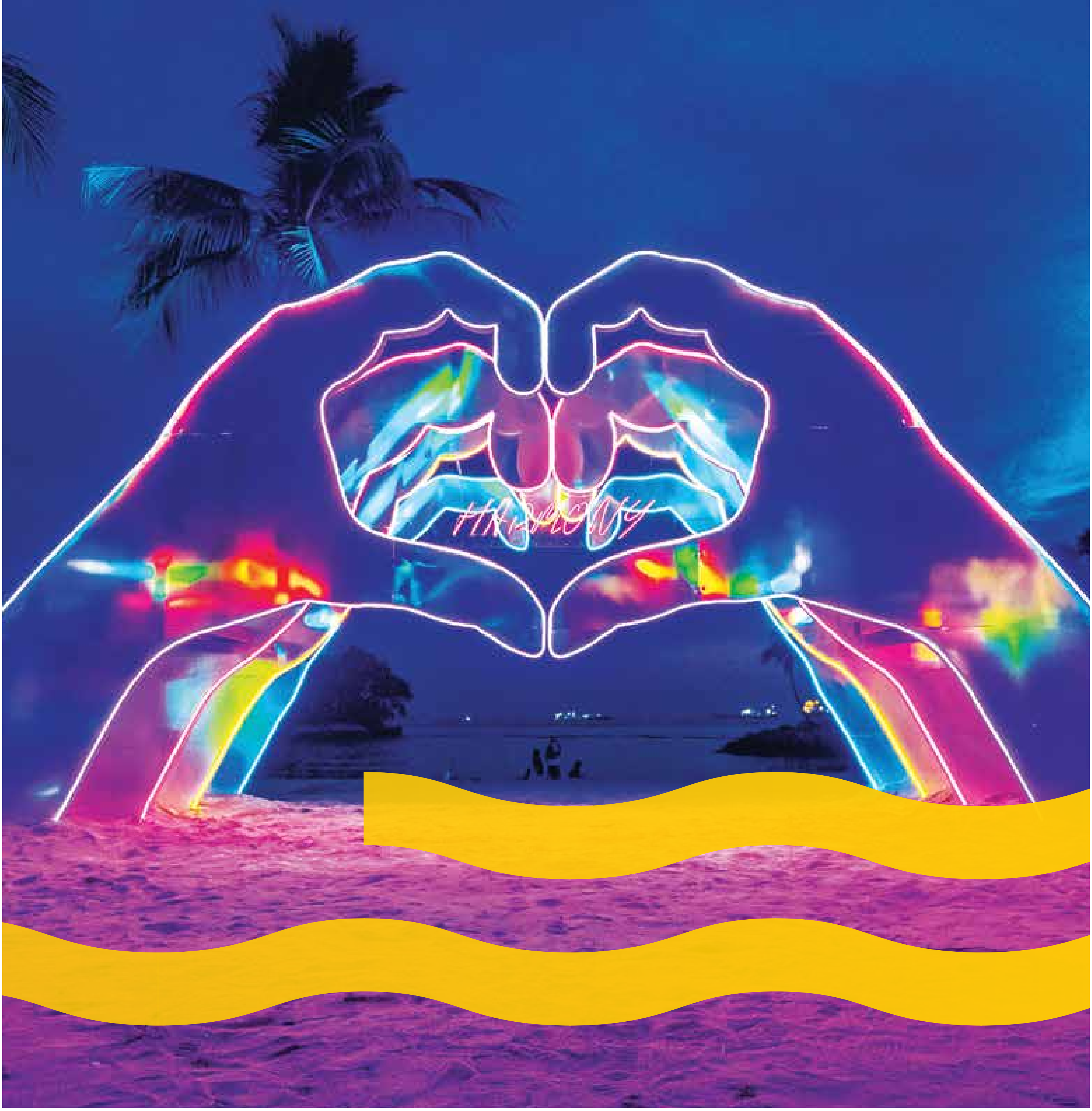
Sentosa Development Corporation

# FINANCIAL REPORT
## FY 2018/2019



# FINANCIAL REPORT 2018/2019

Sentosa Development Corporation
and its subsidiaries

Annual Financial Statements
31 March 2019

## CONTENTS

**Sentosa Development Corporation and its subsidiaries**

**Independent auditor's report**
**For the financial year ended 31 March 2019**

**Independent auditor's report to the Member of Sentosa Development Corporation**

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Sentosa Development Corporation (the "Corporation") and its subsidiaries (collectively, the "Group"), which comprise the statement of financial position of the Group and Corporation as at 31 March 2019, statements of comprehensive income of the Group and Corporation, statements of changes in equity of the Group and Corporation and the statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of comprehensive income, statement of financial position and the statement of changes in equity of the Corporation are properly drawn up in accordance with the provisions of the Public Sector (Governance) Act 2018, the Sentosa Development Corporation Act, Chapter 291 (the Act), and Statutory Board Financial Reporting Standards (SB-FRSs) so as to present fairly, in all material respects, the state of affairs of the Group and the Corporation as at 31 March 2019 and the results and changes in equity of the Group and the Corporation and cash flows of the Group for the year ended on that date.

### Basis for opinion

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

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Public Sector (Governance) Act, the Act and SB-FRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

A statutory board is constituted based on its constitutional act and its dissolution requires Parliament's approval. 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 there is intention to wind up the Group or for the Group to cease operations.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Sentosa Development Corporation and its subsidiaries**

**Independent auditor's report**
**For the financial year ended 31 March 2019**

**Independent auditor's report to the Member of Sentosa Development Corporation**

**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.

- 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 those charged with governance 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.

**Sentosa Development Corporation and its subsidiaries**

**Independent auditor's report**
**For the financial year ended 31 March 2019**

**Independent auditor's report to the Member of Sentosa Development Corporation**

## Report on other legal and regulatory requirements

In our opinion:

(a) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Corporation during the year are, in all material respects, in accordance with the provisions of the Public Sector (Governance) Act, the Act and the requirements of any other written law applicable to moneys of or managed by the Corporation; and

(b) proper accounting and other records have been kept, including records of all assets of the Corporation and of these subsidiaries incorporated in Singapore of which we are the auditors whether purchased, donated or otherwise.

### Basis for Opinion

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

### Responsibilities of Management for Compliance with Legal and Regulatory Requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Public Sector (Governance) Act, the Act and the requirements of any other written law applicable to moneys of or managed by the Corporation. This responsibility includes monitoring related compliance requirements relevant to the Corporation, and implementing internal controls as management determines are necessary to enable compliance with the requirements.

### Auditor's Responsibilities for the Compliance Audit

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Public Sector (Governance) Act, the Act and the requirements of any other written law applicable to moneys of or managed by the Corporation.

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

Ernst & Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

12 June 2019

**Sentosa Development Corporation and its subsidiaries**

**Statement of financial position**
**As at 31 March 2019**

| | Note | Group 2019 | Group 2018 | Corporation 2019 | Corporation 2018 |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | 775,900 | 793,845 | 718,593 | 733,230 |
| Land premium | 5 | 46,780 | 48,706 | 46,780 | 48,706 |
| Right of use of asset | 6 | 373 | 472 | 373 | 472 |
| Investments in subsidiaries | 7 | – | – | 41,108 | 41,108 |
| Investments in joint venture | 8 | 14,822 | 13,753 | – | – |
| Accrued income | 9 | 38,143 | 31,907 | 38,143 | 31,907 |
| | | 876,018 | 888,683 | 844,997 | 855,423 |
| **Current assets** | | | | | |
| Inventories | 10 | 8,164 | 7,585 | 5,879 | 5,079 |
| Trade and other receivables | 11 | 47,294 | 39,143 | 44,732 | 40,547 |
| Prepayments | | 2,185 | 1,877 | 1,514 | 902 |
| Investments | 12 | 1,019,586 | 978,668 | 1,019,586 | 978,668 |
| Financial derivatives at fair value | 13 | 2,226 | 4,173 | 2,226 | 4,173 |
| Cash and cash equivalents | 14 | 196,421 | 206,168 | 144,703 | 160,053 |
| | | 1,275,876 | 1,237,614 | 1,218,640 | 1,189,422 |
| **Total assets** | | 2,151,894 | 2,126,297 | 2,063,637 | 2,044,845 |
| **Current liabilities** | | | | | |
| Trade and other payables | 18 | 94,661 | 87,381 | 83,224 | 135,961 |
| Financial derivatives at fair value | 13 | 2,345 | 647 | 2,345 | 647 |
| Provisions | 19 | 8,487 | 14,587 | 8,487 | 14,587 |
| Deferred capital grants | 20 | 665 | 566 | 609 | 566 |
| Deferred membership fees | 21(a) | 6,606 | 6,208 | 6,606 | 6,208 |
| Deferred lease income | 21(b) | 1,119 | 1,139 | 1,119 | 1,139 |
| Provision for contribution to Consolidated Fund | 22 | 16,289 | 9,549 | 16,289 | 9,549 |
| Income tax payables | | 2,005 | 1,857 | – | – |
| | | 132,177 | 121,934 | 118,679 | 168,657 |
| **Non-current liabilities** | | | | | |
| Other payables | 18 | 2,480 | 1,466 | 1,980 | 966 |
| Provisions | 19 | 1,604 | 1,604 | 1,466 | 1,466 |
| Deferred capital grants | 20 | 10,481 | 11,342 | 10,328 | 11,342 |
| Deferred membership fees | 21(a) | 53,675 | 52,653 | 53,675 | 52,653 |
| Deferred lease income | 21(b) | 41,528 | 42,647 | 41,528 | 42,647 |
| Deferred tax liabilities | 23 | 360 | 817 | – | – |
| | | 110,128 | 110,529 | 108,977 | 109,074 |
| **Total liabilities** | | 242,305 | 232,463 | 227,656 | 277,731 |

**Sentosa Development Corporation and its subsidiaries**

**Statement of financial position**
**As at 31 March 2019**

| | Note | Group 2019 $'000 | Group 2018 $'000 | Corporation 2019 $'000 | Corporation 2018 $'000 |
|---|---|---|---|---|---|
| **Equity attributable to owner of the Corporation** | | | | | |
| Capital account | 15 | 16,135 | 14,731 | 16,135 | 14,731 |
| **FUNDS AND RESERVES** | | | | | |
| **Accumulated surplus** | | | | | |
| - General fund | 16 | 1,862,614 | 1,853,108 | 1,805,182 | 1,742,564 |
| - Restricted fund | 16 | 14,664 | 9,819 | 14,664 | 9,819 |
| - Revaluation reserve | 17 | 16,176 | 16,176 | – | – |
| **Total equity** | | 1,909,589 | 1,893,834 | 1,835,981 | 1,767,114 |
| **Total equity and liabilities** | | 2,151,894 | 2,126,297 | 2,063,637 | 2,044,845 |

Bob Tan Beng Hai
*Chairman*

Quek Swee Kuan
*Chief Executive Officer/*
*Board Member*

12 June 2019

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

**Sentosa Development Corporation and its subsidiaries**

**Statement of comprehensive income**
**For the financial year ended 31 March 2019**

**Group**

| | Note | General Fund 2019 | General Fund 2018 | Restricted Fund 2019 | Restricted Fund 2018 | TOTAL 2019 | TOTAL 2018 |
|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Income** | | | | | | | |
| Admission fees and packages | | 102,651 | 112,210 | – | – | 102,651 | 112,210 |
| Rental and hiring of facilities | 25 | 48,350 | 47,383 | – | – | 48,350 | 47,383 |
| Interest income | | 3,030 | 2,137 | 233 | 98 | 3,263 | 2,235 |
| Investment income | 26 | 44,838 | 28,310 | – | – | 44,838 | 28,310 |
| Other income | 27 | 64,010 | 55,835 | 10,448 | 9,689 | 74,458 | 65,524 |
| Write back of provision of Cove infrastructure | 19 | – | 28,900 | – | – | – | 28,900 |
| | | 262,879 | 274,775 | 10,681 | 9,787 | 273,560 | 284,562 |
| **Expenditure** | | | | | | | |
| Cost of sale for admission fees and packages | | 24,800 | 30,552 | 77 | – | 24,877 | 30,552 |
| Staff costs | 28 | 91,636 | 85,448 | 1,036 | 1,004 | 92,672 | 86,452 |
| Depreciation of property, plant and equipment | | 62,770 | 60,918 | – | – | 62,770 | 60,918 |
| Amortisation of land premium | | 1,926 | 1,926 | – | – | 1,926 | 1,926 |
| Amortisation of rights of use of an asset | | 99 | 98 | – | – | 99 | 98 |
| Repairs and maintenance | | 27,034 | 23,334 | 2,117 | 2,152 | 29,151 | 25,486 |
| Publicity and promotion | | 20,126 | 15,862 | – | – | 20,126 | 15,862 |
| Inventories used | | 16,182 | 15,524 | – | – | 16,182 | 15,524 |
| General and administrative expenses | 29 | 32,029 | 32,189 | 2,958 | 3,063 | 34,987 | 35,252 |
| | | 276,602 | 265,851 | 6,188 | 6,219 | 282,790 | 272,070 |
| **(Deficit)/surplus before Government Grants from operations** | | (13,723) | 8,924 | 4,493 | 3,568 | (9,230) | 12,492 |
| Deferred capital grants amortised | | 762 | 566 | – | – | 762 | 566 |
| Share of results of a joint venture, net of tax | | 1,069 | 789 | – | – | 1,069 | 789 |
| Operating grants | | 53,584 | 53,741 | – | – | 53,584 | 53,741 |
| **Surplus before taxation and contribution to Consolidated Fund** | | 41,692 | 64,020 | 4,493 | 3,568 | 46,185 | 67,588 |
| Income tax expense | 30 | (1,450) | (1,840) | – | – | (1,450) | (1,840) |
| Contribution to Consolidated Fund | 22 | (15,525) | (8,943) | (764) | (606) | (16,289) | (9,549) |
| **Surplus for the year, net of taxation and contribution to Consolidated Fund** | | 24,717 | 53,237 | 3,729 | 2,962 | 28,446 | 56,199 |
| **Net surplus for the year, representing total comprehensive income for the year** | | 24,717 | 53,237 | 3,729 | 2,962 | 28,446 | 56,199 |

**Sentosa Development Corporation and its subsidiaries**

**Statement of comprehensive income**
**For the financial year ended 31 March 2019**

**Corporation**

| | Note | General Fund 2019 | General Fund 2018 | Restricted Fund 2019 | Restricted Fund 2018 | TOTAL 2019 | TOTAL 2018 |
|---|---|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Income** | | | | | | | |
| Admission fees and packages | | 54,359 | 84,598 | – | – | 54,359 | 84,598 |
| Rental and hiring of facilities | 25 | 53,533 | 52,971 | – | – | 53,533 | 52,971 |
| Interest income | | 2,163 | 1,631 | 233 | 98 | 2,396 | 1,729 |
| Investment income | 26 | 44,838 | 28,310 | – | – | 44,838 | 28,310 |
| Other income | 27 | 105,103 | 38,243 | 10,448 | 9,689 | 115,551 | 47,932 |
| Write back of provision of Cove infrastructure | 19 | – | 28,900 | – | – | – | 28,900 |
| | | 259,996 | 234,653 | 10,681 | 9,787 | 270,677 | 244,440 |
| **Expenditure** | | | | | | | |
| Cost of sale for admission fees and packages | | 17,692 | 42,254 | 77 | – | 17,769 | 42,254 |
| Staff costs | 28 | 71,101 | 67,738 | 1,036 | 1,004 | 72,137 | 68,742 |
| Depreciation of property, plant and equipment | | 54,867 | 53,624 | – | – | 54,867 | 53,624 |
| Amortisation of land premium | | 1,926 | 1,926 | – | – | 1,926 | 1,926 |
| Amortisation of rights of use of an asset | | 99 | 98 | – | – | 99 | 98 |
| Repairs and maintenance | | 23,985 | 20,895 | 2,117 | 2,152 | 26,102 | 23,047 |
| Publicity and promotion | | 17,890 | 13,908 | – | – | 17,890 | 13,908 |
| Inventories used | | 8,218 | 7,688 | – | – | 8,218 | 7,688 |
| General and administrative expenses | 29 | 25,141 | 26,201 | 2,958 | 3,063 | 28,099 | 29,264 |
| | | 220,919 | 234,332 | 6,188 | 6,219 | 227,107 | 240,551 |
| **Surplus before Government Grants from operations** | | 39,077 | 321 | 4,493 | 3,568 | 43,570 | 3,889 |
| Deferred capital grants amortised | | 693 | 566 | – | – | 693 | 566 |
| Operating grants | | 53,584 | 53,741 | – | – | 53,584 | 53,741 |
| **Surplus before contribution to Consolidated Fund** | | 93,354 | 54,628 | 4,493 | 3,568 | 97,847 | 58,196 |
| Contribution to Consolidated Fund | 22 | (15,525) | (8,943) | (764) | (606) | (16,289) | (9,549) |
| **Surplus for the year, net of contribution to Consolidated Fund** | | 77,829 | 45,685 | 3,729 | 2,962 | 81,558 | 48,647 |
| **Net surplus for the year, representing total comprehensive income for the year** | | 77,829 | 45,685 | 3,729 | 2,962 | 81,558 | 48,647 |

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

**Sentosa Development Corporation and its subsidiaries**

**Statement of changes in equity**
**For the financial year ended 31 March 2019**

| Group | Capital account (Note 15) $'000 | General fund $'000 | Restricted funds $'000 | Accumulated surplus (Note 16) $'000 | Revaluation reserve (Note 17) $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| At 1 April 2017 | 14,571 | 1,800,630 | 5,874 | 1,806,504 | 16,176 | 1,837,251 |
| Surplus for the year | – | 53,237 | 2,962 | 56,199 | – | 56,199 |
| Sinking fund | – | – | 983 | 983 | – | 983 |
| **Total comprehensive income for the year** | – | 53,237 | 3,945 | 57,182 | – | 57,182 |
| Dividend paid to the Government | – | (759) | – | (759) | – | (759) |
| Capital contributed by the Government | 160 | – | – | – | – | 160 |
| At 31 March 2018 | 14,731 | 1,853,108 | 9,819 | 1,862,927 | 16,176 | 1,893,834 |
| At 1 April 2018 | 14,731 | 1,853,108 | 9,819 | 1,862,927 | 16,176 | 1,893,834 |
| Surplus for the year | – | 24,717 | 3,729 | 28,446 | – | 28,446 |
| Sinking fund | – | – | 1,116 | 1,116 | – | 1,116 |
| **Total comprehensive income for the year** | – | 24,717 | 4,845 | 29,562 | – | 29,562 |
| Dividend paid to the Government | – | (15,211) | – | (15,211) | – | (15,211) |
| Capital contributed by the Government | 1,404 | – | – | – | – | 1,404 |
| At 31 March 2019 | 16,135 | 1,862,614 | 14,664 | 1,877,278 | 16,176 | 1,909,589 |

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

**Sentosa Development Corporation and its subsidiaries**

**Statement of changes in equity**
**For the financial year ended 31 March 2019**

| **Corporation** | **Capital account (Note 15)** $'000 | **General fund** $'000 | **Restricted funds** $'000 | **Accumulated surplus (Note 16)** $'000 | **Total equity** $'000 |
|---|---|---|---|---|---|
| At 1 April 2017 | 14,571 | 1,697,638 | 5,874 | 1,703,512 | 1,718,083 |
| Surplus for the year | – | 45,685 | 2,962 | 48,647 | 48,647 |
| Sinking fund | – | – | 983 | 983 | 983 |
| **Total comprehensive income for the year** | – | 45,685 | 3,945 | 49,630 | 49,630 |
| Dividend paid to the Government | – | (759) | – | (759) | (759) |
| Capital contributed by the Government | 160 | – | – | – | 160 |
| At 31 March 2018 | 14,731 | 1,742,564 | 9,819 | 1,752,383 | 1,767,114 |
| At 1 April 2018 | 14,731 | 1,742,564 | 9,819 | 1,752,383 | 1,767,114 |
| Surplus for the year | – | 77,829 | 3,729 | 81,558 | 81,558 |
| Sinking fund | – | – | 1,116 | 1,116 | 1,116 |
| **Total comprehensive income for the year** | – | 77,829 | 4,845 | 82,674 | 82,674 |
| Dividend paid to the Government | – | (15,211) | – | (15,211) | (15,211) |
| Capital contributed by the Government | 1,404 | – | – | – | 1,404 |
| At 31 March 2019 | 16,135 | 1,805,182 | 14,664 | 1,819,846 | 1,835,981 |

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

**Sentosa Development Corporation and its subsidiaries**

**Statement of cash flows**
**For the financial year ended 31 March 2019**

| Group | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Surplus before taxation and contribution to Consolidated Fund | | 46,185 | 67,588 |
| Adjustments for: | | | |
| Interest income | | (31,147) | (27,858) |
| Dividend income | | (5,209) | (4,749) |
| Depreciation of property, plant and equipment | 4 | 62,770 | 60,918 |
| Amortisation of land premium | 5 | 1,926 | 1,926 |
| Amortisation of rights of use of an asset | 6 | 99 | 98 |
| Loss on disposal/write-off of property, plant and equipment | | 195 | 4,836 |
| Write back of doubtful debts | | 56 | (283) |
| Unrealised fair value (gain)/loss on investment | 26 | (31,862) | 26,975 |
| Amortisation of deferred membership | 21(a) | (8,397) | (7,685) |
| Amortisation of deferred lease income | 21(b) | (1,139) | (1,139) |
| Share of results of a joint venture | 8 | (1,069) | (789) |
| Write back of provision of Cove infrastructure | 19 | – | (28,900) |
| Amortisation of deferred capital grants | 20 | (762) | (566) |
| Net change in fair value loss of derivatives | | 3,637 | 838 |
| **Operating cash flows before working capital changes** | | 35,283 | 91,210 |
| <u>Changes in working capital</u> | | | |
| Increase in inventories | | (579) | (3,585) |
| (Increase)/decrease in trade and other receivables and prepayments | | (7,388) | 11,522 |
| Increase in accrued income | | (6,237) | (6,176) |
| Increase/(decrease) in trade and other payables | | 8,294 | (4,608) |
| Decrease in provisions | | (6,100) | (4,003) |
| Cash generated from operating activities | | 23,273 | 84,360 |
| Net tax paid | | (1,761) | (813) |
| Contribution to Consolidated Fund | | (9,549) | (2,404) |
| Membership fees received | 21(a) | 9,817 | 2,910 |
| Net increase in cash of Sentosa Cove Residential Fund | | (7,455) | (1,516) |
| **Net cash generated from operating activities** | | 14,325 | 82,537 |
| **Investing activities** | | | |
| Interest received | | 31,147 | 27,858 |
| Dividends received | | 5,209 | 4,749 |
| Purchase of property, plant and equipment | 4 | (45,167) | (47,536) |
| Purchase of investments | | (636,523) | (754,886) |
| Proceeds from sale of investments | | 627,467 | 687,893 |
| Proceeds from disposal of property, plant and equipment | | 147 | 14 |
| **Net cash used in investing activities** | | (17,720) | (81,908) |

**Sentosa Development Corporation and its subsidiaries**

**Statement of cash flows**
**For the financial year ended 31 March 2019**

| **Group** | **Note** | **2019** $'000 | **2018** $'000 |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from capital contributed by the Government | | 1,404 | 857 |
| Dividend paid to the Government | | (15,211) | (759) |
| **Net cash (used in)/generated from financing activities** | | (13,807) | 98 |
| **Net (decrease)/increase in cash and cash equivalents** | | (17,202) | 727 |
| Cash and cash equivalents at the beginning of the financial year | | 197,562 | 196,835 |
| **Cash and cash equivalents at the end of the financial year** | 14 | 180,360 | 197,562 |

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

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 1. Domicile and activities

Sentosa Development Corporation (the "Corporation") is a statutory board established under the Sentosa Development Corporation Act, Chapter 291 (the "Act"), under the purview of the Ministry of Trade and Industry ("MTI"). As a statutory board, the Corporation is subject to the directions of the MTI and is required to implement policies and policy changes as determined by its supervisory ministry and other Government ministries such as the Ministry of Finance from time to time. The address of the Corporation's registered office and place of business is at 39 Artillery Avenue, Sentosa, Singapore 099958.

The Corporation's primary function is to control and administer Sentosa Island and encourage the development of services, facilities and amenities on the island for tourists and the public. There have been no significant changes in the nature of this function during the financial year.

The Corporation has a division, Sentosa Golf Club (the "Club"), a proprietary club registered with the Registrar of Societies under the Societies Act (Chapter 311). The proprietor of the Club is Sentosa Development Corporation. The principal activities of the Club are to provide and maintain a clubhouse and facilities for golf and other recreational activities for its members. There have been no significant changes in the nature of these activities during the financial year. Transactions of the Club are accounted for as part of the Corporation's accounts.

The financial statements of the Corporation as at and for the year ended 31 March 2019 comprise the Corporation and its subsidiaries (together referred to as the "Group") and the Group's interest in joint ventures.

## 2. Summary of significant accounting policies

### 2.1 *Basis of preparation*

The financial statements have been prepared in accordance with the provisions of the Public Sector (Governance) Act, the Act and Statutory Board Financial Reporting Standards ("SB-FRS").

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

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

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2018. The adoption of the standards did not have any effect on the financial performance or position of the Group, except for SB-FRS 115.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

**2. Summary of significant accounting policies (cont'd)**

2.2 ***Changes in accounting policies (cont'd)***

SB-FRS 115 *Revenue from Contracts with Customers*

The Group adopted SB-FRS 115 which is effective for annual periods beginning on or after 1 April 2018.

The Group's income consists of admission fees and packages, club income, sales of merchandise and food and beverages. The key impact of adopting SB-FRS 115 is detailed as follows:

For sales of admission tickets and packages, management has assessed that it is acting as an agent to sell admission tickets and packages on behalf of island partners. Therefore, the income from sales of admission tickets and packages should be recognised on a net basis.

This change would result in a decrease of $21.9 million to income from admission fees and packages and cost of sale for admission fees and packages for FY17/18 respectively. Management has elected the modified retrospective approach for the adoption of this standard. There is no impact on the opening balance of retained earnings as at 1 April 2018. The comparative information in the statement of comprehensive income is not restated and continues to be reported under the previous revenue standard.

2.3 ***Standards issued but not yet effective***

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

| **Description** | **Effective for annual periods beginning on or after** |
|---|---|
| SB-FRS 116 *Leases* | 1 January 2019 |
| Amendments to SB-FRS 28: *Long-term Interests in Associates and Joint Ventures* | 1 January 2019 |
| Amendments to SB-FRS 109: *Prepayment Features with Negative Compensation* | 1 January 2019 |
| INT SB-FRS 123 *Uncertainty over Income Tax Treatments* | 1 January 2019 |
| Amendments to SB-FRS 110 & SB-FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |

Except for SB-FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SB-FRS 116 is described below.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

**2. Summary of significant accounting policies (cont'd)**

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

SB-FRS 116 *Leases*

SB-FRS 116 requires lessees to recognise most leases on statement of financial position. The standard includes two recognition exemption for leases – leases of 'low value' assets and short-term leases. SB-FRS 116 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SB-FRS 116 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 April 2019.

On adoption of SB-FRS 116, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SB-FRS 116 has been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 April 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any period or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 April 2019

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SB-FRS 116 in 2019.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

**2. Summary of significant accounting policies (cont'd)**

2.4 ***Basis of consolidation***

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

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

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

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

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

2.5 ***Functional and foreign currency***

(a) *Functional currency*

The management has determined the currency of the primary economic environment in which the Group operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) *Foreign currency transactions*

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

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

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 2. Summary of significant accounting policies (cont'd)

### 2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment that is directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| Leasehold land and improvements to land | - | 10 to 103 years or over remaining lease terms ranging from 48 to 61 years |
| Buildings, attractions, facilities and renovations | - | 3 to 50 years |

Plant and machinery, operating equipment and other assets, comprising:

| | | | |
|---|---|---|---|
| (i) | Plant and machinery (including cable car system) | - | 3 to 50 years |
| (ii) | Transportation assets | - | 4 to 50 years |
| (iii) | Furniture and fittings | - | 1 to 27 years |
| (iv) | Computer equipment | - | 3 to 10 years |

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

### 2.7 *Land premium*

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

Land premium for land use rights is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the lease term.

### 2.8 *Right of use asset*

Right of use asset relates to the rights to the use of the floating sea barriers. This is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the useful life of 8 years.

## 2. Summary of significant accounting policies (cont'd)

### 2.9 *Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in income statement.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.10 *Subsidiaries*

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

In the Corporation's statement of financial position, investments in subsidiaries are accounted for at cost less impairment losses.

### 2.11 *Joint ventures*

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost which includes transaction costs.

The consolidated financial statements include the Group's share of the income statement and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that joint control commences until the date that joint control ceases.

**2. Summary of significant accounting policies (cont'd)**

2.11 ***Joint ventures (cont'd)***

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

An impairment loss in respect of joint venture is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in income statement. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

2.12 ***Financial instruments***

(a) *Financial assets*

***Initial recognition and measurement***

Financial assets are recognised when, and only when, the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in income statement.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

***Subsequent measurement***

(i) Amortised cost

Trade and other receivables and cash and cash equivalents are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in income statement when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Investments in fixed income, equities and derivatives are measured at fair value through profit or loss. Changes in fair value at the end of each reporting period are recognised in income statement. Interest income from fixed income and dividends from equities are to be recognised in income statement when the Group’s right to receive payments is established.

**2. Summary of significant accounting policies (cont'd)**

2.12 ***Financial instruments (cont'd)***

(a) *Financial assets (cont'd)*

***De-recognition***

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

(b) *Financial liabilities*

***Initial recognition and measurement***

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

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

***Subsequent measurement***

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

***De-recognition***

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in income statement.

2.13 ***Impairment of financial assets***

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

**2. Summary of significant accounting policies (cont'd)**

2.13 ***Impairment of financial assets (cont'd)***

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.14 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, cash held with banks and Accountant-General's Department ("AGD"), and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of cash and cash equivalents held on behalf of the Government-related specific funds, which form an integral part of the Group's cash management.

2.15 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Merchandise: cost is determined on a weighted average basis

- Food and beverage and consumables and spare parts: cost is determined based on a first-in first-out basis

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 ***Provisions***

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

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

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 2. Summary of significant accounting policies (cont'd)

### 2.17 *Restricted fund*

The Sentosa Development Corporation Act (the "Act") provides that the Corporation shall establish a maintenance fund and levy a maintenance fee on the Sentosa Cove owners, for the purposes of managing and maintaining the Sentosa Cove resort area and of providing and maintaining the infrastructure and other facilities and services for the use of persons living and working in the resort area. The amounts in the Sentosa Cove Residential Fund relate to maintenance contribution received from the Sentosa Cove residents less the expenditure incurred for the residential precinct to date, are restricted to be used for the specified purpose provided under the Act.

The income and expenditure relating to these that are subject to legal or grantor/donor imposed stipulation are accounted for under Restricted Fund in the Group's and Corporation's statement of comprehensive income.

### 2.18 *Provision for contribution to Consolidated Fund*

The Corporation is required to make contribution to the Consolidated Fund in accordance with the Statutory Corporations (Contributions to Consolidated Fund) Act, Chapter 319A. The provision is based on guidelines specified by the Ministry of Finance. It is computed based on a percentage pegged at the prevailing corporate tax rate for the year of assessment on the net surplus of the Corporation and after deducting prior year's accumulated deficits. Contribution is provided for on an accrual basis.

The Corporation is allowed to carry forward its deficits to offset against its future surplus. The deficits have no expiry date.

The benefits associated with the deficits are recognised as deferred income tax asset to the extent that realisation of the related benefits through future surplus are probable.

### 2.19 *Deferred membership fees*

Deferred membership fee comprises club membership fee and term membership fee. These fees are the contract liabilities which relates to the Group's obligation to provide utilisation of the Club to its members for which the Club has received the membership fees in advance.

Club membership fee refers to the lump sum payment made by members for the ordinary membership which is amortised and recognised as income on a straight-line basis over the lease term of the land occupied by the Club. The lease term of the land occupied by the Club is 30 years (the "Existing Lease").

In 2015, the lease term of the land occupied by the Club for Tanjong Golf Course and Serapong Golf Course was extended to 2040 and 2030 respectively (the "Extended Lease").

Additional club membership fee collected for the Extended Lease will commence amortisation upon expiry of the Existing Lease and will be amortised on a straight-line basis over the Extended Lease period.

Term membership fee refers to the yearly membership fee paid by members in advance and it is amortised and recognised as income on a straight-line basis over a year.

**2. Summary of significant accounting policies (cont'd)**

2.20 ***Deferred lease income***

Deferred lease income is service income and development fee in respect of long-term leases, which is amortised and recognised as income on the basis so as to match the related costs.

2.21 ***Government grants***

*Capital grant*

Government grants are recognised initially as deferred income 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. These grants are then recognised in income statement as other income on a systematic basis over the useful life of the asset.

Government grants for the establishment of the Corporation are taken to the capital account.

Government grants and contributions for the purchase of depreciable property, plant and equipment are taken to the deferred capital grants account. The deferred capital grants are recognised in the income statement over the periods necessary to match the depreciation and gain or loss on disposal of the property, plant and equipment purchased with the grants.

*Operating grant*

Government grant shall be recognised in income statement on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

2.22 ***Capital***

Capital contributed by the Government is recognised in the capital account. Incremental costs directly attributable to the capital are recognised as a deduction from the capital, net of any tax effects.

2.23 ***Employee benefits***

(a) *Defined contribution plans*

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

(b) *Short-term employee benefits*

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

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

**2. Summary of significant accounting policies (cont'd)**

2.24 ***Leases***

(a) *As lessee*

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.26(b). Contingent rents are recognised as income in the period in which they are earned.

2.25 ***Income***

Income is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Income is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of income recognised is the amount allocated to the satisfied performance obligation.

(a) *Admission fees and packages*

Income from admission fees and packages is recognised on sale and presentation of admission tickets and packages, net of discount.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 2. Summary of significant accounting policies (cont'd)

### 2.26 *Income (cont'd)*

(b) *Rental and hiring of facilities*

Rental income is recognised on a straight-line basis over the terms of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Lease income from operating leases is recognised on a straight-line basis over the lease terms on ongoing leases. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease terms on a straight-line basis.

(c) *Club income*

Membership income comprises the following:

(i) Amortisation of the club membership fee and recognised on a straight-line basis over the remaining lease term of the land occupied by the Club;

(ii) Term membership fees are amortised over a year;

(iii) Transfer fees on club membership that are recognised on approval of transfer;

(iv) Upon sale of a corporate membership, nominee registration fees for two nominees are recognised on acceptance of the first nominee by the General Committee of the Club or upon the expiration of three months from admission of the Club Member, whichever is earlier;

(v) Upon a change of corporate nominee, nominee fees are recognised on approval of admission of the corporate nominee by the General Committee; and

(vi) Members' subscription income from subscription fees is recognised on an accrual basis.

Golfing income comprises income from green fees and fees from other social facilities provided by the Club that are recognised when services have been rendered, and accepted by customers.

(d) *Sales of merchandise*

Income from sales of merchandise is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, net of trade discounts. Income is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

**2. Summary of significant accounting policies (cont'd)**

2.26 ***Income (cont'd)***

(e) *Service, development, project management fees and headquarter support cost recovery*

Service, development, project management fees and headquarter support cost recovery are recognised as income when services are rendered, and accepted by customers or related parties.

(f) *Food and beverage*

Income from sales of food and beverage is recognised upon sales made to customers, net of discounts.

(g) *Interest income*

Interest income is recognised using the effective interest method.

(h) *Sponsorship income*

Sponsorship income is recognised at fair value as income as and when it is reasonably certain that they will be received and conditions for receipt have been met.

(i) *Maintenance fund contributions*

Maintenance fund contributions are recognised on an accrual basis.

(j) *Dividend income*

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

(k) *Consent fee income*

Consent fee income is recognised for the transfer of ownership for lease for which agreements have been concluded.

## 2. Summary of significant accounting policies (cont'd)

### 2.27 *Taxes*

Sentosa Development Corporation is a tax-exempted institution under the provisions of the Income Tax Act (Chapter 134). The subsidiaries of the Corporation are subject to local tax legislation.

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax law used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

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

(b) *Deferred tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

**2. Summary of significant accounting policies (cont'd)**

2.27 ***Taxes (cont'd)***

(b) *Deferred tax (cont'd)*

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

(c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.28 ***Share capital and share issuance expenses***

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**3. Significant accounting judgements and estimates**

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 ***Judgement made in applying accounting policies***

There are no areas of critical judgement in applying accounting policies and that have the most significant effect on the amounts recognised in the financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 3. Significant accounting judgements and estimates (cont'd)

### 3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

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

(a) Useful life of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 103 years (2018: 3 to 103 years). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

The carrying amounts of the Group's and the Corporation's property, plant and equipment as at 31 March 2019 are disclosed in Note 4 to the financial statements.

(b) Provision for expected credit losses of trade receivables

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 34.

The carrying amount of the Group's trade receivables at the end of the reporting period is disclosed in Note 11 to the financial statements.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

**3. Significant accounting judgements and estimates (cont'd)**

3.2 ***Key sources of estimation uncertainty (cont'd)***

(c) Provision for Cove infrastructure

There is a present, legal and constructive obligation for the provision of infrastructure and amenities to purchasers of the Sentosa Cove's land, for which management expects to incur the expenditure.

In determining the provision, assumptions and estimates are made in relation to the expected cost for incurring the infrastructure expenditure. This includes assessing the scope of the projects to be performed. The provision amount for the projects is estimated based on the latest available information from awarded tender prices and quotations. Past bids for similar projects are used as a basis for determining the provision for projects which have not commenced. In the past financial year, management has performed a detailed review of the Cove infrastructure requirements through consultancy and feasibility studies. The carrying amount of the provision as the end of the reporting period is disclosed in Note 19 to the financial statements.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 4. Property, plant and equipment

| Group | Leasehold land and improvements to land $'000 | Buildings, attractions, facilities and renovations $'000 | Development projects-in-progress $'000 | Plant and machinery, operating equipment and other assets $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2017 | 511,605 | 556,708 | 43,678 | 286,533 | 1,398,524 |
| Additions | 6,685 | 3,272 | 9,864 | 27,715 | 47,536 |
| Disposals/written-off | (131) | (3,155) | (2,113) | (3,046) | (8,445) |
| Transfers | 1,006 | 884 | (20,444) | 18,554 | – |
| As at 31 March 2018 and 1 April 2018 | 519,165 | 557,709 | 30,985 | 329,756 | 1,437,615 |
| Additions | 3,139 | 5,628 | 19,917 | 16,483 | 45,167 |
| Disposals/written off | (4) | (965) | (17) | (20,409) | (21,395) |
| Transfers | 8,154 | 2,880 | (17,462) | 6,428 | – |
| As at 31 March 2019 | 530,454 | 565,252 | 33,423 | 332,258 | 1,461,387 |
| At 1 April 2017 | 198,673 | 215,866 | – | 171,908 | 586,447 |
| Charge for the year | 12,829 | 21,620 | – | 26,469 | 60,918 |
| Disposals/written off | (7) | (1,413) | – | (2,175) | (3,595) |
| As at 31 March 2018 and 1 April 2018 | 211,495 | 236,073 | – | 196,202 | 643,770 |
| Charge for the year | 15,829 | 19,223 | – | 27,718 | 62,770 |
| Disposals/written off | (2) | (842) | – | (20,209) | (21,053) |
| As at 31 March 2019 | 227,322 | 254,454 | – | 203,711 | 685,487 |
| **Net book values** | | | | | |
| As at 31 March 2019 | 303,132 | 310,798 | 33,423 | 128,547 | 775,900 |
| As at 31 March 2018 | 307,670 | 321,636 | 30,985 | 133,554 | 793,845 |

Included in the cost of property, plant and equipment was an amount of $500,000 (2018: $500,000) related to costs for dismantling removal, and restoration of the property, plant and equipment, which was provided for as reinstatement costs.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 4. Property, plant and equipment (cont'd)

| **Corporation** | **Leasehold land and improvements to land** $'000 | **Buildings, attractions, facilities and renovations** $'000 | **Development projects-in-progress** $'000 | **Plant and machinery, operating equipment and other assets** $'000 | **Total** $'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2017 | 485,423 | 486,809 | 43,176 | 282,962 | 1,298,370 |
| Additions | 6,481 | 2,059 | 7,876 | 27,720 | 44,136 |
| Disposals/written-off | (602) | (1,870) | (1,346) | (5,791) | (9,609) |
| Transfers | 571 | 237 | (18,839) | 18,031 | – |
| As at 31 March 2018 and 1 April 2018 | 491,873 | 487,235 | 30,867 | 322,922 | 1,332,897 |
| Additions | 2,844 | 4,901 | 17,301 | 15,385 | 40,431 |
| Disposals/written-off | – | (745) | (7) | (20,223) | (20,975) |
| Transfers | 7,924 | 2,827 | (16,814) | 6,063 | – |
| As at 31 March 2019 | 502,641 | 494,218 | 31,347 | 324,147 | 1,352,353 |
| At 1 April 2017 | 192,253 | 185,943 | – | 170,523 | 548,719 |
| Charge for the year | 11,905 | 16,263 | – | 25,456 | 53,624 |
| Disposals/written off | (95) | (416) | – | (2,165) | (2,676) |
| As at 31 March 2018 and 1 April 2018 | 204,063 | 201,790 | – | 193,814 | 599,667 |
| Charge for the year | 14,896 | 13,808 | – | 26,163 | 54,867 |
| Disposals/written-off | – | (744) | – | (20,030) | (20,774) |
| As at 31 March 2019 | 218,959 | 214,854 | – | 199,947 | 633,760 |
| **Net book values** | | | | | |
| As at 31 March 2019 | 283,682 | 279,364 | 31,347 | 124,200 | 718,593 |
| As at 31 March 2018 | 287,810 | 285,445 | 30,867 | 129,108 | 733,230 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 5. Land premium

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| **Cost** | | |
| At 1 April and 31 March | 68,096 | 68,096 |
| **Accumulated amortisation** | | |
| At 1 April | 19,390 | 17,464 |
| Credited to income statement | 1,926 | 1,926 |
| At 31 March | 21,316 | 19,390 |
| **Net carrying amount** | 46,780 | 48,706 |

The cost of land premium for Sentosa Golf Club is capitalised in accordance with accounting policy in Note 2.7 and represents the amounts paid to Singapore Land Authority for the current and renewed lease term of the golf course land.

In 2015, the Club extended its land lease period of the Tanjong Golf Course and Serapong Golf Course for 19 years and 9 years respectively for $41,613,000. Amortisation of the additional land premium for the lease extension will commence from calendar year 2022 upon commencement of the lease renewal period.

## 6. Right of use asset

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| **Cost** | | |
| At 1 April and 31 March | 794 | 794 |
| **Accumulated amortisation** | | |
| At 1 April | 322 | 224 |
| Credited to Income statement | 99 | 98 |
| At 31 March | 421 | 322 |
| **Net carrying amount** | 373 | 472 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 7. Investments in subsidiaries

| | Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Unquoted equity shares, at cost | 41,108 | 41,108 |

Details of the subsidiaries are as follows:

| Name | Principal activities | Country of incorporation/ place of business | Percentage of ownership held by the Group 2019 % | Percentage of ownership held by the Group 2018 % |
|---|---|---|---|---|
| *Held by the Corporation* | | | | |
| Sentosa Leisure Holdings Pte Ltd ("SLH") | Dissolved on 15 April 2018 | Singapore | – | 100 |
| Mount Faber Leisure Group Pte Ltd* | Operation of the cable car system, wholesaler and retailer of merchandise, food and beverage services, marketing of panel advertisements, travel and tour agent and provision of private coach hire services | Singapore | 100 | 100 |
| Sentosa Leisure Management Pte Ltd * | An agent of Sentosa Development Corporation in fulfilling the Corporation's economic and social roles, which include functions such as corporate services (IT, HR, Finance) | Singapore | 100 | 100 |
| Sentosa Cove Resort Management Pte Ltd * | Estate and community management, including property and facility management of common properties within Sentosa Cove | Singapore | 100 | 100 |

* Audited by Ernst & Young LLP, Singapore

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 8. Investments in joint venture

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Unquoted shares, at cost | 6,340 | 6,340 |
| Share of post-acquisition profits (net of tax) | 8,482 | 7,413 |
| | 14,822 | 13,753 |

There are no contingent liabilities relating to the Group's interest in its joint venture.

In 2019 and 2018, the Group did not receive any dividend from its investments in joint ventures.

Details of the joint venture is as follows:

| **Name** | **Principal activities** | **Country of incorporation/ place of business** | **Percentage of ownership held by the Group** | |
|---|---|---|---|---|
| | | | **2019** | **2018** |
| | | | % | % |
| *Held by subsidiary* | | | | |
| DCP (Sentosa) Pte Ltd * | Construction, development and operation of a district cooling plant supplying chilled water for air-conditioning needs at Sentosa | Singapore | 20 | 20 |

* Audited by PricewaterhouseCoopers LLP, Singapore

Resort World Singapore ("RWS") and the Group's subsidiary, Sentosa Leisure Management Pte Ltd ("SLM"), has 80% and 20% share respectively in DCP (Sentosa) Pte Ltd ("DCP").

Based on the joint venture agreement, the quorum of shareholders and directors meeting can only be achieved with the presence of at least one director/representative each from SLM and RWS. Furthermore, SLM and RWS has equal rights in determining DCP's business and its conduct. Accordingly, DCP is accounted for as a joint venture.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 8. Investments in joint venture (cont'd)

The following table summarises the financial information of the joint venture and reconciliation of the investment in the consolidated financial statements are as follow:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Income | 20,923 | 18,445 |
| Expenses | (15,580) | (14,501) |
| **Total profit** | 5,343 | 3,944 |
| Current assets | 31,843 | 22,840 |
| Non-current assets | 72,608 | 56,832 |
| Current liabilities | (6,118) | (3,661) |
| Non-current liabilities | (24,250) | (7,273) |
| **Net assets** | 74,083 | 68,738 |
| **Group's interest in net assets of joint venture at beginning of year** | 13,753 | 12,964 |
| Share of total profit | 1,069 | 789 |
| **Carrying amount of interest in joint venture at end of the year** | 14,822 | 13,753 |

## 9. Accrued income

Accrued income relates to recognition of guaranteed annual payments which is expected to be received in subsequent periods from tenants on long term leases, for which revenue is recognised on a straight-line basis.

## 10. Inventories

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| Consumables and spare parts | 5,784 | 4,652 | 5,038 | 4,652 |
| Merchandise | 1,344 | 1,298 | – | – |
| Food and beverage products | 295 | 301 | 100 | 134 |
| Attraction tickets | 741 | 1,334 | 741 | 293 |
| | 8,164 | 7,585 | 5,879 | 5,079 |
| **Statement of comprehensive income:** | | | | |
| Inventories recognised as an expense in cost of sales | 24,877 | 30,552 | 17,769 | 42,254 |
| Inventories recognised as part of inventories used | 16,182 | 15,524 | 8,218 | 7,688 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 11. Trade and other receivables

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Trade receivables | 26,251 | 21,016 | 23,038 | 16,723 |
| Other receivables | 7,650 | 8,770 | 4,435 | 6,020 |
| Investment receivables | 12,547 | 8,873 | 12,138 | 8,873 |
| Deposits | 846 | 484 | 155 | 114 |
| Amounts due from subsidiaries (trade) | – | – | – | 247 |
| Amounts due from subsidiaries (non-trade) | – | – | 4,966 | 8,570 |
| Total trade and other receivables | 47,294 | 39,143 | 44,732 | 40,547 |
| Add: Cash and cash equivalents (Note 14) | 196,421 | 206,168 | 144,703 | 160,053 |
| Total financial assets at amortised cost | 243,715 | 245,311 | 189,435 | 200,600 |

***Trade receivables***

Trade receivables are interest bearing. They are recognised at their original invoiced amounts which represent their fair values on initial recognition.

All trade receivables are denominated in Singapore dollar.

***Investment receivables***

Investment receivables include interests and dividends receivables from the investments in fixed income and equities and the outstanding amounts for the fixed income and equities sold at year end.

***Amounts due from subsidiaries (trade and non-trade)***

Amounts due from subsidiaries are unsecured, interest bearing, repayable on demand and are to be settled in cash.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

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

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to $1,516,000 (2018: $1,531,000) that are past due at the end of the reporting period but not impaired.

The Corporation has trade receivables amounting to $1,239,000 (2018: $1,328,000) that are past due at the end of the reporting period but not impaired.

These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | **2019**<br>$'000 | **2018**<br>$'000 |
|---|---|---|
| **Group** | | |
| Past due less than 30 days | 1,241 | 1,326 |
| Past due 30-60 days | 87 | 132 |
| Past due 61-90 days | 36 | 73 |
| Past due more than 90 days | 152 | – |
| | 1,516 | 1,531 |
| **Corporation** | | |
| Past due less than 30 days | 1,078 | 1,266 |
| Past due 30-60 days | 50 | 37 |
| Past due 61-90 days | – | 25 |
| Past due more than 90 days | 111 | – |
| | 1,239 | 1,328 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

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

***Receivables that are impaired***

The Group's and Corporation's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows. For financial year ended 31 March 2019, the movement in allowance for expected credit losses of trade receivables has been computed based on lifetime expected credit losses (ECL):

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** $'000 | **2018** $'000 | **2019** $'000 | **2018** $'000 |
| Trade receivables – nominal amounts | 3,147 | 3,107 | 3,062 | 2,972 |
| Less: allowance for doubtful debt | (3,147) | (3,107) | (3,062) | (2,972) |
| | – | – | – | – |
| Movement in allowance accounts: | | | | |
| At 1 April | 3,107 | 3,392 | 2,972 | 3,240 |
| Provided during the year | 201 | 46 | 123 | 3 |
| Reversal during the year | (161) | (329) | (33) | (271) |
| Utilised during the year | – | (2) | – | – |
| At 31 March | 3,147 | 3,107 | 3,062 | 2,972 |

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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

| | Group and Corporation | |
|---|---|---|
| | **2019** $'000 | **2018** $'000 |
| United States Dollars | 5,599 | 5,373 |
| Euros | 568 | 621 |
| British Pounds | 665 | 735 |
| Japanese Yen | 136 | 85 |
| Others | 708 | 582 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 12. Investments

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| **Quoted investments** | | |
| **At fair value through profit or loss** | | |
| Singapore government bonds | 139,237 | 127,955 |
| Other government bonds | 116,754 | 111,144 |
| Corporate bonds | 552,345 | 539,891 |
| Equity securities | 211,250 | 199,678 |
| | 1,019,586 | 978,668 |

These investments are managed by external investment managers appointed by the Corporation and are held with an appointed external custodian.

The fair values of Singapore government bonds, other government bonds, corporate bonds and equity securities are based on the last closing bid market prices on the last market day of the financial year.

Investments at fair value through income or expenditure denominated in foreign currencies at 31 March are as follows:

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| United States Dollars | 532,432 | 508,539 |
| Euros | 84,545 | 66,446 |
| Hong Kong Dollars | 33,442 | 36,693 |
| British Pounds | 26,905 | 31,519 |
| Japanese Yen | 16,956 | 15,125 |
| Others | 82,535 | 84,288 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 13. Financial derivatives at fair value

| | Group and Corporation | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Notional amount $'000 | Assets $'000 | Liabilities $'000 | Notional amount $'000 | Assets $'000 | Liabilities $'000 |
| Futures contracts | 37,249 | 461 | (576) | 13,375 | 353 | (9) |
| Forward foreign exchange contracts | 1,004,561 | 1,765 | (1,769) | 808,865 | 3,820 | (638) |
| | 1,041,810 | 2,226 | (2,345) | 822,240 | 4,173 | (647) |

Futures contracts are entered into for efficient portfolio management of the investment portfolio. Foreign exchange forward contracts are entered into for hedging purposes to manage currency risk of the investment portfolio. The notional amount is the value of the underlying futures and foreign exchange forward contracts.

Financial derivatives denominated in foreign currencies as at 31 March are as follow:

| | Group and Corporation | |
|---|---|---|
| | 2019 $'000 | 2018 $'000 |
| United States dollars | (33) | 1,235 |
| Others | 16 | 2 |

## 14. Cash and cash equivalents

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| Cash at bank and on hand | 16,038 | 9,557 | 15,121 | 8,258 |
| Cash placed with custodian | 33,004 | 25,128 | 33,004 | 25,128 |
| Deposits placed with Accountant-General's Department ("AGD") | 147,379 | 171,483 | 96,578 | 126,667 |
| | 196,421 | 206,168 | 144,703 | 160,053 |
| Less: Cash held under Sentosa Cove Residential Fund | (16,061) | (8,606) | (16,061) | (8,606) |
| | 180,360 | 197,562 | 128,642 | 151,447 |

Fixed deposits placed with financial institutions and deposits placed with the AGD mature in varying periods of between 1 day to 2 years (2018: 1 day to 2 years), depending on the immediate cash requirements of the Corporation and the Group, and earn interest income at the respective fixed deposit rates.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 14. Cash and cash equivalents (cont'd)

The weighted average effective interest rate of cash and cash equivalents held by the Group and Corporation is 1.76% (2018: 1.23%) per annum.

Cash and cash equivalent denominated in foreign currencies as at 31 March are as follows:

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| Japanese Yen | 13,301 | 1,056 | 13,301 | 1,056 |
| United States Dollar | 27,322 | 16,809 | 27,322 | 16,809 |
| Others | 2,311 | 2,093 | 2,311 | 2,093 |

## 15. Capital account

The capital account represents government grants given to the Corporation for its establishment, and capital contributed by the Government.

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| At 1 April | 14,731 | 14,571 |
| Capital contributed by the Government | 1,404 | 160 |
| At 31 March | 16,135 | 14,731 |

Sentosa Development Corporation and its subsidiaries

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 16. Accumulated surplus

(a) ***General Fund***

Income and expenditure of the Group are generally accounted for under the General Fund in the income statement.

(b) ***Restricted Fund***

The restricted fund refers to the net funds held in the Sentosa Cove Residential Fund. The accounting policy for the Restricted Fund is disclosed in Note 2.18.

The assets and liabilities of the restricted fund is as follows:

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Trade and other receivables | 1,284 | 4,004 |
| Prepayments | 17 | – |
| Cash and cash equivalents | 16,061 | 8,606 |
| | 17,362 | 12,610 |
| Trade and other payables | 1,934 | 2,184 |
| Provision for contribution to Consolidated Fund | 764 | 607 |
| | 2,698 | 2,791 |
| Net assets | 14,664 | 9,819 |

## 17. Revaluation reserve

Revaluation reserve represents the impact of fair value adjustment on the land and buildings acquired in respect of the acquisition of a subsidiary in prior years.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 18. Trade and other payables

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| **Current** | | | | |
| Trade payables | 5,756 | 7,378 | 3,647 | 4,719 |
| Accrued operating expenses | 46,588 | 44,035 | 33,007 | 29,991 |
| Deposits | 5,016 | 4,842 | 4,740 | 4,822 |
| Advance receipts | 16,183 | 17,560 | 12,617 | 14,323 |
| Liability for short-term compensating absences | 3,092 | 1,532 | 1,206 | 1,179 |
| Other payables | 7,598 | 7,501 | 5,149 | 5,914 |
| Investment payables | 10,428 | 4,533 | 10,428 | 4,533 |
| Amounts due to subsidiaries (trade) | – | – | – | 2 |
| Amounts due to subsidiaries (non-trade) | – | – | 12,430 | 70,478 |
| | 94,661 | 87,381 | 83,224 | 135,961 |
| **Non-current** | | | | |
| Other payables | 2,480 | 1,466 | 1,980 | 966 |
| Total | 97,141 | 88,847 | 85,204 | 136,927 |
| Less: Other payables | (500) | (534) | – | (34) |
| Less: GST payables | (1,736) | (2,128) | (569) | (1,200) |
| Total financial liabilities carried at amortised cost | 94,905 | 86,185 | 84,635 | 135,693 |

***Trade payables***

These amounts are non-interest bearing. All trade payables are denominated in SGD.

***Investment payables***

Investment payables include management fees payable to the fund managers and the outstanding amounts for the fixed income and equities purchased at year end.

***Amounts due to subsidiaries (trade and non-trade)***

These amounts are unsecured, interest bearing, repayable on demand and are to be settled in cash.

Investment payables denominated in foreign currencies at 31 March are as follows:

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| United States Dollars | 4,348 | 1,835 |
| Others | 1,870 | 245 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 19. Provisions

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| At 1 April | 16,191 | 49,094 | 16,053 | 48,956 |
| Provision arose during the financial year | – | 21 | – | 21 |
| Provision utilised during the year | (6,100) | (4,024) | (6,100) | (4,024) |
| Write back of provision for Cove infrastructure | – | (28,900) | – | (28,900) |
| At 31 March | 10,091 | 16,191 | 9,953 | 16,053 |
| *Comprises:* | | | | |
| Current | 8,487 | 14,587 | 8,487 | 14,587 |
| Non-current | 1,604 | 1,604 | 1,466 | 1,466 |
| Total | 10,091 | 16,191 | 9,953 | 16,053 |

Provision represents legal and constructive obligation for the provision of certain infrastructure and amenities to purchasers of Sentosa Cove's land, for which management expects to incur expenditure.

## 20. Deferred capital grants

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| At 1 April | 11,908 | 11,777 | 11,908 | 11,777 |
| Amounts (transferred)/received | – | 697 | (278) | 697 |
| Credited to income statement | (762) | (566) | (693) | (566) |
| At 31 March | 11,146 | 11,908 | 10,937 | 11,908 |
| *Comprises:* | | | | |
| Current | 665 | 566 | 609 | 566 |
| Non-current | 10,481 | 11,342 | 10,328 | 11,342 |
| Total | 11,146 | 11,908 | 10,937 | 11,908 |
| Total capital grants received since establishment | 511,068 | 511,068 | 510,790 | 511,068 |

Deferred capital grants relate to grants received from the Government for the purchase of certain property, plant and equipment.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 21(a) Deferred membership fee

Club membership fee

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| At 1 April | 57,651 | 62,575 |
| Additions | 6,577 | 75 |
| | 64,228 | 62,650 |
| Credited to income statement | (5,264) | (4,999) |
| At 31 March | 58,964 | 57,651 |

The additions represent the members' contributions for the lease renewal in respect of Tanjong Golf Course and Serapong Golf Course and the redevelopment of Tanjong Golf Course.

Term membership fee

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| At 1 April | 1,210 | 1,061 |
| Additions | 3,240 | 2,835 |
| | 4,450 | 3,896 |
| Credited to income statement | (3,133) | (2,686) |
| At 31 March | 1,317 | 1,210 |
| *Comprises:* | | |
| Current | 6,606 | 6,208 |
| Non-current | 53,675 | 52,653 |
| Total | 60,281 | 58,861 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 21(b) Deferred lease income

| | Group and Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| <u>Deferred lease income</u> | | |
| At 1 April | 43,786 | 44,925 |
| Credited to income statement: | | |
| - Lease income amortised (Note 25) | (1,139) | (1,139) |
| At 31 March | 42,647 | 43,786 |
| *Comprises:* | | |
| Current | 1,119 | 1,139 |
| Non-current | 41,528 | 42,647 |
| Total | 42,647 | 43,786 |

Deferred lease income mainly comprises lease, service and development fees, and upfront premium received in respect of long-term leases.

## 22. Provision for contribution to Consolidated Fund

The Corporation is required to contribute to the Consolidated Fund in accordance with the Statutory Corporations (Contribution to Consolidated Fund) Act (Chapter 319A).

The Club has obtained written consent from the Ministry of Finance, that membership entrance fees recognised as income upfront prior to 1 April 1999 under the previous income recognition policy would not be subject to contribution, when these fees are deferred and recognised as income over the remaining lease term of the land under the current accounting policy. Hence, the membership entrance fee income of $2,029,000 (2018: $2,029,000) resulting from the amortisation of deferred membership fee is not subject to contribution to Consolidated Fund.

| | Corporation | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| Surplus of the Corporation before contribution to Consolidated Fund | 97,847 | 58,196 |
| Deferred membership fee on membership entrance | (2,029) | (2,029) |
| Surplus subject to contribution to Consolidated Fund | 95,818 | 56,167 |
| Contribution to Consolidated Fund: | | |
| Current year | 16,289 | 9,549 |

The contribution for the financial year under review is based on 17% of the surplus, if any, of the Corporation.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 23. Deferred tax liabilities

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

| | **At 1 April 2017** $'000 | **Recognised in profit or loss** $'000 | **At 31 March 2018 and 1 April 2018** $'000 | **Recognised in profit or loss** $'000 | **At 31 March 2019** $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Deferred tax liabilities** | | | | | |
| Property, plant and equipment | (921) | 104 | (817) | 457 | (360) |

Deferred tax assets have not been recognised in respect of the following items:

| | **2019** $'000 | **2018** $'000 |
|---|---|---|
| **Group** | | |
| Unutilised tax losses | 558 | 975 |

The unutilised tax losses and capital allowances relating to certain subsidiaries are subject to agreement by the tax authorities and compliance with the relevant provisions of Singapore Income Tax Act.

At the reporting date, the Group has not recognised deferred tax assets arising from unutilised tax losses that are available for offset against future taxable profits, for which no deferred tax asset is recognised, as it is not probable that taxable profits will be available against which the deferred tax assets can be utilised.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 24. Income

*Disaggregation of income*

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| **Major product or service lines** | | | | |
| Admission fees and packages | 102,651 | 112,210 | 54,359 | 84,598 |
| Club income | 28,143 | 26,510 | 28,143 | 26,510 |
| Sales of merchandise, net of discounts | 9,878 | 9,118 | – | – |
| Food and beverage | 17,594 | 16,171 | 5,080 | 5,060 |
| Headquarter support cost recovery | – | – | 1,833 | 3,209 |
| Sponsorship income | 765 | 486 | 577 | 285 |
| Maintenance fund contributions | 11,489 | 10,564 | 11,489 | 10,564 |
| | 170,520 | 175,059 | 101,481 | 130,226 |
| **Primary geographical markets** | | | | |
| Singapore | 170,520 | 175,059 | 101,481 | 130,226 |
| **Timing of transfer of goods or services** | | | | |
| At a point in time | 126,827 | 132,593 | 56,143 | 84,752 |
| Over time | 43,693 | 42,466 | 45,338 | 45,474 |
| | 170,520 | 175,059 | 101,481 | 130,226 |

## 25. Rental and hiring of facilities

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| Rental income | 47,211 | 46,244 | 52,394 | 51,832 |
| Lease income amortised ((Note 21(b)) | 1,139 | 1,139 | 1,139 | 1,139 |
| | 48,350 | 47,383 | 53,533 | 52,971 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 26. Investment income

| | Group and Corporation 2019 $'000 | Group and Corporation 2018 $'000 |
|---|---|---|
| Dividend income | 5,209 | 4,749 |
| Interest income | 27,884 | 25,623 |
| Realised fair value (loss)/gain on investment | (20,300) | 28,193 |
| Unrealised fair value gain/(loss) on investment | 31,862 | (26,975) |
| Net foreign currency exchange gain/(loss) | 919 | (479) |
| Other investment expenses | (736) | (2,801) |
| | 44,838 | 28,310 |

## 27. Other income

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| Club income | 28,143 | 26,510 | 28,143 | 26,510 |
| Sales of merchandise, net of discounts | 9,878 | 9,118 | – | – |
| Headquarter support cost recovery | – | – | 1,833 | 3,209 |
| Sponsorship income | 765 | 486 | 577 | 285 |
| Food and beverage | 17,594 | 16,171 | 5,080 | 5,060 |
| Maintenance fund contributions | 11,489 | 10,564 | 11,489 | 10,564 |
| Gain on liquidation of subsidiary | – | – | 61,429 | – |
| Others | 6,589 | 2,675 | 7,000 | 2,304 |
| | 74,458 | 65,524 | 115,551 | 47,932 |

## 28. Employee benefits expenses

| | Group | | Corporation | |
|---|---|---|---|---|
| | 2019 $'000 | 2018 $'000 | 2019 $'000 | 2018 $'000 |
| Wages and salaries | 78,436 | 71,930 | 65,273 | 61,105 |
| CPF contributions | 14,236 | 14,522 | 6,864 | 7,637 |
| | 92,672 | 86,452 | 72,137 | 68,742 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 29. General and administrative expenses

The following items have been included in arriving at general and administrative expenses:

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| Property tax | 6,121 | 5,459 | 5,434 | 4,890 |
| Utilities | 5,785 | 4,523 | 4,599 | 3,371 |
| Investment related expenses | 3,107 | 3,162 | 3,107 | 3,162 |
| Professional and consultancy fees | 2,299 | 2,517 | 1,874 | 2,828 |
| Printing and stationery | 1,922 | 1,607 | 1,788 | 1,392 |
| Travelling and transport | 1,709 | 2,478 | 1,414 | 2,401 |
| Exchange (gain)/loss | (19) | 259 | (22) | 251 |
| Loss on disposal of property, plant and equipment | 195 | 4,836 | 148 | 4,038 |
| Operating lease expenses | 1,326 | 920 | 225 | 197 |

## 30. Income tax expense

The Corporation is a tax exempt institution under the provision of the Income Tax Act (Chapter 134). The subsidiaries of the Corporation are subject to tax under Singapore income tax legislation.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| **Current tax expense** | | |
| Current year | 2,001 | 1,703 |
| (Over)/under provision in respect of prior years | (94) | 241 |
| | 1,907 | 1,944 |
| **Deferred tax credit** | | |
| Current year | (457) | (104) |
| | (457) | (104) |
| Total income tax expense | 1,450 | 1,840 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 30. Income tax expense (cont'd)

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $'000 | $'000 |
| ***Relationship between tax expense and surplus*** | | |
| Surplus before income tax | 46,185 | 67,588 |
| Tax using Singapore tax rate at 17% | 7,811 | 11,490 |
| Surplus not subject to tax | (6,191) | (9,893) |
| Non-deductible expenses | 127 | 169 |
| Income not subject to tax | (118) | (100) |
| Effect of partial tax exemption and tax relief | (72) | (72) |
| Benefits from previously unrecognised tax losses | (71) | (76) |
| (Over)/under provision in respect of prior years | (94) | 241 |
| Others | 58 | 81 |
| | 1,450 | 1,840 |

## 31. Commitments

(a) ***Capital commitments***

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

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| Capital commitments in respect of property, plant and equipment | 28,935 | 21,980 | 26,604 | 20,832 |

(b) ***Operating lease commitments - as lessor***

The Group leases land to certain hotels and other tenants for 3 to 92 (2018: 3 to 92) years under operating leases. There are no restrictions placed upon the Group and the Corporation by entering into these leases. Some leases have escalation clauses. Lease income is based on a fixed lump sum payment, which is amortised over the lease period, a fixed monthly rental, and a variable rental payment based on a percentage of the tenant's income derived from using the leased land.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 31. Commitments (cont'd)

### (b) *Operating lease commitments - as lessor (cont'd)*

Lease income recognised in the income statement of the Group and the Corporation during the financial year amounted to $48,350,000 (2018: $47,383,000) and $53,533,000 (2018: $52,971,000) respectively, of which $15,010,000 (2018: $15,260,000) was related to the variable rental income received during the financial year.

At 31 March, the Group has commitments for future minimum lease receipts under non-cancellable operating leases as follows:

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| Within 1 year | 29,973 | 29,690 | 33,278 | 33,271 |
| Within 2 to 5 years | 90,493 | 96,070 | 90,493 | 99,851 |
| After 5 years | 921,707 | 1,030,919 | 921,707 | 1,030,919 |
| | 1,042,173 | 1,156,679 | 1,045,478 | 1,164,041 |

### (c) *Operating lease commitments - as lessee*

The operating lease commitments mainly relate to the tenancy of the Group's premises. The leases run for a period of 2 to 15 (2018: 2 to 15) years with option to renew the leases after that date.

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $'000 | $'000 | $'000 | $'000 |
| Within 1 year | 1,066 | 761 | 187 | 155 |
| Within 2 to 5 years | 3,594 | 3,242 | 142 | 127 |
| After 5 years | 3,652 | 4,335 | – | – |
| | 8,312 | 8,338 | 329 | 282 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 32. Significant related party transactions

(a) ***Compensation of key management personnel***

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

Key management personnel compensation comprises:

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** $'000 | **2018** $'000 | **2019** $'000 | **2018** $'000 |
| Short-term employee benefits | 7,940 | 7,766 | 5,612 | 5,292 |
| CPF contributions | 399 | 411 | 241 | 240 |
| Board members' fees | 126 | 156 | 111 | 129 |
| | 8,465 | 8,333 | 5,964 | 5,661 |

(b) ***Other significant related party transactions***

During the financial year, other than those disclosed elsewhere in the financial statements, the following significant transactions were carried out by the Group and Corporation with its related parties in the normal course of business on terms agreed between the parties.

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** $'000 | **2018** $'000 | **2019** $'000 | **2018** $'000 |
| **Ministries and Statutory Boards** | | | | |
| Purchases and services paid to other ministries | 21 | 3,184 | 21 | 3,184 |
| Purchases and services paid to other statutory boards | 4,549 | 2,613 | 4,414 | 2,476 |
| Services rendered to other ministries | 288 | 21 | 86 | 14 |
| Services rendered to other statutory boards | 879 | 892 | 228 | 868 |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 32. Significant related party transactions (cont'd)

### (b) *Other significant related party transactions (cont'd)*

| | Group 2019 $'000 | Group 2018 $'000 | Corporation 2019 $'000 | Corporation 2018 $'000 |
|---|---|---|---|---|
| **Subsidiaries** | | | | |
| Admission fee income from subsidiaries | – | – | 2,166 | 2,412 |
| Rental income from subsidiaries | – | – | 5,452 | 5,876 |
| Headquarter support fee income from subsidiaries | – | – | 1,833 | 3,209 |
| Purchase of goods from subsidiaries | – | – | 15,317 | 18,713 |
| Management fee expense paid to subsidiaries | – | – | 41,614 | 42,584 |
| **Joint ventures** | | | | |
| Rental income from joint venture | 689 | 689 | 689 | 689 |
| **Other related parties** | | | | |
| Services rendered by related parties | 133 | 267 | 96 | 238 |
| Services rendered to related parties | 66 | 63 | 62 | 56 |

## 33. Fair value of assets and liabilities

### (a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

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

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 33. Fair value of assets and liabilities (cont'd)

### (b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of reporting period:

| **Group and Corporation** | **Level 1** S$'000 | **Level 2** S$'000 | **Total** S$'000 |
|---|---|---|---|
| **2019** | | | |
| **Financial assets:** | | | |
| Singapore government bonds | 139,237 | – | 139,237 |
| Other government bonds | 116,754 | – | 116,754 |
| Corporate bonds | 552,345 | – | 552,345 |
| Equity securities | 211,250 | – | 211,250 |
| **Sub-Total** | 1,019,586 | – | 1,019,586 |
| Derivative financial instruments | | | |
| Futures | – | 461 | 461 |
| Forward foreign exchange contracts | – | 1,765 | 1,765 |
| **Sub-Total** | – | 2,226 | 2,226 |
| **Total** | 1,019,586 | 2,226 | 1,021,812 |
| **Financial liabilities:** | | | |
| Derivative financial instruments | | | |
| Futures | (576) | – | (576) |
| Forward foreign exchange contracts | – | (1,769) | (1,769) |
| **Total** | (576) | (1,769) | (2,345) |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

**33. Fair value of assets and liabilities (cont'd)**

(b) ***Assets and liabilities measured at fair value (cont'd)***

| **Group and Corporation** | **Level 1** S$'000 | **Level 2** S$'000 | **Total** S$'000 |
|---|---|---|---|
| **2018** | | | |
| **Financial assets:** | | | |
| Singapore government bonds | 127,955 | – | 127,955 |
| Other government bonds | 111,144 | – | 111,144 |
| Corporate bonds | 539,891 | – | 539,891 |
| Equity securities | 199,678 | – | 199,678 |
| **Sub-Total** | 978,668 | – | 978,668 |
| Derivative financial instruments | | | |
| Futures | 353 | – | 353 |
| Forward foreign exchange contracts | – | 3,820 | 3,820 |
| **Sub-Total** | 353 | 3,820 | 4,173 |
| **Total** | 979,021 | 3,820 | 982,841 |
| **Financial liabilities:** | | | |
| Derivative financial instruments | | | |
| Futures | (9) | – | (9) |
| Forward foreign exchange contracts | – | (638) | (638) |
| **Total** | (9) | (638) | (647) |

(c) ***Level 2 fair value measurements***

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

## 34. Financial risk management objectives and policies

***Overview***

The Group is exposed to financial risks arising from its operations, investments and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It has always been the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

(a) ***Credit risk***

Credit risk is the risk of loss that may arise from outstanding financial instruments, trade and other receivables should a counterparty default on its obligations. The major classes of financial assets of the Group are investments managed by professional fund managers, bank deposits, trade and other receivables.

The Group limits its credit risk exposure in respect of investments and financial instruments by investing in fixed income securities rated at least Investment Grade and specifying maximum exposure that can transacted with any one counterparty.

For trade and other receivables, the Group’s objective is to seek continual income growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group’s exposure to bad debts is not significant. Hence, the Group does not expect to incur material credit losses.

Cash and fixed deposits are placed with government and reputable and regulated financial institutions. For other financial assets, the Group minimises credit risk by dealing mainly with high credit rating counterparties.

The Group consider trade and other receivables as credit impaired when one or more events that have a detrimental impact on the estimated cash flow have occurred. These instances include adverse changes in the financial capability of the debtor and default or significant delay in payments.

Trade and other receivables are written off when there is no reasonable expectation of recovery, with the case by case assessment performed based on indicators such as insolvency or demise. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due where applicable. Where recoveries are made, these are recognised in income statement.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

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

(a) ***Credit risk (cont'd)***

The credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade and other receivables can be found in Note 2.13 (Impairment of financial assets) and Note 3.2(b) (Provision for expected credit losses of trade receivables).

Information regarding the loss allowance provision is disclosed in Note 11 (Trade and other receivables).

*Exposure to credit risk*

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

At the reporting date, approximately 24% (2018: 24%) of the Group's trade receivables were due from 5 (2018: 5) major customers located in Singapore.

*Financial assets that are neither past due nor impaired*

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

*Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 11 (Trade and other receivables).

(b) ***Liquidity risk***

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of non-investment financial assets and liabilities. In addition, the Group is also exposed to risk of insufficient liquidity in the market for its investments and financial instruments that may limit its ability to liquidate these investments at a reasonable fair value.

As part of its overall liquidity management, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. SDC also limits exposure to only investments and financial instruments with sufficient market liquidity.

Sentosa Development Corporation and its subsidiaries

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

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

(b) ***Liquidity risk (cont'd)***

*Analysis of financial instruments by remaining contractual maturities*

The table below summaries the expected contractual undiscounted cash outflows of financial liabilities, including interest payments.

| Group | 2019 $'000 One year or less | 2019 $'000 One to five years | 2019 $'000 Total | 2018 $'000 One year or less | 2018 $'000 One to five years | 2018 $'000 Total |
|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | |
| Trade and other payables | 92,925 | 2,480 | 95,405 | 82,655 | 1,466 | 84,121 |
| Total undiscounted financial liabilities | 92,925 | 2,480 | 95,405 | 82,655 | 1,466 | 84,121 |

| Corporation | 2019 $'000 One year or less | 2019 $'000 One to five years | 2019 $'000 Total | 2018 $'000 One year or less | 2018 $'000 One to five years | 2018 $'000 Total |
|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | |
| Trade and other payables | 82,655 | 1,980 | 84,635 | 134,761 | 966 | 135,727 |
| Total undiscounted financial liabilities | 82,655 | 1,980 | 84,635 | 134,761 | 966 | 135,727 |

(c) ***Interest rate risk***

(i) Investments

Interest rate risk is the risk that the fair value or future cash flows of the Group's investments and financial instruments will fluctuate because of changes in market interest rates. The Group is subjected to interest rate risk as it invests in Singapore government bonds, other government bonds and corporate bonds.

The Group manages its interest rate risk through having a diversified portfolio and limits the allowable deviations for duration, thus monitoring and controlling exposure risk. The performance of the externally managed funds is regularly reviewed by the Internal Investment Team.

The sensitivity analysis below has been determined based on exposures to interest rate risks at the reporting date.

In respect of the floating rate bonds, a +/- 1% (2018: +/- 1%) change in interest rate as at March 2019 will result in a +/- $783,000 (2018: +/- $623,000) increase/decrease in interest income for the Group and Corporation. This analysis was performed assuming all other variables remain constant.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

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

(c) ***Interest rate risk (cont'd)***

(ii) Other Financial Assets and Financial Liabilities

Interest rate risk is the risk that the fair value or future cash flows of the Group's non-investment financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its deposits with the Accountant-General's Department. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure.

At reporting date, if interest rates had been 25 (2018: 25) basis points higher/lower with all other variables held constant, the Group's and the Corporation's surplus/(deficit) before contribution to Consolidated Fund would have been higher/lower by the amounts shown below.

| | **2019** | | **2018** | |
|---|---|---|---|---|
| | **25 basis point increase** $'000 | **25 basis point decrease** $'000 | **25 basis point increase** $'000 | **25 basis point decrease** $'000 |
| **Group** | | | | |
| Deposits placed with Accountant-General's Department (Note 14) | 368 | (368) | 429 | (429) |
| **Corporation** | | | | |
| Deposits placed with Accountant-General's Department (Note 14) | 241 | (241) | 317 | (317) |

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2019

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

(d) ***Foreign currency risk***

(i) Investments

The Group’s investments and financial instruments are held in various foreign currencies, including United States Dollars, Hong Kong Dollars and Japanese Yen, and therefore exposed to foreign exchange risk. The Group manages its foreign currency exposure by hedging through currency forward contracts as stipulated in the Group’s foreign currency hedging policy.

The Group’s foreign currency exposure for investments and financial instruments as at end of each reporting period are as follows:

| | Group | | Corporation | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | $’000 | $’000 | $’000 | $’000 |
| United States Dollars | 60,888 | 48,794 | 60,888 | 48,794 |
| Hong Kong Dollars | 33,442 | 36,693 | 33,442 | 36,693 |
| Japanese Yen | 9,944 | 8,060 | 9,944 | 8,060 |
| Others | 88,316 | 86,595 | 88,316 | 86,595 |

The following table demonstrates the sensitivity of the Group’s surplus to a reasonably possible change in the United State Dollars, Hong Kong Dollars and Japanese Yen exchange rates against SGD with all other variables held constant.

| | | **2019** | **2018** |
|---|---|---|---|
| | | $’000 | $’000 |
| SGD/USD | - strengthened 1% | 609 | 488 |
| | - weakened 1% | (609) | (488) |
| SGD/HKD | - strengthened 1% | 334 | 367 |
| | - weakened 1% | (334) | (367) |
| SGD/JPY | - strengthened 1% | 99 | 8 |
| | - weakened 1% | (99) | (8) |

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

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

(d) ***Foreign currency risk (cont'd)***

(ii) Other Financial Assets and Financial Liabilities

The Group's operation is not exposed to significant foreign exchange risk as most of its transactions are transacted in Singapore dollars.

At the end of each reporting period, the carrying amounts of non-investment financial assets and liabilities denominated in foreign currencies at 31 March are mainly in United States Dollars and Japanese Yen are as follows:

| | Group | | | | Corporation | | | |
|---|---|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Assets | | Liabilities | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| United States Dollars | 33,525 | 23,483 | 4,985 | 1,902 | 33,525 | 23,483 | 4,985 | 1,902 |
| Japanese Yen | 13,437 | 1,140 | 14 | – | 13,437 | 1,140 | 14 | – |
| Others | 4,292 | 4,036 | 1,894 | 247 | 4,292 | 4,036 | 1,894 | 247 |

The following table demonstrates the sensitivity of the Group's surplus to a reasonably possible change in the United State Dollars and Japanese Yen exchange rates against SGD with all other variables held constant.

| | | 2019 | 2018 |
|---|---|---|---|
| | | $'000 | $'000 |
| SGD/USD | - strengthened 1% | 285 | 216 |
| | - weakened 1% | (285) | (216) |
| SGD/JPY | - strengthened 1% | 134 | 11 |
| | - weakened 1% | (134) | (11) |

(e) ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The Group is exposed to market price risk arising from its investments in quoted equity securities and bonds. The Group manages its price risk through having a diversified portfolio and target weights, thus monitoring and controlling exposure risk. The performance of the externally managed funds is regularly monitored by the Internal Investment Team and reported to the Management and the Board of Directors.

In respect of these investments, a +/- 2% (2018: +/- 2%) change in investment value as at 31 March 2019 will result in a +/- $20,392,000 (2018: +/- $19,573,000) increase/decrease in net surplus for the Group and Corporation. This analysis has been performed with all other variables constant.

All the above sensitivity disclosures in this note has been disclosed in accordance with the requirements of SB-FRS 107. In Management's opinion, the sensitivity analysis is not fully representative of the risk considerations for its investments. The Group's investments are regularly assessed with a larger spectrum of risk considerations included in the long term asset allocation policy.

**Sentosa Development Corporation and its subsidiaries**

**Notes to the financial statements**
**For the financial year ended 31 March 2019**

## 35. Capital management

The Group manages its capital in accordance with the Capital Management Framework formulated by the Ministry of Finance. Under this Framework, the Group is required to draw on its accumulated surpluses, existing equity, debt or additional equity contribution from the Government.

The Group defines capital as capital contributed by government and accumulated surplus. The Group's approach to capital management remains unchanged from the financial year ended 31 March 2018.

## 36. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 12 June 2019.

**Sentosa Development Corporation**
39 Artillery Avenue, Sentosa Singapore 09995