SENTOSA
DEVELOPMENT CORPORATION

FINANCIAL REPORT

2019/2020

YEAR IN REVIEW

Sentosa Development Corporation and its subsidiaries

Annual Financial Statements
31 March 2020

Sentosa Development Corporation and its subsidiaries

Independent auditor's report
For the financial year ended 31 March 2020

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 2020, 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 2020 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 2020

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 2020

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

24 June 2020

Sentosa Development Corporation and its subsidiaries

Statement of financial position
As at 31 March 2020

	Note	Group 2020 $'000	Group 2019 $'000	Corporation 2020 $'000	Corporation 2019 $'000
Non-current assets					
Property, plant and equipment	4	731,754	775,900	673,657	718,593
Land premium	5	44,854	46,780	44,854	46,780
Right of use of assets	6	13,558	373	972	373
Investments in subsidiaries	7	–	–	41,108	41,108
Investments in joint venture	8	15,688	14,822	–	–
Accrued income	9	43,847	38,143	43,847	38,143
Deferred tax assets	10	488	–	–	–
		850,189	876,018	804,438	844,997
Current assets					
Inventories	11	7,911	8,164	6,305	5,879
Trade and other receivables	12	37,706	47,294	36,300	44,732
Prepayments		2,655	2,185	2,332	1,514
Investments	13	906,702	1,019,586	906,702	1,019,586
Financial derivatives at fair value	14	3,978	2,226	3,978	2,226
Cash and cash equivalents	15	311,430	196,421	257,859	144,703
		1,270,382	1,275,876	1,213,476	1,218,640
Total assets		2,120,571	2,151,894	2,017,914	2,063,637
Current liabilities					
Trade and other payables	19	82,013	94,661	72,140	83,224
Financial derivatives at fair value	14	11,335	2,345	11,335	2,345
Provisions	20	4,593	8,487	4,593	8,487
Deferred capital grants	21	491	665	435	609
Deferred membership fees	22(a)	6,829	6,606	6,829	6,606
Deferred lease income	22(b)	1,119	1,119	1,119	1,119
Provision for contribution to Consolidated Fund	23	905	16,289	905	16,289
Income tax payables		1,511	2,005	–	–
Lease liabilities	6	169	–	39	–
		108,965	132,177	97,395	118,679
Non-current liabilities					
Other payables	19	2,645	2,480	2,145	1,980
Provisions	20	1,604	1,604	1,467	1,466
Deferred capital grants	21	10,164	10,481	10,067	10,328
Deferred membership fees	22(a)	48,599	53,675	48,599	53,675
Deferred lease income	22(b)	40,409	41,528	40,409	41,528
Deferred tax liabilities	10	–	360	–	–
Lease liabilities	6	13,409	–	665	–
		116,830	110,128	103,352	108,977
Total liabilities		225,795	242,305	200,747	227,656

Sentosa Development Corporation and its subsidiaries

Statement of financial position
As at 31 March 2020

		Group		Corporation	
	Note	**2020**	**2019**	**2020**	**2019**
		$'000	$'000	$'000	$'000
Equity attributable to owner of the Corporation					
Capital account	16	20,327	16,135	20,327	16,135
FUNDS AND RESERVES					
Accumulated surplus					
- General fund	17	1,838,157	1,862,614	1,776,724	1,805,182
- Restricted fund	17	20,116	14,664	20,116	14,664
- Revaluation reserve	18	16,176	16,176	–	–
Total equity		1,894,776	1,909,589	1,817,167	1,835,981
Total equity and liabilities		2,120,571	2,151,894	2,017,914	2,063,637

Bob Tan Beng Hai
Chairman

Thien Kwee Eng
Chief Executive Officer/
Board Member

24 June 2020

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 2020

Group

	Note	General Fund 2020	General Fund 2019	Restricted Fund 2020	Restricted Fund 2019	TOTAL 2020	TOTAL 2019
		$'000	$'000	$'000	$'000	$'000	$'000
Income							
Admission fees and packages		91,279	102,651	–	–	91,279	102,651
Rental and hiring of facilities	25	45,363	48,350	–	–	45,363	48,350
Interest income		3,453	3,030	363	233	3,816	3,263
Investment income	26	15,585	44,838	–	–	15,585	44,838
Other income	27	62,856	64,010	10,992	10,448	73,848	74,458
		218,536	262,879	11,355	10,681	229,891	273,560
Expenditure							
Cost of sale for admission fees and packages		21,638	24,800	32	77	21,670	24,877
Staff costs	28	89,595	91,636	–	–	89,595	91,636
Depreciation of property, plant and equipment		59,885	62,770	–	–	59,885	62,770
Amortisation of land premium		1,926	1,926	–	–	1,926	1,926
Amortisation of rights of use assets	6	587	99	–	–	587	99
Repairs and maintenance		28,852	27,034	2,063	2,117	30,915	29,151
Publicity and promotion		18,544	20,126	–	–	18,544	20,126
Inventories used		15,680	16,182	–	–	15,680	16,182
Lease interest expense	6	510	–	–	–	510	–
General and administrative expenses	29	61,133	32,029	3,936	3,994	65,069	36,023
		298,350	276,602	6,031	6,188	304,381	282,790
(Deficit)/surplus before Government Grants from operations		(79,814)	(13,723)	5,324	4,493	(74,490)	(9,230)
Deferred capital grants amortised		491	762	–	–	491	762
Share of results of a joint venture, net of tax		866	1,069	–	–	866	1,069
Operating grants		55,162	53,584	–	–	55,162	53,584
(Deficit)/surplus before taxation and contribution to Consolidated Fund		(23,295)	41,692	5,324	4,493	(17,971)	46,185
Income tax expense	30	(1,162)	(1,450)	–	–	(1,162)	(1,450)
Contribution to Consolidated Fund	23	–	(15,525)	(905)	(764)	(905)	(16,289)
(Deficit)/surplus for the year, net of taxation and contribution to Consolidated Fund		(24,457)	24,717	4,419	3,729	(20,038)	28,446
Net (deficit)/surplus for the year, representing total comprehensive income for the year		(24,457)	24,717	4,419	3,729	(20,038)	28,446

Sentosa Development Corporation and its subsidiaries

Statement of comprehensive income
For the financial year ended 31 March 2020

Corporation

	Note	General Fund 2020 $'000	General Fund 2019 $'000	Restricted Fund 2020 $'000	Restricted Fund 2019 $'000	TOTAL 2020 $'000	TOTAL 2019 $'000
Income							
Admission fees and packages		47,373	54,359	–	–	47,373	54,359
Rental and hiring of facilities	25	50,256	53,533	–	–	50,256	53,533
Interest income		2,201	2,163	363	233	2,564	2,396
Investment income	26	15,585	44,838	–	–	15,585	44,838
Other income	27	43,789	105,103	10,992	10,448	54,781	115,551
		159,204	259,996	11,355	10,681	170,559	270,677
Expenditure							
Cost of sale for admission fees and packages		14,650	17,692	32	77	14,682	17,769
Staff costs	28	70,123	71,101	–	1,036	70,123	72,137
Depreciation of property, plant and equipment		51,712	54,867	–	–	51,712	54,867
Amortisation of land premium		1,926	1,926	–	–	1,926	1,926
Amortisation of rights of use assets	6	143	99	–	–	143	99
Repairs and maintenance		25,501	23,985	2,063	2,117	27,564	26,102
Publicity and promotion		16,877	17,890	–	–	16,877	17,890
Inventories used		8,360	8,218	–	–	8,360	8,218
Lease interest expense	6	11	–	–	–	11	–
General and administrative expenses	29	53,956	25,141	3,936	2,958	57,892	28,099
		243,259	220,919	6,031	6,188	249,290	227,107
(Deficit)/surplus before Government Grants from operations		(84,055)	39,077	5,324	4,493	(78,731)	43,570
Deferred capital grants amortised		435	693	–	–	435	693
Operating grants		55,162	53,584	–	–	55,162	53,584
(Deficit)/surplus before contribution to Consolidated Fund		(28,458)	93,354	5,324	4,493	(23,134)	97,847
Contribution to Consolidated Fund	23	–	(15,525)	(905)	(764)	(905)	(16,289)
(Deficit)/surplus for the year, net of contribution to Consolidated Fund		(28,458)	77,829	4,419	3,729	(24,039)	81,558
Net (deficit)/surplus for the year, representing total comprehensive income for the year		(28,458)	77,829	4,419	3,729	(24,039)	81,558

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 2020

Group	**Capital account (Note 16)** $'000	**General fund** $'000	**Restricted funds** $'000	**Accumulated surplus (Note 17)** $'000	**Revaluation reserve (Note 18)** $'000	**Total equity** $'000
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
At 1 April 2019	16,135	1,862,614	14,664	1,877,278	16,176	1,909,589
(Deficit)/surplus for the year	–	(24,457)	4,419	(20,038)	–	(20,038)
Sinking fund	–	–	1,033	1,033	–	1,033
Total comprehensive income for the year	–	(24,457)	5,452	(19,005)	–	(19,005)
Dividend paid to the Government	–	–	–	–	–	–
Capital contributed by the Government	4,192	–	–	–	–	4,192
At 31 March 2020	20,327	1,838,157	20,116	1,858,273	16,176	1,894,776

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 2020

Corporation	**Capital account (Note 16)** $'000	**General fund** $'000	**Restricted funds** $'000	**Accumulated surplus (Note 17)** $'000	**Total equity** $'000
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
At 1 April 2019	16,135	1,805,182	14,664	1,819,846	1,835,981
(Deficit)/surplus for the year	–	(28,458)	4,419	(24,039)	(24,039)
Sinking fund	–	–	1,033	1,033	1,033
Total comprehensive income for the year	–	(28,458)	5,452	(23,006)	(23,006)
Dividend paid to the Government	–	–	–	–	–
Capital contributed by the Government	4,192	–	–	–	4,192
At 31 March 2020	20,327	1,776,724	20,116	1,796,840	1,817,167

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 2020

Group	Note	2020	2019
		$'000	$'000
Cash flows from operating activities			
(Deficit)/surplus before taxation and contribution to Consolidated Fund		(17,971)	46,185
Adjustments for:			
Interest income		(25,843)	(31,147)
Dividend income		(5,909)	(5,209)
Depreciation of property, plant and equipment	4	59,885	62,770
Amortisation of land premium	5	1,926	1,926
Amortisation of rights of use assets	6	587	99
Loss on disposal/write-off of property, plant and equipment		19,544	195
Write back of doubtful debts		193	56
Impairment on property, plant and equipment	4	14,026	–
Unrealised fair value loss/(gain) on investments	26	14,872	(31,862)
Amortisation of deferred membership	22(a)	(8,728)	(8,397)
Amortisation of deferred lease income	22(b)	(1,119)	(1,139)
Share of results of a joint venture	8	(866)	(1,069)
Amortisation of deferred capital grants	21	(491)	(762)
Lease interest expense	6	510	–
Net change in fair value loss of derivatives		7,238	3,637
Operating cash flows before working capital changes		57,854	35,283
<u>Changes in working capital</u>			
Decrease/(increase) in inventories		253	(579)
Decrease/(increase) in trade and other receivables and prepayments		9,960	(7,388)
Increase in accrued income		(5,704)	(6,237)
(Decrease)/increase in trade and other payables		(12,483)	8,294
Decrease in provisions		(3,894)	(6,100)
Cash generated from operating activities		45,986	23,273
Net tax paid		(2,504)	(1,761)
Contribution to Consolidated Fund		(16,289)	(9,549)
Membership fees received	22(a)	3,875	9,817
Net increase in cash of Sentosa Cove Residential Fund		(4,768)	(7,455)
Net cash generated from operating activities		26,300	14,325
Investing activities			
Interest received		25,843	31,147
Dividends received		5,909	5,209
Purchase of property, plant and equipment	4	(50,191)	(45,167)
Purchase of investments		(1,366,439)	(636,523)
Proceeds from sale of investments		1,464,451	627,467
Proceeds from disposal of property, plant and equipment		880	147
Net cash generated from/(used in) investing activities		80,453	(17,720)

Sentosa Development Corporation and its subsidiaries

Statement of cash flows
For the financial year ended 31 March 2020

Group	Note	2020	2019
		$'000	$'000
Financing activities			
Proceeds from capital contributed by the Government		4,192	1,404
Dividend paid to the Government		–	(15,211)
Payment of principal portion of lease liabilities		(704)	–
Net cash generated from/(used in) from financing activities		3,488	(13,807)
Net increase/(decrease) in cash and cash equivalents		110,241	(17,202)
Cash and cash equivalents at the beginning of the financial year		180,360	197,562
Cash and cash equivalents at the end of the financial year	15	290,601	180,360

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 2020

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 2020 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 2019. The adoption of the standards did not have any effect on the financial performance or position of the Group, except for SB-FRS 116.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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

SB-FRS 116 *Leases*

(a) *As lessee*

SB-FRS 116 supersedes SB-FRS 17 *Leases*, INT SB-FRS 104 *Determining whether an Arrangement contains a Lease*, INT SB-FRS 15 *Operating Leases - Incentives* and INT SB-FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group adopted SB-FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. The lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Assets were measured at an amount equal to the lease liability, adjusted for previously recognised prepaid and accrual lease payment.

The ROU assets are subsequently depreciated using the straight-line basis over the earlier of the end of the lease term or the estimated useful lives of the ROU asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The ROU assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9.

Lease liabilities

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

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

Lease liability shall be remeasured when there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group adopted SB-FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 April 2019 and applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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

The Group have applied the standard using the modified retrospective approach and have not restated comparative amounts for the previous reporting period.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The Group recognised right-of-use assets and lease liabilities of $13,772,000 and $13,772,000 respectively on adoption date, excluding the floating sea barrier. The carrying amount of the right-of-use assets and lease liabilities amount to $13,285,000 and $13,578,000 respectively for the financial year ended 31 March 2020, excluding the floating sea barrier.

The lease liabilities of the Group as at 1 April 2019 can be reconciled to the operating lease commitments as at 31 March 2019, as follows:

	Group
	$'000
Operating lease commitments as at 31 March 2019	8,312
Lease payments relating to renewal periods not included in operating lease commitments as at 31 March 2019	16,060
Weighted average incremental borrowing rate as at 1 April 2019	3.00%
Discounted operating lease commitments as at 1 April 2019	14,102
Less:	
Commitments relating to leases of low-value assets	(330)
Lease liabilities as at 1 April 2019	13,772

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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
Amendments to References to the Conceptual Framework in SB-FRS Standards	1 January 2020
Amendments to SB-FRS 103: *Definition of a Business*	1 January 2020
Amendments to SB-FRS 1 and SB-FRS 8: *Definition of Material*	1 January 2020
Amendments to SB-FRS 109, SB-FRS 39 and SB-FRS 107: *Interest Rate Benchmark Reform*	1 January 2020

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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.

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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

2.6 *Property, plant and equipment* (cont'd)

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.

2.9 *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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

2.10 *Subsidiaries (cont'd)*

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.

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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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

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

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, fund investments 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.

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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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).

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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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.

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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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.

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

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.

2.24 *Leases*

The accounting policies below are applied before the initial application date of SB-FRS 116, 1 April 2019. For accounting policies under SB-FRS 116, please refer to Note 2.2 for lessee and Note 2.24(b) for lessor.

(a) *As lessee*

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 2.25(b). Contingent rents are recognised as income in the period in which they are earned.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

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.

(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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

2.25 ***Income (cont'd)***

(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.

(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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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

2.26 *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 2020

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

2.26 *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.

2.27 *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 2020

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 (2019: 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 2020 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 12 to the financial statements.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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. The carrying amount of the provision as the end of the reporting period is disclosed in Note 20 to the financial statements.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

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 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 and 1 April 2019	530,454	565,252	33,423	332,258	1,461,387
Additions	4,684	1,647	21,611	22,249	50,191
Disposals/written off	(9,574)	(29,361)	(668)	(18,338)	(57,941)
Transfers	9,195	913	(19,438)	9,330	–
Impairment	(62)	(12,117)	(124)	(1,723)	(14,026)
As at 31 March 2020	534,697	526,334	34,804	343,776	1,439,611
Accumulated Depreciation					
At 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 and 1 April 2019	227,322	254,454	–	203,711	685,487
Charge for the year	12,322	18,330	–	29,233	59,885
Disposals/written off	(4,365)	(16,341)	–	(16,809)	(37,515)
As at 31 March 2020	235,279	256,443	–	216,135	707,857
Net book values					
As at 31 March 2020	299,418	269,891	34,804	127,641	731,754
As at 31 March 2019	303,132	310,798	33,423	128,547	775,900

Included in the cost of property, plant and equipment was an amount of $500,000 (2019: $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 2020

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 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 and 1 April 2019	502,641	494,218	31,347	324,147	1,352,353
Additions	4,210	1,412	14,495	21,099	41,216
Disposals/written-off	(9,322)	(29,122)	(668)	(17,964)	(57,076)
Transfers	8,094	110	(16,490)	8,286	–
Impairment	(62)	(12,117)	(124)	(1,723)	(14,026)
As at 31 March 2020	505,561	454,501	28,560	333,845	1,322,467
Accumulated Depreciation					
At 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 and 1 April 2019	218,959	214,854	–	199,947	633,760
Charge for the year	11,366	12,888	–	27,458	51,712
Disposals/written-off	(4,117)	(16,108)	–	(16,437)	(36,662)
As at 31 March 2020	226,208	211,634	–	210,968	648,810
Net book values					
As at 31 March 2020	279,353	242,867	28,560	122,877	673,657
As at 31 March 2019	283,682	279,364	31,347	124,200	718,593

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5. Land premium

	Group and Corporation	
	2020	**2019**
	$'000	$'000
Cost		
At 1 April and 31 March	68,096	68,096
Accumulated amortisation		
At 1 April	21,316	19,390
Credited to income statement	1,926	1,926
At 31 March	23,242	21,316
Net carrying amount	44,854	46,780

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 assets and lease liabilities

Group as a lessee

The Group has lease contracts for properties used in its operations with lease terms of 20 years on average. These leases are recognised as right-of-use assets. The Group also has leases of low-value assets. The Group applies the 'lease of low-value assets' recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets recognised and the movements during the year:

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Cost				
At 1 April	14,566	794	1,536	794
Additions	–	–	–	–
As at 31 March	14,566	794	1,536	794
Accumulated amortisation				
At 1 April	421	322	421	322
Credited to Income statement	587	99	143	99
As at 31 March	1,008	421	564	421
Net carrying amount	13,558	373	972	373

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
For the financial year ended 31 March 2020

6. Right-of-use assets and lease liabilities (cont'd)

Group as a lessee

(b) Carrying amounts of lease liabilities and the movements during the year:

	Group 2020 $'000	Corporation 2020 $'000
At 1 April	13,772	742
Accretion of interest	510	11
Payments	(704)	(49)
At 31 March	13,578	704
Comprises:		
Current	169	39
Non-Current	13,409	665
At 31 March	13,578	704

The following are the amounts recognised in income and expenditure:

	Group		Corporation	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Amortisation of rights-of-use assets	(587)	(99)	(143)	(99)
Interest expenses on lease liabilities	(510)	–	(11)	–
Expenses relating to short-term leases (included in administrative expenses)	(242)	–	–	–
Total amount recognised in income and expenditure	(1,339)	(99)	(154)	(99)

The Group had total cash outflows for leases of $704,000 for the financial year ended 31 March 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of $13,772,000 and $13,772,000 respectively for the financial year ended 31 March 2020.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

	1 April 2019, adoption of SB-FRS 116	Cash flows	Non-cash change	31 March 2020
			Other	
	$'000	$'000	$'000	$'000
Lease liabilities				
- Current	194	(704)	679	169
- Non-current	13,578	–	(169)	13,409
	13,772	(704)	510	13,578

The 'other' column relates to reclassification of non-current portion of lease liabilities due to passage of time.

Sentosa Development Corporation and its subsidiaries

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For the financial year ended 31 March 2020

7. Investments in subsidiaries

	Corporation	
	2020	**2019**
	$'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	
			2020	**2019**
			%	%
Held by the Corporation				
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

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8. Investments in joint venture

	Group	
	2020 $'000	**2019** $'000
Unquoted shares, at cost	6,340	6,340
Share of post-acquisition profits (net of tax)	9,348	8,482
	15,688	14,822

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

In 2020 and 2019, 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**	
			2020 %	**2019** %
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 2020

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:

	2020 $'000	2019 $'000
Income	20,368	20,923
Expenses	(16,038)	(15,580)
Total profit	4,330	5,343
Current assets	36,325	31,843
Non-current assets	70,190	72,608
Current liabilities	(4,625)	(6,118)
Non-current liabilities	(23,478)	(24,250)
Net assets	78,412	74,083
Group's interest in net assets of joint venture at beginning of year	14,822	13,753
Share of total profit	866	1,069
Carrying amount of interest in joint venture at end of the year	15,688	14,822

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.

Sentosa Development Corporation and its subsidiaries

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10. Deferred tax assets/(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:

Group	At 1 April 2018 $'000	Recognised in profit or loss $'000	At 31 March 2019 and 1 April 2019 $'000	Recognised in profit or loss $'000	At 31 March 2020 $'000
Deferred tax assets/(liabilities)					
Property, plant and equipment	(817)	266	(551)	173	(378)
Provision for unutilised leave	–	191	191	41	232
Provision for non-contractual bonus	–	–	–	211	211
Under provision in respect of prior years	–	–	–	423	423
Total	(817)	457	(360)	848	488

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

Group	2020 $'000	2019 $'000
Unutilised tax losses	599	558

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

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For the financial year ended 31 March 2020

11. Inventories

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Consumables and spare parts	6,361	5,784	6,135	5,038
Merchandise	1,235	1,344	–	–
Food and beverage products	348	295	122	100
Attraction tickets	48	741	48	741
Less: Allowance for inventories obsolesces	(81)	–	–	–
	7,911	8,164	6,305	5,879
Statement of comprehensive income:				
Inventories recognised as an expense in cost of sales	21,670	24,877	14,682	17,769
Inventories recognised as part of inventories used	15,680	16,182	8,360	8,218

12. Trade and other receivables

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Current				
Trade receivables	16,991	26,251	13,100	23,038
Other receivables	9,868	7,650	8,535	4,435
Investment receivables	9,783	12,547	9,257	12,138
Deposits	1,064	846	236	155
Amounts due from subsidiaries (non-trade)	–	–	5,172	4,966
Total trade and other receivables	37,706	47,294	36,300	44,732
Add: Cash and cash equivalents (Note 15)	311,430	196,421	257,859	144,703
Less: GST receivables	(674)	–	(1,570)	–
Total financial assets at amortised cost	348,462	243,715	292,589	189,435

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.

Sentosa Development Corporation and its subsidiaries

Notes to the financial statements
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12. Trade and other receivables (cont'd)

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 (non-trade)

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to $1,246,000 (2019: $1,516,000) that are past due at the end of the reporting period but not impaired.

The Corporation has trade receivables amounting to $559,000 (2019: $1,239,000) 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:

	2020 $'000	**2019** $'000
Group		
Past due less than 30 days	811	1,241
Past due 30-60 days	53	87
Past due 61-90 days	178	36
Past due more than 90 days	204	152
	1,246	1,516
Corporation		
Past due less than 30 days	306	1,078
Past due 30-60 days	25	50
Past due 61-90 days	100	–
Past due more than 90 days	128	111
	559	1,239

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Notes to the financial statements
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12. 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 2020, the movement in allowance for expected credit losses of trade receivables has been computed based on lifetime expected credit losses (ECL):

	Group		Corporation	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Trade receivables – nominal amounts	378	3,147	337	3,062
Less: allowance for doubtful debt	(378)	(3,147)	(337)	(3,062)
	–	–	–	–
Movement in allowance accounts:				
At 1 April	3,147	3,107	3,062	2,972
Provided during the year	261	201	220	123
Reversal during the year	(67)	(161)	(1)	(33)
Utilised during the year	(2,963)	–	(2,944)	–
At 31 March	378	3,147	337	3,062

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	
	2020 $'000	**2019** $'000
United States Dollars	6,457	5,599
Euros	139	568
British Pounds	40	665
Japanese Yen	223	136
Others	615	708

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13. Investments

	Group and Corporation	
	2020	**2019**
	$'000	$'000
Quoted investments		
At fair value through profit or loss		
Singapore government bonds	144,418	139,237
Other government bonds	133,305	116,754
Corporate bonds	303,272	552,345
Equity securities	198,473	211,250
Fund Investments	127,234	–
	906,702	1,019,586

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, equity securities and fund investments 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	
	2020	**2019**
	$'000	$'000
United States Dollars	304,136	532,432
Euros	29,133	84,545
Hong Kong Dollars	35,701	33,442
British Pounds	6,481	26,905
Japanese Yen	57,795	16,956
Others	73,033	82,535

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14. Financial derivatives at fair value

	Group and Corporation					
	2020			2019		
	Notional amount $'000	**Assets** $'000	**Liabilities** $'000	**Notional amount** $'000	**Assets** $'000	**Liabilities** $'000
Futures	87,080	1,913	(722)	37,249	461	(576)
Forward foreign exchange contracts	609,971	721	(8,003)	1,004,561	1,765	(1,769)
Options	21	–	(84)	–	–	–
Swaps	108,323	1,344	(2,526)	–	–	–
	805,395	3,978	(11,335)	1,041,810	2,226	(2,345)

Futures and options 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. Swaps contracts are entered into for managing interest rate risk of fixed income portfolios. 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	
	2020 $'000	**2019** $'000
United States dollars	(102)	(33)
Others	(804)	16

15. Cash and cash equivalents

	Group		Corporation	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Cash at bank and on hand	9,599	16,038	9,332	15,121
Cash placed with custodian	24,659	33,004	24,659	33,004
Deposits placed with Accountant-General's Department ("AGD")	277,172	147,379	223,868	96,578
	311,430	196,421	257,859	144,703
Less: Cash held under Sentosa Cove Residential Fund	(20,829)	(16,061)	(20,829)	(16,061)
	290,601	180,360	237,030	128,642

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15. Cash and cash equivalents (cont'd)

Deposits placed with the AGD mature in varying periods of between 1 day to 2 years (2019: 1 day to 2 years), depending on the immediate cash requirements of the Corporation and the Group, and earn interest income based on AGD's Central Liquidity Management (CLM) yield rates.

The weighted average effective interest rate of cash and cash equivalents held by the Group and Corporation is 1.93% (2019: 1.76%) per annum.

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

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Japanese Yen	8,744	13,301	8,744	13,301
United States Dollar	21,244	27,322	21,244	27,322
Others	808	2,311	808	2,311

16. Capital account

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

	Group and Corporation	
	2020	**2019**
	$'000	$'000
At 1 April	16,135	14,731
Capital contributed by the Government	4,192	1,404
At 31 March	20,327	16,135

17. Accumulated surplus

(a) ***General Fund***

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

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Notes to the financial statements
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17. Accumulated surplus (cont'd)

(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	
	2020	**2019**
	$'000	$'000
Trade and other receivables	1,435	1,284
Prepayments	5	17
Cash and cash equivalents	20,829	16,061
	22,269	17,362
Trade and other payables	1,248	1,934
Provision for contribution to Consolidated Fund	905	764
	2,153	2,698
Net assets	20,116	14,664

18. 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.

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19. Trade and other payables

	Group		Corporation	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Current				
Trade payables	7,034	5,756	6,020	3,647
Accrued operating expenses	34,003	46,588	20,860	33,007
Deposits	4,762	5,016	4,531	4,740
Advance receipts	16,360	16,183	11,944	12,617
Liability for short-term compensating absences	3,066	3,092	1,395	1,206
Other payables	9,084	7,598	7,878	5,149
Investment payables	7,704	10,428	7,704	10,428
Amounts due to subsidiaries (non-trade)	–	–	11,808	12,430
	82,013	94,661	72,140	83,224
Non-current				
Other payables	2,645	2,480	2,145	1,980
Total	84,658	97,141	74,285	85,204
Less: Other payables	(500)	(500)	–	–
Less: GST payables	–	(1,736)	–	(569)
Total financial liabilities carried at amortised cost	84,158	94,905	74,285	84,635

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 (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	
	2020 $'000	**2019** $'000
United States Dollars	5,681	4,348
Others	2,023	1,870

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20. Provisions

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
At 1 April	10,091	16,191	9,953	16,053
Provision arose during the financial year	491	–	491	–
Provision utilised during the year	(4,386)	(6,100)	(4,385)	(6,100)
At 31 March	6,196	10,091	6,059	9,953
Comprises:				
Current	4,593	8,487	4,593	8,487
Non-current	1,604	1,604	1,467	1,466
Total	6,197	10,091	6,060	9,953

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 and provision for impairment on property, plant and equipment.

21. Deferred capital grants

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
At 1 April	11,146	11,908	10,937	11,908
Amounts (transferred)/received	–	–	–	(278)
Credited to income statement	(491)	(762)	(435)	(693)
At 31 March	10,655	11,146	10,502	10,937
Comprises:				
Current	491	665	435	609
Non-current	10,164	10,481	10,067	10,328
Total	10,655	11,146	10,502	10,937
Total capital grants received since establishment	511,068	511,068	510,790	510,790

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

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22(a) Deferred membership fee

Club membership fee

	Group and Corporation	
	2020	**2019**
	$'000	$'000
At 1 April	58,964	57,651
Additions	–	6,577
	58,964	64,228
Credited to income statement	(5,289)	(5,264)
At 31 March	53,675	58,964

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	
	2020	**2019**
	$'000	$'000
At 1 April	1,317	1,210
Additions	3,875	3,240
	5,192	4,450
Credited to income statement	(3,439)	(3,133)
At 31 March	1,753	1,317
Comprises:		
Current	6,829	6,606
Non-current	48,599	53,675
Total	55,428	60,281

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22(b) Deferred lease income

	Group and Corporation	
	2020	**2019**
	$'000	$'000
Deferred lease income		
At 1 April	42,647	43,786
Credited to income statement:		
- Lease income amortised (Note 25)	(1,119)	(1,139)
At 31 March	41,528	42,647
Comprises:		
Current	1,119	1,119
Non-current	40,409	41,528
Total	41,528	42,647

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

23. 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 (2019: $2,029,000) resulting from the amortisation of deferred membership fee is not subject to contribution to Consolidated Fund.

	Corporation	
	2020	**2019**
	$'000	$'000
(Deficit)/ surplus of the Corporation before contribution to Consolidated Fund	(23,134)	97,847
Deferred membership fee on membership entrance	(2,029)	(2,029)
(Deficit)/ surplus subject to contribution to Consolidated Fund	(25,163)	95,818
Contribution to Consolidated Fund:		
Current year	905	16,289

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

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24. Income

Disaggregation of income

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Major product or service lines				
Admission fees and packages	91,279	102,651	47,373	54,359
Club income	29,120	28,143	29,120	28,143
Sales of merchandise, net of discounts	8,532	9,878	–	–
Food and beverage	17,228	17,594	4,942	5,080
Headquarter support cost recovery	–	–	1,208	1,833
Sponsorship income	745	765	526	577
Maintenance fund contributions	12,111	11,489	12,111	11,489
	159,015	170,520	95,280	101,481
Primary geographical markets				
Singapore	159,015	170,520	95,280	101,481
Timing of transfer of goods or services				
At a point in time	113,136	126,827	48,192	56,143
Over time	45,879	43,693	47,088	45,338
	159,015	170,520	95,280	101,481

25. Rental and hiring of facilities

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Rental income	44,244	47,211	49,137	52,394
Lease income amortised ((Note 22(b))	1,119	1,139	1,119	1,139
	45,363	48,350	50,256	53,533

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26. Investment income

	Group and Corporation	
	2020	**2019**
	$'000	$'000
Dividend income	5,909	5,209
Interest income	22,027	27,884
Realised fair value gain/(loss) on investment	3,306	(20,300)
Unrealised fair value (loss)/ gain on investment	(14,872)	31,862
Net foreign currency exchange (loss)/gain	(470)	919
Other investment expenses	(315)	(736)
	15,585	44,838

27. Other income

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Club income	29,120	28,143	29,120	28,143
Sales of merchandise, net of discounts	8,532	9,878	–	–
Headquarter support cost recovery	–	–	1,208	1,833
Sponsorship income	745	765	526	577
Food and beverage	17,228	17,594	4,942	5,080
Maintenance fund contributions	12,111	11,489	12,111	11,489
Gain on liquidation of subsidiary	–	–	–	61,429
Others	6,112	6,589	6,874	7,000
	73,848	74,458	54,781	115,551

28. Employee benefits expenses

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Wages and salaries	74,908	78,436	62,767	65,273
CPF contributions	14,687	14,236	7,356	6,864
	89,595	92,672	70,123	72,137

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29. General and administrative expenses

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

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Property tax	6,270	6,121	5,719	5,434
Utilities	4,962	5,785	3,837	4,599
Investment related expenses	3,404	3,107	3,404	3,107
Professional and consultancy fees	2,822	2,299	2,406	1,874
Printing and stationery	964	1,922	768	1,788
Travelling and transport	2,063	1,709	1,713	1,414
Exchange gain	(1,408)	(19)	(1,411)	(22)
Provision on impairment of property, plant and equipment	14,026	–	14,026	–
Loss on disposal of property, plant and equipment	19,544	195	19,544	148

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	
	2020	**2019**
	$'000	$'000
Current tax expense		
Current year	1,587	2,001
Under/(over) provision in respect of prior years	423	(94)
	2,010	1,907
Deferred tax credit		
Current year	(425)	(457)
Under provision in respect of prior years	(423)	–
	(848)	(457)
Total income tax expense	1,162	1,450

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30. Income tax expense (cont'd)

	Group	
	2020 $'000	**2019** $'000
Relationship between tax expense and (deficit)/surplus		
(Deficit)/surplus before income tax	(17,971)	46,185
Tax using Singapore tax rate at 17%	(3,143)	7,811
Deficit/(surplus) not subject to tax	3,933	(6,191)
Non-deductible expenses	590	127
Income not subject to tax	(180)	(118)
Effect of partial tax exemption and tax relief	(58)	(72)
Benefits from previously unrecognised tax losses	–	(71)
Over provision in respect of prior years	–	(94)
Others	20	58
	1,162	1,450

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	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Capital commitments in respect of property, plant and equipment	109,838	28,935	107,178	26,604

(b) ***Lease commitments - as lessor***

The Group leases land to certain hotels and other tenants for 3 to 92 (2019: 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.

Lease income recognised in the income statement of the Group and the Corporation during the financial year amounted to $45,363,000 (2019: $48,350,000) and $50,256,000 (2019: $53,533,000) respectively, of which $14,097,000 (2019: $15,010,000) was related to the variable rental income received during the financial year.

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31. Commitments (cont'd)

(b) *Lease commitments - as lessor (cont'd)*

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

	Group		Corporation	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Within 1 year	20,114	29,973	19,981	33,278
Within 2 to 5 years	53,689	90,493	53,628	90,493
After 5 years	910,334	921,707	910,334	921,707
	984,137	1,042,173	983,943	1,045,478

(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 years with option to renew the leases after that date.

	Group	Corporation
	2019	**2019**
	$'000	$'000
Within 1 year	1,066	187
Within 2 to 5 years	3,594	142
After 5 years	3,652	–
	8,312	329

As disclosed in Note 2.2, the Group has adopted SB-FRS116 on 1 April 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 March 2020, except for short-term and low-value leases.

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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	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Short-term employee benefits	7,708	7,940	5,391	5,612
CPF contributions	397	399	238	241
Board members' fees	163	126	125	111
	8,268	8,465	5,754	5,964

(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	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Ministries and Statutory Boards				
Purchases and services paid to other ministries	121	21	113	21
Purchases and services paid to other statutory boards	5,768	4,549	5,669	4,414
Services rendered to other ministries	379	288	34	86
Services rendered to other statutory boards	576	879	453	228

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32. Significant related party transactions (cont'd)

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

	Group		Corporation	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
Subsidiaries				
Admission fee income from subsidiaries	–	–	2,027	2,166
Rental income from subsidiaries	–	–	5,148	5,452
Headquarter support fee income from subsidiaries	–	–	1,304	1,833
Purchase of goods from subsidiaries	–	–	14,766	15,317
Management fee expense paid to subsidiaries	–	–	39,826	41,614
Joint ventures				
Rental income from joint venture	689	689	689	689
Other related parties				
Services rendered by related parties	158	133	–	96
Services rendered to related parties	345	66	–	62

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

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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
2020			
Financial assets:			
Singapore government bonds	144,418	–	144,418
Other government bonds	133,305	–	133,305
Corporate bonds	303,272	–	303,272
Equity securities	198,473	–	198,473
Fund Investments	–	127,234	127,234
Sub-Total	779,468	127,234	906,702
<u>Derivative financial instruments</u>			
Futures	1,913	–	1,913
Forward foreign exchange contracts	–	721	721
Swaps	–	1,344	1,344
Sub-Total	1,913	2,065	3,978
Total	781,381	129,299	910,680
Financial liabilities:			
<u>Derivative financial instruments</u>			
Futures	(722)	–	(722)
Forward foreign exchange contracts	–	(8,003)	(8,003)
Options	(84)	–	(84)
Swaps	–	(2,526)	(2,526)
Total	(806)	(10,529)	(11,335)

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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
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)

(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:

Fund investments

The fair values of the fund investments are determined based on the fund net asset values provided by the fund managers at the last market day of the financial year.

Derivatives

Forward currency and swaps 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.

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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 is 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.

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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).

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

31 March 2020	**Current** $'000	**More than 30 days past due** $'000	**More than 60 days past due** $'000	**More than 90 days past due** $'000	**Total** $'000
Gross carrying amount	8,290	56	178	473	8,997
Loss allowance provision	–	(4)	(1)	(373)	(378)

31 March 2019	**Current** $'000	**More than 30 days past due** $'000	**More than 60 days past due** $'000	**More than 90 days past due** $'000	**Total** $'000
Gross carrying amount	13,530	88	27	3,267	16,912
Loss allowance provision	–	(1)	(9)	(3,137)	(3,147)

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% (2019: 24%) of the Group's trade receivables were due from 5 (2019: 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 12 (Trade and other receivables).

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

(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.

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	2020 $'000			2019 $'000		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Financial liabilities:						
Trade and other payables	81,513	2,645	84,158	92,425	2,480	94,905
Lease liabilities	169	13,409	13,578	–	–	–
Total undiscounted financial liabilities	81,682	16,054	97,736	92,425	2,480	94,905

Corporation	2020 $'000			2019 $'000		
	One year or less	One to five years	Total	One year or less	One to five years	Total
Financial liabilities:						
Trade and other payables	72,140	2,145	74,285	82,655	1,980	84,635
Lease liabilities	39	665	704	–	–	–
Total undiscounted financial liabilities	72,179	2,810	74,989	82,655	1,980	84,635

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

(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% (2019: +/- 1%) change in interest rate as at March 2020 will result in a +/- $868,000 (2019: +/- $783,000) increase/decrease in interest income for the Group and Corporation. This analysis was performed assuming all other variables remain constant.

(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 (2019: 25) basis points higher/lower with all other variables held constant, the Group's and the Corporation's (deficit)/surplus before contribution to Consolidated Fund would have been higher/lower by the amounts shown below.

	2020		**2019**	
	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 15)	693	(693)	368	(368)
Corporation				
Deposits placed with Accountant-General's Department (Note 15)	560	(560)	241	(241)

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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	
	2020 $'000	**2019** $'000	**2020** $'000	**2019** $'000
United States Dollars	46,756	60,888	46,756	60,888
Hong Kong Dollars	35,701	33,442	35,701	33,442
Japanese Yen	(3,562)	9,944	(3,562)	9,944
Others	29,086	88,316	29,086	88,316

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.

		2020 $'000	**2019** $'000
SGD/USD	- strengthened 1%	468	609
	- weakened 1%	(468)	(609)
SGD/HKD	- strengthened 1%	357	334
	- weakened 1%	(357)	(334)
SGD/JPY	- strengthened 1%	(36)	99
	- weakened 1%	36	(99)

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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**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollars	30,297	33,525	8,379	4,985	30,297	33,525	8,379	4,985
Japanese Yen	9,001	13,437	411	14	9,001	13,437	411	14
Others	2,776	4,292	2,044	1,894	2,776	4,292	2,044	1,894

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.

		2020	**2019**
		$'000	$'000
SGD/USD	- strengthened 1%	219	285
	- weakened 1%	(219)	(285)
SGD/JPY	- strengthened 1%	86	134
	- weakened 1%	(86)	(134)

(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, bonds and fund investments. 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% (2019: +/- 2%) change in investment value as at 31 March 2020 will result in a +/- $18,134,000 (2019: +/- $20,392,000) increase/decrease in net deficit 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 2020

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 2020.

36. Comparative figures

Certain reclassification has been made to the comparative figures to enhance comparability with the current year's financial statements. As a result, the following line items have been reclassified:

	As previously reported	Re-classification	As restated
	For the year ended 31 March 2019 $'000	For the year ended 31 March 2019 $'000	For the year ended 31 March 2019 $'000
<u>**Group and Corporation**</u>			
Statement of comprehensive income – restricted funds			
Expenditure			
Staff costs	1,036	(1,036)	–
General and administrative expenses	2,958	1,036	3,994

37. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2020 were authorised for issue in accordance with a resolution of the directors on 24 June 2020.

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Sentosa Development Corporation
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