



**Singapore Discovery Centre Ltd
(A company limited by guarantee
and not having a share capital)**

Registration Number: 199307558M
(Registered under the Singapore Charities Act, Chapter 37)

Annual Report
Year ended 31 March 2019

Directors' statement

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 March 2019.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS28 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50, Singapore Charities Act, Chapter 37, and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Chua Tsen Leong Adrian
BG (RET) Lawrence Chua
Chan Kit Ee
Cheong Kwok Chien (Appointed on 28 May 2019)
Chia Tze Yee
Jeffrey Seah Ting Han
Melvin Kwek Lian Seng
Ng Kin Yi
Puvanaratnam S/O Ariaratnam
Tan Boon Kiat
Teng Choon Hon Adrian
Tong Yee (Tang Yi) (Appointed on 13 August 2018)

Directors' interests

As the Company is limited by guarantee and has no share capital, no director who held office at the end of the financial year had interests in the capital of the Company either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), no director who held office at the end of the financial year (including those held by their spouses and infant children) had interests in shares or debentures of related corporations, either at the beginning or at the end of the financial year.

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

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



Chua Tsen Leong Adrian
Director



Lawrence Chua
Director

24 June 2019



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Independent auditors' report

Members of the Company
Singapore Discovery Centre Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Singapore Discovery Centre Ltd ('the Company'), which comprise the statement of financial position as at 31 March 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS28.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act'), the Singapore Charities Act, Chapter 37 ('the Charities Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company 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 '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information comprises the Directors' statement.

We have obtained the Directors' statement prior to the date of this auditors' report.

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



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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' 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 auditors' 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 controls.
- Obtain an understanding of internal controls 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 Company's internal controls.



- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG up

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
24 June 2019

Statement of financial position
As at 31 March 2019

	Note	2019 \$	2018 \$
Non-current asset			
Property, plant and equipment	4	1,820,011	1,800,337
Current assets			
Inventories - merchandise		14,935	12,804
Trade and other receivables	5	268,239	514,161
Cash and cash equivalents	6	6,768,709	5,359,695
		7,051,883	5,886,660
Total assets		8,871,894	7,686,997
Total equity		-	-
Non-current liabilities			
Deferred capital grants	7	1,295,102	957,452
Trade and other payables	9	1,500	21,900
		1,296,602	979,352
Current liabilities			
Deferred capital grants	7	524,910	842,885
Grants received in advance	8	4,108,860	3,245,492
Trade and other payables	9	2,941,522	2,619,268
		7,575,292	6,707,645
Total liabilities		8,871,894	7,686,997
Total equity and liabilities		8,871,894	7,686,997

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

Statement of comprehensive income
Year ended 31 March 2019

	Note	2019 \$	2018 \$
Income			
Revenue	10	1,160,920	3,415,333
Other income	11	204,789	213,507
		1,365,709	3,628,840
Expenditure			
Cost of inventories		(12,432)	(20,439)
Employee compensation	12	(7,752,286)	(8,599,695)
Other operating expenses	12	(7,655,046)	(8,610,581)
		(15,419,764)	(17,230,715)
Deficit for the year before grants		(14,054,055)	(13,601,875)
Grants			
Operating grants utilised	8	13,314,193	12,690,928
Assets written off/disposed under deferred capital grants	7	10,832	5,028
Deferred capital grants amortised	7	729,030	905,919
		14,054,055	13,601,875
Net surplus for the year, representing total comprehensive income for the year		—	—

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

Statement of changes in equity
Year ended 31 March 2019

	Equity \$
2019	
Balance at beginning and end of financial year	<u> —</u>
2018	
Balance at beginning and end of financial year	<u> —</u>

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

Statement of cash flows
Year ended 31 March 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Deficit for the year before grants		(14,054,055)	(13,601,875)
Adjustments for:			
Interest income	11	(28,028)	(3,021)
Depreciation expense	12	729,030	905,919
Loss on disposal/write-off of property, plant and equipment	12	10,607	4,233
		(13,342,446)	(12,694,744)
Changes in working capital:			
Inventories		(2,131)	305
Trade and other receivables		269,075	92,430
Trade and other payables		301,854	625,931
Cash used in operations		(12,773,648)	(11,976,078)
Interest received		4,875	1,947
Net cash used in operating activities		(12,768,773)	(11,974,131)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(759,537)	(429,948)
Proceeds from disposal of property, plant and equipment		226	795
Net cash used in investing activities		(759,311)	(429,153)
Cash flows from financing activities			
Release of pledge on fixed deposits	6	379,600	–
Grants received	8	14,937,098	14,232,713
Net cash generated from financing activities		15,316,698	14,232,713
Net increase in cash and cash equivalents		1,788,614	1,829,429
Cash and cash equivalents at beginning of financial year		4,980,095	3,150,666
Cash and cash equivalents at end of financial year	6	6,768,709	4,980,095

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 24 June 2019.

1 Domicile and activities

Singapore Discovery Centre Ltd (the Company) is incorporated in the Republic of Singapore as a company limited by guarantee. As at 31 March 2019, the Company has 3 (2018: 3) members with each member's liability limited to \$1 (2018: \$1).

The address of the Company's registered office is 510 Upper Jurong Road, Singapore 638365.

The principal activity of the Company is to operate an edutainment attraction.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with 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.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

(a) Note 4 - Useful lives of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their useful lives. Management estimates the useful lives to be between 3 to 10 years, based on the estimated useful lives for similar property, plant and equipment in the same industry. These estimates can change significantly as a result of expected usage or abandonment and technological innovations, leading to potential changes in future depreciation charges, impairment losses and/or write-offs.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit of loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 April 2018

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment – Policy applicable from 1 April 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of disposals of financial assets in prior periods, the reasons for such disposals and its expectations about future activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 April 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 April 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 April 2018

The Company classified non-derivative financial assets into the loans and receivables category.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 April 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised trade and other receivables, and cash and cash equivalents.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

The Company initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise trade and other payables.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded.

3.2 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;

- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated.

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

Work-in-progress included in property, plant and equipment are not depreciated as these assets are not available for use.

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

• Exhibits	3 to 10 years
• Furniture and fittings	8 to 15 years
• Office equipment	5 years
• Computer, software and IT related equipment	3 to 5 years
• Motor vehicles	10 years
• Renovation	5 years
• Facility and audio video equipment	5 to 10 years

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

3.3 Inventories

Inventories comprise merchandise for sale and are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

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

3.4 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 April 2018

The Company recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- advance by the Company on terms that the Company would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Policy applicable before 1 April 2018

A financial asset not carried at fair value through profit or loss was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considered evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables were assessed for specific impairment. All individually significant receivables found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and receivables that were not individually significant were collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company used historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continued to be recognised through the unwinding of the discount. When the Company considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease could be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

3.5 Revenue

Revenue from goods sold and services rendered in the ordinary course of business is recognised when the Company satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. Revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO on the basis of the relative stand-alone selling prices of the promised goods or services and excludes goods and services or other sales taxes. Trade discounts or variable considerations are allocated to one or more, but not all, of the POs if they relate specifically to those POs.

Transaction price is the amount of consideration in the contract to which the Company expects to be entitled to in exchange for transferring the promised goods or services. The transaction price may be fixed or variable, and is adjusted for time value of money if the contract includes a significant financing component. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Ticket and retail sales

Revenue is recognised at a point in time following the satisfaction of the PO, which is upon the sale of tickets and retail goods.

Membership fees

Membership fees are recognised over time following the satisfaction of the PO. Revenue is recognised based on the period of the membership, reflecting the progress towards the complete satisfaction of the PO.

Management fee, education programmes and events income

Management fee, education programmes and events income are recognised over time following the satisfaction of the PO. Revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of the PO, being when the services are rendered.

Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Contract liabilities

A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are presented as "Deferred income" in the financial statements.

Revenues from the membership fees are recognised ratably over the period of the membership. At each reporting date, the unamortised portion of income received in respect of membership fees is recognised as deferred income.

3.6 Government grants

Grants related to expenditure

Grants from the Ministry of Defence and other grants are recognised at their fair value when there is reasonable assurance that the grants will be received and the Company will comply with all the attached conditions.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to reimburse.

Grants related to assets

Government grants utilised for the purchase of depreciable assets are recorded in the deferred capital grants account (shown as liability on the balance sheet).

Deferred capital grants are recognised in profit or loss over the periods necessary to match the depreciation of the items of property, plant and equipment purchased with the related grants.

On the disposal of the items of property, plant and equipment, the balance of the related deferred capital grants is recognised in profit or loss to match the net book value of the assets disposed.

3.7 Operating leases

When the Company is the lessee

The Company leases land and certain plant and machinery under operating leases.

Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

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

When the Company is the lessor

The Company leases retail space under operating leases to non-related parties. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

3.8 Employee compensation

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund, on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's contribution to defined contribution plans are recognised as employee compensation expense when the contributions are due.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

3.9 Tax

The Company is registered as a charity under the Singapore Charities Act. With effect from Year of Assessment 2008, all registered charities will enjoy automatic income tax exemption and the Company is exempted from filing income tax returns.

3.10 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 16.

4 Property, plant and equipment

	Exhibits \$	Furniture and fixtures \$	Office equipment \$	Computer, Software and IT related equipment \$	Motor vehicles \$	Renovation \$	Facility and audio video equipment \$	Work-in- progress \$	Total \$
Cost									
At 1 April 2017	20,927,717	1,759,813	560,849	1,266,363	106,715	9,028,732	2,930,376	24,448	36,605,013
Additions	4,300	2,750	42,278	92,388	—	74,464	213,768	—	429,948
Transfers	—	—	—	—	—	—	24,448	(24,448)	—
Write-off/Disposal	(1,583,700)	(6,016)	(12,085)	(55,232)	—	(437,007)	(345,468)	—	(2,439,508)
At 31 March 2018	19,348,317	1,756,547	591,042	1,303,519	106,715	8,666,189	2,823,124	—	34,595,453
Reclassification	1,264,445	(1,319,176)	—	—	—	(767,573)	822,304	—	—
Additions	—	4,200	19,750	67,782	—	119,864	215,011	332,930	759,537
Write-off/Disposal	(774,260)	(7,265)	(6,052)	(192,426)	—	(1,748,948)	(120,475)	—	(2,849,426)
At 31 March 2019	19,838,502	434,306	604,740	1,178,875	106,715	6,269,532	3,739,964	332,930	32,505,564
Accumulated depreciation									
At 1 April 2017	20,580,819	1,441,215	451,927	1,109,185	25,051	8,409,713	2,305,767	—	34,323,677
Depreciation for the year	145,123	79,227	47,520	73,535	9,054	255,878	295,582	—	905,919
Write-off/Disposal	(1,583,140)	(2,999)	(12,083)	(55,222)	—	(435,889)	(345,147)	—	(2,434,480)
At 31 March 2018	19,142,802	1,517,443	487,364	1,127,498	34,105	8,229,702	2,256,202	—	32,795,116
Depreciation for the year	106,553	70,327	40,619	81,917	9,054	193,840	226,720	—	729,030
Reclassification	1,264,434	(1,199,953)	—	—	—	(767,562)	703,081	—	—
Write-off/Disposal	(774,254)	(7,261)	(6,049)	(190,212)	—	(1,740,348)	(120,469)	—	(2,838,593)
At 31 March 2019	19,739,535	380,556	521,934	1,019,203	43,159	5,915,632	3,065,534	—	30,685,553
Carrying amounts									
As at 1 April 2017	346,898	318,598	108,922	157,178	81,664	619,019	624,609	24,448	2,281,336
At 31 March 2018	205,515	239,104	103,678	176,021	72,610	436,487	566,922	—	1,800,337
At 31 March 2019	98,967	53,750	82,806	159,672	63,556	353,900	674,430	332,930	1,820,011

5 Trade and other receivables

	2019	2018
	\$	\$
Trade receivables	102,916	98,082
Amount due from Ministry of Defence	402	202,668
Interest receivable	24,227	1,074
Other receivables	47,480	114,778
Deposits	1,210	460
	176,235	417,062
Prepayments	92,004	97,099
	268,239	514,161

The amount due from Ministry of Defence is unsecured, interest-free and is repayable on demand.

6 Cash and cash equivalents

	2019	2018
	\$	\$
Cash at bank and on hand	2,487,109	4,271,705
Fixed deposits	4,281,600	1,087,990
	6,768,709	5,359,695

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

	2019	2018
	\$	\$
Cash and bank balances	6,768,709	5,359,695
Less: Fixed deposits pledged	–	(379,600)
Cash and cash equivalents per statement of cash flows	6,768,709	4,980,095

Fixed deposits pledged as security were for guarantees issued to third parties. The pledge was released on 28 September 2018.

7 Deferred capital grants

	Note	2019	2018
		\$	\$
Beginning of financial year		1,800,337	2,281,336
Add: Transferred from grants received in advance	8	759,537	429,948
		2,559,874	2,711,284
Less: Amortisation of deferred capital grants		(729,030)	(905,919)
Less: Transfer to statement of comprehensive income for assets written off/disposed during the year		(10,832)	(5,028)
End of financial year		1,820,012	1,800,337

	2019	2018
	\$	\$
Deferred capital grants represented by:		
Non-current portion	1,295,102	957,452
Current portion	524,910	842,885
	1,820,012	1,800,337

8 Grants received in advance

	Note	2019	2018
		\$	\$
Beginning of financial year		3,245,492	2,133,655
Add: Grants received during the year		14,937,098	14,232,713
Less: Amount transferred to statement of comprehensive income		(13,314,193)	(12,690,928)
Less: Amount transferred to deferred capital grants	7	(759,537)	(429,948)
End of financial year		4,108,860	3,245,492

The operating grant received is based on the budget submitted and approved by the Ministry of Defence on an annual basis.

9 Trade and other payables

	2019	2018
	\$	\$
Non-current		
Deposits payable	1,500	21,900
Current		
Trade payables	734,102	629,460
Accrued operating expenses	1,959,329	1,737,636
Deposits payable	69,230	27,995
Deferred income	119,921	98,616
Sundry creditors	15,041	8,545
Amount due to Ministry of Defence	43,899	117,016
	2,941,522	2,619,268
Total trade and other payables	2,943,022	2,641,168

Deferred income relates to unamortised portion of membership fees received in advance.

Revenue of \$72,595 recognised in the year ended 31 March 2019 was included in the balance of deferred income at the beginning of the year.

The amount due to Ministry of Defence is unsecured, interest-free and is repayable on demand.

10 Revenue

	2019	2018
	\$	\$
Ticket sales	137,335	134,881
Membership fees	108,577	53,386
Rental income	78,386	72,330
Retail sales	16,330	22,783
Management fee income	–	2,214,036
Education programmes and events income	820,292	917,917
	1,160,920	3,415,333

The Company applies the practical expedient in paragraph 121 of FRS 115 and does not disclose information about the remaining performance obligations at 31 March 2019 that have an original expected duration of one year or less.

11 Other income

	2019	2018
	\$	\$
Interest income	28,027	3,021
Other operating income	62,778	10,086
Other grants	113,984	200,400
	204,789	213,507

Other grants comprise of Special Employment Credit, Temporary Employment Credit, Wage Credit Scheme and Absentee Payroll.

12 Employee compensation and other operating expenses

	2019	2018
	\$	\$
Employee compensation		
Wages and salaries	6,687,795	7,445,433
Employer's contribution to Central Provident Fund	972,996	1,114,032
Other short-term benefits	91,495	40,230
	7,752,286	8,599,695

	2019	2018
	\$	\$
Other operating expenses		
Advertisement	177,660	108,664
Depreciation expense	729,030	905,919
Education programmes and events	1,376,862	1,667,275
Exhibitions	537,039	493,997
Film lease	341,234	374,710
GST	416,033	369,012
Loss on write-off/disposal of property, plant and equipment	10,607	4,233
Maintenance and landscaping	696,555	1,100,495
Rental on operating lease	1,620,000	1,620,000
Security	275,700	456,565
Utilities	501,322	457,664
Others	973,004	1,052,047
	<u>7,655,046</u>	<u>8,610,581</u>

Remuneration of employees

In compliance with the Code of Corporate Governance for Charities and Institutions of a Public Character – Guideline 8.3, the annual remuneration of the Company’s three highest paid staff who each received remuneration exceeding \$100,000, in the following bands in the year are as follows:

	2019	2018
	\$	\$
Number of employees in bands:		
\$100,000 to below \$200,000	1	1
\$200,000 to below \$300,000	1	1
\$300,000 to below \$400,000	1	1
	<u>1</u>	<u>1</u>

13 **Operating lease commitments**

As lessee

The Company leases the premises it occupies and office equipment. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	2019	2018
	\$	\$
Not later than one year	1,635,636	1,627,152
Between one and five years	832,151	2,430,000
	<u>2,467,787</u>	<u>4,057,152</u>

As lessor

The Company sub-leases a portion of the premises it occupies. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as assets, are as follows:

	2019	2018
	\$	\$
Not later than one year	34,696	74,112
Between one and five years	–	29,530
	34,696	103,642

14 Financial instruments

Overview

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk refers to the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company assumes that credit risk of a financial asset has increased significantly when the financial asset remains outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records.

As the Company does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each financial asset in the statement of the financial position.

The maximum exposure of the Company's credit risk is the carrying amount of financial assets on the statement of financial position. The major classes of financial assets of the Company are trade and other receivables, and cash and bank deposits. The Company trades substantially with credit-worthy organisations such as government bodies and schools. Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. For other financial assets (including cash and cash equivalents), the Company minimises credit risk by dealing with high credit rating counterparties.

Bank deposits are mainly deposits with banks with high credit-ratings as determined by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially government bodies and schools with a good collection track record with the Company.

Expected credit loss assessment for corporate and individual customers as at 1 April 2018 and 31 March 2019

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual and corporate customers, which comprise a very large number of balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off based on actual credit loss experience over the last three years.

The age analysis of trade and other receivables (excluding prepayments) that were not impaired at the reporting date was:

	2019	2018
	\$	\$
Not past due	172,584	409,920
Past due 1 - 30 days	3,651	7,142
	176,235	417,062

There were no allowance for impairment in respect of trade receivables recognised on 31 March 2018 and 31 March 2019.

Cash and cash equivalents

The Company held cash and cash equivalents of \$6,768,709 at 31 March 2019 (2018: \$5,359,695). The cash and cash equivalents are held with bank and financial institution counterparties which are rated AA-, based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations due to shortage of funds. The Company maintains sufficient liquidity through a mix of internally-generated funds and government grants.

The Company regularly reviews its liquid reserves, comprising cash flows from its operations and government grants, to ensure liquidity is maintained at all times. The Company relies on the Ministry of Defence to fund a significant part of its operations. The framework for funding of the Company's operations is reviewed with the Ministry of Defence on a regular basis.

The carrying amount of trade and other payables reflects the expected contractual undiscounted cash flows which will mature within the next one year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to fixed deposits.

At the reporting date, the interest rate profile of the Company's interest-bearing financial instrument is as follows:

	2019	2018
	\$	\$
Fixed rate instrument		
Fixed deposits	4,281,600	1,087,990

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial instruments at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Determination of fair values

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity.

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Amortised cost \$	Other financial liabilities \$	Total carrying amount \$	Fair value \$
31 March 2019				
Financial assets not measured at fair value				
Trade and other receivables [^]	176,235	–	176,235	176,235
Cash and cash equivalents	6,768,709	–	6,768,709	6,768,709
	<u>6,944,944</u>	<u>–</u>	<u>6,944,944</u>	<u>6,944,944</u>
Financial liability not measured at fair value				
Trade and other payables [*]	–	(2,823,101)	(2,823,101)	(2,823,101)
			<u>(2,823,101)</u>	<u>(2,823,101)</u>
	\$	\$	\$	\$
31 March 2018				
Financial assets not measured at fair value				
Trade and other receivables [^]	417,062	–	417,062	417,062
Cash and cash equivalents	5,359,695	–	5,359,695	5,359,695
	<u>5,776,757</u>	<u>–</u>	<u>5,776,757</u>	<u>5,776,757</u>
Financial liability not measured at fair value				
Trade and other payables [*]	–	(2,542,552)	(2,542,552)	(2,542,552)
			<u>(2,542,552)</u>	<u>(2,542,552)</u>

[^] Excludes prepayments

^{*} Excludes deferred income

Capital management

The Company obtains government grants from the Ministry of Defence to fund its operational and capital requirements. Expenditures are monitored through a budgetary control process. The Company managed its capital base in consideration of current economic conditions and its plans for the year in concern. The Company is not exposed to any external capital requirements.

There were no changes in the Company's approach to capital management during the year.

15 Related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Executive Director, Deputy Executive Director and Assistant Executive Director (resigned during the year) are considered as key management personnel of the Company.

Key management personnel compensation are as follows:

	2019	2018
	\$	\$
Wages and salaries and other short-term benefits	818,281	858,671
Employer's contribution to Central Provident Fund	43,707	50,098
	861,988	908,769

The Company receives services from the Board of Directors and no remuneration is paid for their services.

Other related party transactions

During the financial year, other than as disclosed elsewhere in the financial statements, there were the following related party transactions carried out on terms agreed between the parties:

	2019	2018
	\$	\$
<i>Sales and purchase of goods and services</i>		
Management fee income received/receivable from Army Museum of Singapore	—	(2,214,036)
Ticket, membership and event income received/receivable from Ministry of Defence	(81,904)	(167,995)
Rental of premises paid/payable to Ministry of Defence	1,620,000	1,620,000
Utilities paid/payable to Ministry of Defence	534,233	444,765
	1,072,329	(1,365,271)

16 Explanation of transition to new standards and adoption of new standards

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 March 2019 and the comparative information presented in these financial statements for the year ended 31 March 2018.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. The Company has adopted FRS 115 in its financial statements for the year ended 31 March 2019, using the retrospective approach. The application of the requirements in FRS 115 does not have any significant impact on the financial statements.

FRS 109 Financial Instruments

FRS 109 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Company adopted FRS 109 from 1 April 2018.

The application of the requirements of FRS 109 does not have any significant impact on the financial statements, except for the financial assets which were previously classified as loans and receivables under FRS 39, are now classified as financial assets measured at amortised cost under FRS 109.

The adoption of the other new or revised FRS that are mandatory for application from 1 April 2018, does not have a significant impact on the financial statements.

Applicable to financial statements for the year 2020 and thereafter

The following new FRSS, interpretations and amendments to FRSS are effective for annual periods beginning after 1 April 2019:

Applicable to 2020 financial statements

- FRS 116 *Leases*;
- *Long-term Interests in Associates and Joint Ventures* (Amendments to FRS 28);
- *Prepayment Features with Negative Compensation* (Amendments to FRS 109);
- *Previously Held Interest in a Joint Operation* (Amendments to FRS 103 and FRS 111);
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12);
- *Plan Amendment, Curtailment or Settlement* (Amendments to FRS 19)

Applicable to 2021 financial statements

- FRS 117 *Insurance Contracts*

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to FRS 110 and FRS 28)

The Company has assessed the estimated impact that initial application of FRS 116 will have on the financial statements. The Company's assessment of FRS 116, which is expected to have a more significant impact on the Company, is as described below.

FRS 116 Leases

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 Leases, FRS 104 *Determining whether an Arrangement contains a Lease* and FRS-15 *Operating Leases – Incentives*. The standard is effective for annual periods beginning on or after 1 April 2019, with early adoption permitted.

(i) The Company as lessee

The Company expects to measure lease liabilities by applying a single discount rate to its portfolio of leases. Furthermore, the Company is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 April 2019. For lease contracts that contain the option to renew, the Company is expected to use hindsight in determining the lease term.

The Company expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. Lease payments that are increased every few years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 April 2019, the Company expects an increase in ROU assets of \$2,410,329 and an increase in lease liabilities of \$2,410,329.

The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

(ii) The Company as lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Company continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

The Company will reassess the classification of sub-leases in which the Company is the lessor. No significant impact is expected for other leases in which the Company is the lessor.