

SPORT SINGAPORE

STATEMENT OF FINANCIAL POSITION (cont'd)
31 March 2020

	Note	2020	2019
		\$'000	\$'000
Current liabilities:			
Derivative financial instruments	15	633	406
Payables and accrued liabilities	16	127,617	145,508
Bank loans	17	3,600	6,378
Deferred revenue	18	3,127	3,263
Grants received in advance	19	24,519	9,686
Refundable deposits		3,209	3,374
Finance lease	20	35,098	32,502
Advances	20	2,437	2,257
Lease liabilities ⁽¹⁾	21	9,630	-
Provision for contribution to consolidated fund		1,924	1,664
		211,794	205,038
Net current assets		200,429	151,186
Non-current liabilities:			
Derivative financial instruments	15	7,619	5,053
Bank loans	17	45,000	48,600
Deferred revenue	18	1,027	1,343
Finance lease	20	962,315	997,413
Advances	20	66,812	69,250
Lease liabilities ⁽¹⁾	21	41,434	-
Deferred capital grants:			
- Government	22	1,134,876	1,188,151
- Non-Government	23	18,695	21,154
		2,277,778	2,330,964
		1,402,861	1,290,531

(1) Lease liabilities exclude finance lease for Sports Hub which is disclosed separately.

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

SPORT SINGAPORE

INCOME AND EXPENDITURE STATEMENT
Year ended 31 March 2020

	Note	Capital and General Funds			Restricted Funds		Total	
		2020 \$'000	2019 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Operating income:								
Admission fees		9,323	8,733	-	-	-	9,323	8,733
Hiring of facilities		20,357	18,202	-	-	-	20,357	18,202
Program fees		9,651	8,828	-	-	-	9,651	8,828
Car park charges		7,548	7,687	-	-	-	7,548	7,687
Rental income		23,135	24,687	-	-	-	23,135	24,687
Miscellaneous income		3,789	4,723	-	-	-	3,789	4,723
Donations		-	-	952	330	330	952	330
Sponsorship		812	1,165	-	-	-	812	1,165
		74,615	74,025	952	330	330	75,567	74,355
Operating expenditure:								
Depreciation	7,13	96,583	86,630	10	10	10	96,593	86,640
General and administrative expenses		1,251	1,093	-	-	-	1,251	1,093
Minor works, repairs and maintenance of properties		24,652	25,842	-	-	-	24,652	25,842
Operating expenses	24	306,841	316,155	3,760	2,741	2,741	310,601	318,896
Employee benefits expense	25	95,663	97,638	-	-	-	95,663	97,638
Finance costs	27	86,948	88,514	-	-	-	86,948	88,514
Other expenses	26	18,370	12,017	-	4	4	18,370	12,021
		630,308	627,889	3,770	2,755	2,755	634,078	630,644
Operating deficit		(555,693)	(553,864)	(2,818)	(2,425)	(2,425)	(558,511)	(556,289)

SPORT SINGAPORE

INCOME AND EXPENDITURE STATEMENT (cont'd)
Year ended 31 March 2020

	Note	Capital and General Funds		Restricted Funds		Total	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-operating income:							
Other income	28	86,206	89,079	358	230	86,564	89,309
Fair value gain from financial assets at FVTPL		12,380	11,213	87	102	12,467	11,315
Share of results of associate		(2,259)	(538)	-	-	(2,259)	(538)
		96,327	99,754	445	332	96,772	100,086
		(459,366)	(454,110)	(2,373)	(2,093)	(461,739)	(456,203)
Deficit before grants							
Grants:							
Operating grants from Government		386,501	395,676	3,776	3,950	390,277	399,626
Deferred capital grants amortised:							
- Government	22	58,774	77,023	-	-	58,774	77,023
- Non-Government	23	2,459	2,342	-	-	2,459	2,342
		447,734	475,041	3,776	3,950	451,510	478,991
(Deficit)/ Surplus for the year before contribution to consolidated fund		(11,632)	20,931	1,403	1,857	(10,229)	22,788
Contribution to consolidated fund	29	(1,906)	(1,650)	(18)	(14)	(1,924)	(1,664)
Net (deficit)/ surplus for the year		(13,538)	19,281	1,385	1,843	(12,153)	21,124

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

SPORT SINGAPORE

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2020

	Note	Capital and General Funds		Restricted Funds		Total	
		2020	2019	2020	2019	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net (deficit)/ surplus for the year		(13,538)	19,281	1,385	1,843	(12,153)	21,124
Other comprehensive income							
Items that may be reclassified subsequently to income and expenditure							
Loss on cash flow hedge		(2,793)	(293)	-	-	(2,793)	(293)
Other comprehensive loss for the year, net of tax		(2,793)	(293)	-	-	(2,793)	(293)
Total comprehensive (loss)/ income for the year		(16,331)	18,988	1,385	1,843	(14,946)	20,831

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

SPORT SINGAPORE

STATEMENT OF CHANGES IN SHARE CAPITAL, CAPITAL ACCOUNT, ACCUMULATED SURPLUS AND FUNDS
Year ended 31 March 2020

	Accumulated surplus						Total \$'000
	Share capital \$'000	Capital account \$'000	General funds \$'000	Restricted funds \$'000	Hedging reserve \$'000	Investment revaluation reserve \$'000	
2019							
Balance as at 1 April 2018	998,815	295	143,022	25,794	(5,166)	36,655	1,199,415
Effect on adoption of SB-FRS 109	-	-	36,130	525	-	(36,655)	-
Balance as at 1 April 2019 after adoption	998,815	295	179,152	26,319	(5,166)	-	1,199,415
Issue of share capital (Note 6a)	71,912	-	-	-	-	-	71,912
Dividends declared (Note 6b)	-	-	(1,627)	-	-	-	(1,627)
Net surplus for the year	-	-	19,281	1,843	-	-	21,124
Other comprehensive loss for the year	-	-	-	-	(293)	-	(293)
Balance as at 31 March 2019	1,070,727	295	196,806	28,162	(5,459)	-	1,290,531
2020							
Balance as at 1 April 2019	1,070,727	295	196,806	28,162	(5,459)	-	1,290,531
Issue of share capital (Note 6a)	127,276	-	-	-	-	-	127,276
Net (deficit)/ surplus for the year	-	-	(13,538)	1,385	-	-	(12,153)
Other comprehensive loss for the year	-	-	-	-	(2,793)	-	(2,793)
Balance as at 31 March 2020	1,198,003	295	183,268	29,547	(8,252)	-	1,402,861

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

SPORT SINGAPORE

STATEMENT OF CASH FLOWS
Year ended 31 March 2020

	Note	2020 \$'000	2019 \$'000
Operating activities			
Deficit before grants		(461,739)	(456,203)
Adjustments for:			
Depreciation	7,13	96,593	86,640
Loss on property, plant and equipment written-off	24	1,924	2,307
Amortisation of prepaid land premium	8	-	316
Amortisation of deferred revenue		(316)	(316)
Interest expense on bank loans and lease liabilities		3,240	2,234
Interest income	28	(2,856)	(3,029)
Impairment loss on investment in associate	9	1,795	-
Share of losses of associate	9	2,259	538
Fair value gain from financial assets at FVTPL	10	(12,467)	(11,315)
Interest expense on finance lease		83,708	86,280
Finance income	28	(83,708)	(86,280)
Operating cash flow before movements in working capital		(371,567)	(378,828)
Receivables and prepayments		9,440	87,201
Payables and accrued liabilities		(17,891)	56,036
Refundable deposits		(165)	(324)
Deferred revenue		(136)	208
Cash used in operations		(380,319)	(235,707)
Interest paid on bank loans and lease liabilities		(3,240)	(2,234)
Contribution to consolidated fund		(1,664)	(1,291)
Net cash used in operating activities		(385,223)	(239,232)
Investing activities			
Purchase of property, plant and equipment	7	(77,696)	(125,883)
Interest received		3,072	2,990
Net cash used in investing activities		(74,624)	(122,893)
Financing activities			
Receipt of (Repayment of) long-term loan receivable		1,190	-
Repayment of bank loans	17	(6,378)	(6,378)
Proceeds on issue of shares	6a	127,276	71,912
Government grants received		448,097	384,410
Repayment of obligations under finance lease	20	(32,502)	(30,098)
Repayment of lease liabilities	21	(12,266)	-
Dividend paid to ministry	6b	-	(1,627)
Net cash from financing activities		487,929	418,219
Net increase in cash and cash equivalents		65,570	56,094
Cash and cash equivalents at the beginning of financial year		253,051	196,957
Cash and cash equivalents at the end of financial year	14	318,621	253,051

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

SPORT SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS 31 March 2020

1. General

Singapore Sports Council, also known as Sport Singapore ("SportSG"), a statutory board established under the Singapore Sports Council Act (Cap. 305, 2014 Revised Edition) is under the purview of the Ministry of Culture, Community and Youth ("MCCY"). The address of SportSG's registered office and principal place of business is 3 Stadium Drive, Singapore 397630.

The principal activities of SportSG are to plan for and promote recreational and competitive sports and to develop, manage and maintain public sports facilities. 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.

Vision 2030 Fund (the "Fund") was set up on 9 September 2014, to enable donors to contribute in support of Vision 2030. The Fund was registered as a charity and approved as an Institution of Public Character ("IPC") under the Charities Act.

The financial statements for the year ended 31 March 2020 were authorised for issue by the Board of SportSG on August 28, 2020.

2. Summary of significant accounting policies

2.1 Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Public Sector (Governance) Act 2018, Act 5 of 2018 (the "Act"), Singapore Sports Council Act (Cap. 305, 2014 Revised edition) (the "SportSG Act"), Statutory Board Financial Reporting Standards ("SB-FRS") and the Singapore Charities Act, Chapter 37 (the "Charities Act").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, SportSG takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of SB-FRS 116 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as value in use in SB-FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year. On 1 April 2019, SportSG has adopted all the new and revised standards that are relevant to its operations and the adoption of these standards does not result in changes to SportSG's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

SB-FRS 116 Leases

SB-FRS 116 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SB-FRS 116 on SportSG's financial statements is described below.

SportSG applied SB-FRS 116 with an initial application date of 1 April 2019. SportSG has applied SB-FRS 116 using the cumulative catch-up approach which does not permit restatement of comparatives, which continue to be presented under SB-FRS 17 and SB-FRS INT 4.

(a) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. SB-FRS 116 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SB-FRS 17 and SB-FRS INT 4.

SportSG applies the definition of a lease and related guidance set out in SB-FRS 116 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SB-FRS 116 does not significantly change the scope of contracts that meet the definition of a lease for SportSG.

(b) Impact on lessee accounting

Former operating lease

SB-FRS 116 changes how SportSG accounts for leases previously classified as operating leases under SB-FRS 17, which were off-balance-sheet.

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

Applying SB-FRS 116, for all leases, SportSG:

- a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SB-FRS 116:C8(b)(ii);
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the income and expenditure statement; and
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SB-FRS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SB-FRS 116, right-of-use assets are tested for impairment in accordance with SB-FRS 36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), SportSG has opted to recognise a lease expense on a straight-line basis as permitted by SB-FRS 116. This expense is presented within operating expenses in the income and expenditure statement.

SportSG has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SB-FRS 17.

- SportSG has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- SportSG has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SB-FRS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- SportSG has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- SportSG has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- SportSG has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2020

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

(c) Impact on lessor accounting

SB-FRS 116 does not change substantially how a lessor accounts for leases. Under SB-FRS 116, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SB-FRS 116 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under SB-FRS 116, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Because of this change, SportSG has reclassified certain of its sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. Consequently, the leased assets have been derecognised and finance lease receivables have been recognised.

(d) Financial impact of initial application of SB-FRS 116

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on 1 April 2019 is 2.2%.

The following table shows the operating lease commitments disclosed applying SB-FRS 17 at 31 March 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	<u>2020</u> <u>\$'000</u>
Operating lease commitments as at 31 March 2019	22,952
Less: Service assessed to not be within the scope of SB-FRS 116	<u>(17,674)</u>
	5,278
Less: Effects of discounting the above amount	(99)
Add: Present value of lease payments not previously included in operating lease commitments	<u>57,665</u>
Lease liabilities recognised at 1 April 2019	<u>62,844</u>

Right-of-use assets were measured at the amount equal to the lease liability. Consequently, right-of-use assets and finance lease receivables of \$60,255,000 and \$2,589,000 were recognised on 1 April 2019 respectively.

During the year, prepaid land premium, which amounted to \$1,659,000, have been reclassified to "right-of-use" asset at date of initial application as disclosed in note 8 and 13 respectively.

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

2.3 Associates

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

SportSG account for its investments in associates using the equity method from the date on which it becomes an associate.

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

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

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

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

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

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

2.4 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when SportSG becomes a party to the contractual provisions of the instrument. SportSG determines the classification of its financial assets and financial liabilities at initial recognition.

(a) *Financial assets*

Classification of financial assets

These comprise mainly cash and bank balances, trade and other receivables and long-term loan and interest receivable that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

SportSG recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables, finance lease receivables and long-term loan and interest receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

SportSG applied the simplified approach permitted by SB-FRS 109 and recognises lifetime ECL for trade receivables, finance lease receivables, long-term loan and interest receivable. The expected credit losses on these financial assets are estimated based on SportSG's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

For all other financial instruments, SportSG recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, SportSG measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

SportSG considers a financial asset in default when internal or external information indicates that SportSG is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

SportSG derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If SportSG neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, SportSG recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If SportSG retains substantially all the risks and rewards of ownership of a transferred financial asset, SportSG continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 10.

(b) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by SportSG are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

Equity instruments

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

Financial liabilities

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

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with SportSG's accounting policy for borrowing costs (Note 2.18).

De-recognition of financial liabilities

SportSG derecognises financial liabilities when, and only when, SportSG's obligations are discharged, cancelled or expired. An existing financial liability that is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified such as through exchange or modification, is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income and expenditure.

Derivative financial instruments

SportSG uses interest rate swaps to hedge its risk associated with interest rates when appropriate. The significant interest rate risk arises from SportSG's borrowings.

The use of financial derivatives by SportSG is approved by SportSG members who ensure that the use of financial derivatives is consistent with SportSG's risk management strategy. SportSG does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in income and expenditure immediately unless the derivatives is designated and effective as a hedging instrument, in which event the timing of the recognition in income and expenditure depends on the nature of the hedging relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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

Hedge accounting

SportSG designates interest rate swaps as cash flow hedges.

At the inception of the hedge relationship, SportSG documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions and whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 15 contains details of the fair value of derivative instrument used for hedging purpose. Movements in the hedging reserve in equity are detailed in the statements of changes in share capital, capital account, accumulated surplus and funds.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in income and expenditure, as part of other gains and losses.

Amounts deferred in equity are recycled in income and expenditure in the periods when the hedged item is recognised in income and expenditure. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when SportSG revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in income and expenditure. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in income and expenditure.

2.5 Share capital

Pursuant to the Capital Management Framework FCM M26/2008 which builds on Debt-Equity Framework FCM M8/2007, equity injections from Ministry of Finance ("MOF") are recorded as share capital.

2.6 Government grants

Government grants are not recognised until there is reasonable assurance that SportSG will comply with the conditions attaching to them and the grants will be received.

Government grants received prior to the application of FCM M26/2008 on capital management framework issued by MOF for the purchase of depreciable assets are taken to the Deferred Capital Grants Account. Fund injections received after the application are treated as equity and recorded as share capital.

Non-monetary contributions are taken to property, plant and equipment and the Deferred Capital Grants Account at fair value.

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

Deferred capital grants are recognised in income and expenditure over the periods necessary to match the depreciation of the assets with the related grants. On disposal of property, plant and equipment, the balance of related grants is recognised in income and expenditure to match the carrying amounts of the property, plant and equipment disposed.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to SportSG with no future related costs are recognised in income and expenditure in the period in which they become receivable.

2.7 Non-government grants

Contributions from other organisations for the purpose of depreciable assets are taken to the Deferred Capital Grant - Non-Government in the statement of financial position and transferred to income and expenditure on a systematic and rational basis over the useful lives of the related assets.

2.8 Deferred revenue

Income from leasing of lettable areas and facilities received in advance is stated at initial amount less accumulated amortisation. Amortisation is calculated on a straight-line basis to reduce the initial amount over the lease term and is recognised in income and expenditure.

2.9 Funds

In view of the limitations and restrictions placed on the use of certain funds, resources for various purposes are classified for accounting and reporting purposes into separate funds in accordance with the activities or objectives specified for the use of those funds.

In the financial statements of SportSG, three main groups of funds are distinguished: the Capital Fund, the General Fund and the Restricted Funds.

(i) Capital Fund

Equity injections, capital grants and contributions for the establishment of SportSG and for its major capital expenditure, other than in respect of the Singapore Indoor Stadium ("SIS"), are accounted for in the Capital Fund.

(ii) General Fund

Income and expenditure relating to the main activities of SportSG are accounted for in the General Fund.

The General Fund was set up to fund for Sport Singapore activities, maintenance and operations of sports facilities.

SPORT SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS 31 March 2020

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

(iii) Restricted Funds

Income and expenditure relating to specific activities are accounted for directly in the funds to which they relate. The Restricted Funds were set up for the following specific projects/purposes:

Name of Fund	Projects/Purpose
Runme Shaw Centre for Sports Medicine and Research	To fund sports medical research and the purchase of related sports medicine and research equipment.
Sports Aid Fund	To provide financial assistance to athletes and selected sports and training facilities.
Vision 2030 Fund	A trust fund set up for donors to contribute in support of Vision 2030 initiatives. It is a registered charity and has been granted IPC status.

2.10 Leases

SportSG as lessee (before 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of SportSG at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to income and expenditure, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with SportSG's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expenditure in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SportSG as lessor (before 1 April 2019)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

SportSG as lessee (from 1 April 2019)

SportSG assesses whether a contract is or contains a lease, at inception of the contract. SportSG recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, SportSG recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, SportSG uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

SportSG remeasures the lease liability (and makes a corresponding adjustment to the relate right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The right-of-use assets are presented as a separate line in the statement of financial position.

SportSG applies SB-FRS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in "Impairment of Non-Financial Assets" below.

As a practical expedient, SB-FRS 116 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. SportSG has used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, SportSG allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component.

SportSG as lessor (from 1 April 2019)

Leases for which SportSG is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When SportSG is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of SportSG's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the SportSG's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, SportSG applies SB-FRS 115 to allocate the consideration under the contract to each component.

2.11 Prepaid land premium

Prepaid land premium comprises premium paid for leasehold land and is charged to income and expenditure on a straight-line basis over the lease term of 20 years.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand which are subject to an insignificant risk of changes in value.