

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**Annual Report**  
**For the financial year ended 31 December 2019**

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**

(Incorporated in the Republic of Singapore)

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**Annual Report  
For the financial year ended 31 December 2019**

**Contents**

	Page
Directors' Statement	1 - 2
Independent Auditor's Report	3 - 5
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 42
Detailed Income Statement (This statement does not form part of the audited financial statements)	43

# **COALITION DEVELOPMENT SINGAPORE PTE. LTD.**

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

## **DIRECTORS' STATEMENT**

The directors present their statement to the member together with the audited financial statements of COALITION DEVELOPMENT SINGAPORE PTE. LTD. (the "Company") for the financial year ended 31 December 2019.

In the opinion of the directors,

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date; 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.

### **1. DIRECTORS**

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

SERGE DOMINIQUE MARIE DE COSTER

AMIT VORA (Appointed on 28 March 2019)

SANJAY CHAKRAVARTI (Appointed on 2 August 2019)

### **2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

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.

### **3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES**

None of the directors of the Company holding office at the end of the financial year had any interests in the share of the Company or any related corporations.

### **4. SHARE OPTIONS**

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

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

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

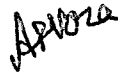
**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
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**DIRECTORS' STATEMENT**

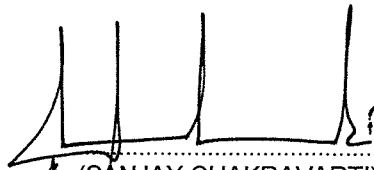
5. **INDEPENDENT AUDITORS**

The independent auditors, MGI Alliance Singapore PAC, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors



.....  
↑ (VORA AMIT)  
Director



.....  
↓ (SANJAY CHAKRAVARTI)  
Director

21 JAN 2020

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF**  
**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
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**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of **COALITION DEVELOPMENT SINGAPORE PTE. LTD.** (the "Company"), which comprise the statement of financial position of the Company as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 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 Auditor's 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 ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

Our opinion on the financial statements does not cover the other information and we do 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF**

**COALITION DEVELOPMENT SINGAPORE PTE. LTD. - continued**

(Incorporated in the Republic of Singapore)  
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*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.

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF**

**COALITION DEVELOPMENT SINGAPORE PTE. LTD. - continued**  
(Incorporated in the Republic of Singapore)  
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*Auditor's Responsibilities for the Audit of the Financial Statements - continued*

- 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 control 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.

*MGI Alliance Singapore PAC*  
**MGI ALLIANCE SINGAPORE PAC  
PUBLIC ACCOUNTANTS AND  
CHARTERED ACCOUNTANTS**

Singapore,  
21 January 2020



**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	<u>NOTE</u>	<u>2019</u> S\$	<u>2018</u> S\$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	(4)	789	868
Deferred tax asset	(5)	14,671	6,134
Total non-current assets		<u>15,460</u>	<u>7,002</u>
<b>CURRENT ASSETS</b>			
Trade receivables	(6)	2,076,561	1,812,571
Other receivables and prepayments	(7)	6,175	20,624
Cash and cash equivalents	(8)	1,357,329	1,348,704
Total current assets		<u>3,440,065</u>	<u>3,181,899</u>
<b>TOTAL ASSETS</b>		<u><b>3,455,525</b></u>	<u><b>3,188,901</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY</b>			
Share capital	(9)	1	1
Retained earnings		646,061	1,541,441
Total equity		<u>646,062</u>	<u>1,541,442</u>
<b>NON-CURRENT LIABILITIES</b>			
Provision for long-term incentive		16,476	-
Total non-current liabilities		<u>16,476</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	(10)	1,674,239	706,933
Other payables and accruals	(11)	1,007,381	869,166
Current income tax liabilities		111,367	71,360
Total current liabilities		<u>2,792,987</u>	<u>1,647,459</u>
Total liabilities		<u>2,809,463</u>	<u>1,647,459</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>3,455,525</b></u>	<u><b>3,188,901</b></u>

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



**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
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**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>NOTE</u>	<u>2019</u> S\$	<u>2018</u> S\$
<b><u>Continuing operations</u></b>			
Revenue	(12)	<b>11,367,997</b>	9,855,731
Cost of services	(12)	<b>(8,344,179)</b>	(7,576,718)
Gross profit		<b>3,023,818</b>	2,279,013
Other income	(12)	<b>14,278</b>	563
Operating expenses	(12)	<b>(2,330,793)</b>	(1,679,307)
Profit before tax		<b>707,303</b>	600,269
Income tax expense	(13)	<b>(102,683)</b>	(60,392)
Profit for the financial year		<b>604,620</b>	539,877
Other comprehensive income		-	-
Total comprehensive income for the financial year		<b>604,620</b>	539,877

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

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>Share capital</u> S\$	<u>Retained earnings</u> S\$	<u>Total</u> S\$
<b><u>2019</u></b>			
Beginning of financial year	1	1,541,441	1,541,442
Total comprehensive income for the financial year	-	604,620	604,620
<i>Transactions with owner recorded directly in equity</i>			
- Dividends (Note 18)	-	(1,500,000)	(1,500,000)
<b>End of financial year</b>	<b><u>1</u></b>	<b><u>646,061</u></b>	<b><u>646,062</u></b>

	<u>Share capital</u> S\$	<u>Retained earnings</u> S\$	<u>Total</u> S\$
<b><u>2018</u></b>			
Beginning of financial year	1	1,001,564	1,001,565
Total comprehensive income for the financial year	-	539,877	539,877
End of financial year	<u>1</u>	<u>1,541,441</u>	<u>1,541,442</u>

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

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>NOTE</u>	<u>2019</u> S\$	<u>2018</u> S\$
<b>Cash flows from operating activities</b>			
Profit before tax		707,303	600,269
Adjustments for:			
Depreciation		407	25
Interest on fixed deposit		(1,586)	(203)
Provision for long-term incentive		16,476	-
Operating cash flows before working capital changes		<u>722,600</u>	<u>600,091</u>
<u>Changes in working capital</u>			
Trade receivables		(263,990)	541,681
Other receivables and prepayments		14,449	(60,187)
Trade payables		967,306	(272,170)
Other payables and accruals		138,215	35,818
Net cash generated from operations		<u>1,578,580</u>	<u>845,233</u>
Income tax paid		(71,213)	(56,239)
Net cash generated from operating activities		<u>1,507,367</u>	<u>788,994</u>
<b>Cash flows from investing activities</b>			
Payment to acquire plant and equipment		(328)	(893)
Interest received		1,586	203
Net cash generated from/(used in) investing activities		<u>1,258</u>	<u>(690)</u>
<b>Cash flows from financing activities</b>			
Dividends paid		(1,500,000)	-
Net cash used in financing activities		<u>(1,500,000)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		<b>8,625</b>	<b>788,304</b>
<b>Cash and cash equivalents at beginning of financial year</b>		<b>1,348,704</b>	<b>560,400</b>
<b>Cash and cash equivalents at end of financial year</b>	(8)	<b>1,357,329</b>	<b>1,348,704</b>

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

# **COALITION DEVELOPMENT SINGAPORE PTE. LTD.**

(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

## **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019**

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

### **1. GENERAL INFORMATION**

COALITION DEVELOPMENT SINGAPORE PTE. LTD. (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is:

60 Robinson Road  
11-01 BEA Building  
Singapore 068892

The principal activities of the Company are those of consulting and management services.

The Company's immediate holding company is Coalition Development Ltd., incorporated in the United Kingdom. The ultimate holding company is S&P Global Inc., incorporated in the United States of America.

The financial statements of COALITION DEVELOPMENT SINGAPORE PTE. LTD. for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on the date of the Directors' Statement.

### **2. BASIS OF PREPARATION**

#### **a) Statement of compliance**

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (FRS).

#### **b) Basis of measurement**

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

#### **c) Functional and presentation currency**

These financial statements are presented in Singapore Dollars (S\$), which is the Company's functional currency.

## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 2. BASIS OF PREPARATION - continued

##### d) Use of estimates and judgement

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 year in which the estimates are revised and in any future years affected.

##### *Judgements made in applying accounting policies*

In the process of applying the entity's accounting policies, management is of the opinion that there are no critical judgements (other than those involving estimates) that have significant effect on the amounts recognised in the financial statements.

##### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### *Impairment of trade receivables from related parties*

The impairment of trade receivables from related parties is based on management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness, including the assessment of the latest performance and financial position of the related parties, adjusted for the future outlook of the industry in which the related parties operate in, and the past collection history of the related parties. If the financial conditions of the related parties were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required using 12 months ECL. The carrying amount of the Company's trade receivables as at 31 December 2019 was S\$2,076,561 (2018: S\$1,812,571) as disclosed in Note 6.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**2. BASIS OF PREPARATION - continued**

**e) Changes in accounting policies**

*Overview*

In the current financial year, the Company has adopted all the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Except for the adoption of FRS 116 Leases which is discussed in the paragraphs below, the adoption of these new/revised FRS and INT FRS has not resulted in changes to the Company's accounting policies and has also no material effect on the amounts reported for the current or prior year's financial information.

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

The Company has adopted FRS 116 from 1 January 2019. The transition approach for FRS 116 is the cumulative catch up approach and as a result, there is no impact on retained earnings as at 1 January 2019.

Due to the transition method chosen by the Company in applying this standard, comparative information throughout these financial statements has not been restated to the requirements of the new standard.

However, as the Company only has short-term lease that ends within 12 months of the date of initial application, the Company has applied the available practical expedients wherein it applied the exemption for short-term leases and leases of low-value assets. Accordingly, the adoption of FRS 116 as at 1 January 2019 did not have any effect to the Company's financial statements, that is lease payments on these leases are recognised as expense on a straight-line basis over the lease term.

The Company has not early adopted any of the FRS, INT FRS, and amendments to FRS that were issued but not effective at the beginning of the financial year. The directors expect that the adoption of these other standards and interpretations will have no material impact on the financial statements in the year of initial application.

## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the following paragraphs have been applied consistently to both periods presented in these financial statements, and have been applied consistently by the Company, except as explained in Note 2(e), which addresses changes in accounting policies.

##### a) Foreign currency transactions and balances

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- i) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- ii) qualifying cash flow hedges to the extent that the hedge is effective.

##### b) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

Computers and peripherals	3 years
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When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

##### b) Plant and equipment - continued

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

The residual values and useful lives of plant and equipment are reviewed and adjusted as appropriate at each reporting date.

Assets acquired during the year are charged with depreciation from the acquisition date. Depreciation is charged till the date of disposal for the year in which an asset is sold.

On disposal of an item of plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss. Any amount in revaluation reserve relating to that asset is transferred to retained earnings.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

##### c) Financial instruments

###### (i) Recognition and initial measurement

###### *Non-derivative financial assets and financial liabilities*

Trade receivables and debt investments issued 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 or 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.



## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

##### c) Financial instruments - continued

###### (ii) Classification and subsequent measurement

###### *Non-derivative financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") - debt investment; FVOCI - equity investment; or FVTPL.

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.

The Company only has financial assets measured at amortised cost.

###### *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 at amortised cost comprise trade receivables, other receivables, and cash and cash equivalents.

###### Financial assets: Business model assessment

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:

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**c) Financial instruments - continued**

(ii) Classification and subsequent measurement - continued

*Non-derivative financial assets - continued*

Financial assets: Business model assessment - continued

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales 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.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
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(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**c) Financial instruments - continued**

**(ii) Classification and subsequent measurement - continued**

*Non-derivative financial assets - continued*

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

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;
- terms that may adjust the contractual coupon rate, including variable rate features;
- 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.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**c) Financial instruments - continued**

(ii) Classification and subsequent measurement - continued

Non-derivative financial assets: Subsequent measurement and gains and losses

*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 liabilities: Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Other financial liabilities comprise trade payables, and other payables and accruals.

(iii) Derecognition

*Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

##### c) Financial instruments - continued

###### (iii) Derecognition - continued

###### *Financial assets - continued*

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. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

###### (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 it intends either to settle them 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 in hand and bank balances including fixed deposits.

## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

##### d) Impairment

###### *Non-derivative financial assets*

The Company recognises loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortised cost.

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 from third parties. 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.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**d) Impairment - continued**

*Non-derivative financial assets - continued*

*General approach - continued*

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 borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

d) **Impairment - continued**

*Non-derivative financial assets - continued*

*Credit-impaired financial assets - continued*

- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*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.

e) **Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.



## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

##### f) Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

##### g) Revenue

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

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

##### *Services rendered*

Revenue is recognised on completion of required service in accordance with the service agreement. The amount of revenue recognised is based on the transaction price, which comprises the contractual price agreed with customer.

##### h) Other income

##### *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

##### *Government grants*

Cash grants received from the government that compensate the Company for expenses incurred are recognised as other income upon receipt.

## COALITION DEVELOPMENT SINGAPORE PTE. LTD.

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

#### 3. SIGNIFICANT ACCOUNTING POLICIES - continued

##### i) Employee benefits

###### *Defined contribution plan*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amount. As required by law, the Company makes contributions to the state pension scheme, Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

###### *Short-term employee benefits*

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

###### *Employee leave entitlement*

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

###### *Other long-term benefits*

The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets (if any) is deducted. The discount rate is based upon the market yields available on government bonds at the accounting date, corresponding to an estimated term that matches that of the obligations. The other assumptions should be chosen to reflect a best estimate of the future long-term experience. Assuming no material change, the Discount Rate as of 31 December 2019 is based on the government bond yields as on latest available date at the time of calculation, corresponding to a term which is the expected term of the defined benefit obligation. The calculation is performed using the projected unit credit method.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**j) Leases**

These accounting policies are applied on or after the initial application date of FRS 116, 1 January 2019:

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**(a) As lessee**

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

**Right-of-use assets**

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**j) Leases - continued**

These accounting policies are applied on or after the initial application date of FRS 116, 1 January 2019: - continued

**(a) As lessee - continued**

**Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

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

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**j) Leases - continued**

These accounting policies are applied on or after the initial application date of FRS 116, 1 January 2019: - continued

**(b) As lessor**

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases on the Company's investment properties is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

These accounting policies are applied before the initial application date of FRS 116, 1 January 2019:

**(a) As lessee**

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

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

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

**(b) As lessor**

The accounting policy applicable to the Company as a lessor in the comparative period was the same as under FRS 116.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**3. SIGNIFICANT ACCOUNTING POLICIES - continued**

**k) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be estimated reliably. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**l) Income tax**

Income tax expense comprises current and deferred taxes. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *FRS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

## **COALITION DEVELOPMENT SINGAPORE PTE. LTD.**

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

### **NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

#### **3. SIGNIFICANT ACCOUNTING POLICIES - continued**

##### **l) Income tax - continued**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

##### **m) Dividend to Company's shareholder**

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



**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**4. PLANT AND EQUIPMENT**

	<u>Computers and peripherals</u>	
	<u>2019</u> S\$	<u>2018</u> S\$
<b><u>Cost</u></b>		
Beginning of financial year	8,709	7,816
Additions	328	893
<b>End of financial year</b>	<b>9,037</b>	<b>8,709</b>
<b><u>Accumulated depreciation</u></b>		
Beginning of financial year	7,841	7,816
Charge for the financial year	407	25
<b>End of financial year</b>	<b>8,248</b>	<b>7,841</b>
<b><u>Carrying value</u></b>		
<b>End of financial year</b>	<b>789</b>	<b>868</b>

**5. DEFERRED TAX ASSET**

Deferred tax asset is attributable to deductible temporary differences arising from staff incentive.

Movement in deferred tax asset during the year is as follows:

	<u>2019</u> S\$	<u>2018</u> S\$
Beginning of financial year	6,134	-
Recognised in profit or loss (Note 13)	8,537	6,134
<b>End of financial year</b>	<b>14,671</b>	<b>6,134</b>

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**6. TRADE RECEIVABLES**

	<u>2019</u> S\$	<u>2018</u> S\$
Immediate holding company	2,047,040	1,767,918
Intermediate holding company	29,521	44,653
	<u>2,076,561</u>	<u>1,812,571</u>

Trade receivables are non-interest bearing and are generally on 30 (2018: 30) days terms.

The ageing analysis of trade receivables that are not impaired at the reporting date is as follows:

	<u>2019</u> S\$	<u>2018</u> S\$
Not past due	2,076,561	941,110
Past due:		
1 to 30 days	-	817,825
31 to 60 days	-	-
61 to 90 days	-	53,636
	<u>2,076,561</u>	<u>1,812,571</u>

Expected credit losses ("ECL")

The Company does not expect significant credit losses on its trade receivables from immediate and intermediate holding companies as at 31 December 2019 and 31 December 2018 (Note 15).

**7. OTHER RECEIVABLES AND PREPAYMENTS**

	<u>2019</u> S\$	<u>2018</u> S\$
Due from employee	-	6,878
Interest receivable	715	4
	<u>715</u>	<u>6,882</u>
Financial assets, at amortised cost (Note 15)	5,460	13,742
Prepayments	6,175	20,624
	<u>6,175</u>	<u>20,624</u>

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**8. CASH AND CASH EQUIVALENTS**

	<u>2019</u> S\$	<u>2018</u> S\$
Cash in hand	1	1
Cash at bank	357,328	548,703
Fixed deposit	1,000,000	800,000
	<u>1,357,329</u>	<u>1,348,704</u>

Fixed deposit earns interest at 1.63% (2018: 0.5%) per annum and is placed for a tenure of one month (2018: one month).

**9. SHARE CAPITAL**

	<u>2019</u>		<u>2018</u>	
	<u>No. of ordinary shares</u>	<u>S\$</u>	<u>No. of ordinary shares</u>	<u>S\$</u>
<b>Issued and fully paid up</b>				
Beginning and end of financial year	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

The ordinary share has no par value. The holder of the ordinary share is entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. The share has the right to the Company's residual assets.

**10. TRADE PAYABLES**

Trade payables are due to the intermediate holding company, is non-interest bearing and are generally on 30 (2018: 30) days terms.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**11. OTHER PAYABLES AND ACCRUALS**

	<u>2019</u> S\$	<u>2018</u> S\$
Accrued bonuses	973,112	837,142
Other accruals	25,651	25,651
Due to intermediate holding company	8,618	5,480
Due to fellow subsidiary	-	893
	<u>1,007,381</u>	<u>869,166</u>

Included within accrued bonuses is an amount of S\$882,033 (2018: S\$674,049) due to a director.

The amounts due to intermediate holding company and fellow subsidiary are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

**12. REVENUE, COST OF SERVICES, OTHER INCOME AND OPERATING EXPENSES**

	<u>2019</u> S\$	<u>2018</u> S\$
<b>Revenue:</b>		
Services rendered (Note 14)	<u>11,367,997</u>	<u>9,855,731</u>

All revenues are recognised at a point in time.

	<u>2019</u> S\$	<u>2018</u> S\$
<b>Cost of services:</b>		
Research and analyst cost (Note 14)	<u>8,344,179</u>	<u>7,576,718</u>

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**12. REVENUE, COST OF SERVICES, OTHER INCOME AND OPERATING EXPENSES - continued**

	<u>2019</u> S\$	<u>2018</u> S\$
<b>Other income:</b>		
Exchange gain	12,692	-
Interest on fixed deposit	1,586	203
Government grants		
- Temporary employment credit	-	360
	<u>14,278</u>	<u>563</u>
<b>Operating expenses include:</b>		
Depreciation	407	25
Directors' - remuneration	655,357	396,500
- bonus	653,408	612,353
- CPF contributions	17,340	17,340
- Provision for long-term incentive	16,476	-
Office rent	12,000	12,000
Insurance	24,194	13,263
Staff - salaries and bonuses	692,807	404,294
- CPF contributions	17,340	17,340
Skills development levy	396	286
Staff incentive (Note 14)	50,221	30,821
Staff welfare	7,470	1,403
	<u>2,009,042</u>	<u>1,414,550</u>
<u>Employee benefits expense (included within operating expenses):</u>		
Salaries, bonuses and benefits	2,009,042	1,414,550
CPF contributions	34,680	34,680
Insurance	24,194	13,263
Provision for long-term incentive	16,476	-
Staff incentive (Note 14)	50,221	30,821
	<u>2,134,613</u>	<u>1,493,314</u>

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**13. INCOME TAX EXPENSE**

	<u>2019</u> S\$	<u>2018</u> S\$
Current tax expense	111,367	71,360
Over provision in prior years	(147)	(4,834)
Movement in deferred tax asset (Note 5)	(8,537)	(6,134)
	<u>102,683</u>	<u>60,392</u>

Reconciliation between income tax expense and profit before tax multiplied by the applicable tax rate is as follows:

	<u>2019</u> S\$	<u>2018</u> S\$
Profit before tax	<u>707,303</u>	<u>600,269</u>
Tax thereon at 17%	120,242	102,046
Effects of:		
Disallowable expenses	8,606	5,437
Capital allowances	(56)	(198)
Exempt income	(17,425)	(25,925)
Tax rebate	-	(10,000)
Over provision in prior years	(147)	(4,834)
Recognition of temporary differences	(8,537)	(6,134)
	<u>102,683</u>	<u>60,392</u>

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****14. RELATED PARTY TRANSACTIONS**

Apart from balances with related parties disclosed elsewhere in the financial statements, the following transactions with related parties were carried out at terms agreed between the parties during the financial year:

<b><u>Related party transactions shown in the accounts as</u></b>	<b><u>Type of relationship between the Company and the related party</u></b>	<b><u>2019</u></b> <b>S\$</b>	<b><u>2018</u></b> <b>S\$</b>
Revenue	Immediate holding company	<b>11,032,456</b>	9,761,888
Revenue	Intermediate holding company	<b>335,541</b>	93,843
Cost of services	Intermediate holding company	<b>8,344,179</b>	7,576,718
Staff incentive (reimbursement)	Intermediate holding company	<b>50,221</b>	30,821
Purchase of equipment	Fellow subsidiary	-	893

**Key management personnel compensation**

The directors are the key management personnel of the Company. The remuneration of the key management personnel paid during the year is as follows:

	<b><u>2019</u></b> <b>S\$</b>	<b><u>2018</u></b> <b>S\$</b>
Directors' - remuneration	<b>655,357</b>	396,500
- bonus	<b>653,408</b>	612,353
- CPF contribution	<b>17,340</b>	17,340
- Provision for long-term incentive	<b>16,476</b>	-
	<b><u>1,342,581</u></b>	<b><u>1,026,193</u></b>

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

**Accounting classifications and fair values**

*Fair values versus carrying amounts*

	<u>Note</u>	<u>Financial assets at amortised cost</u> S\$	<u>Other financial liabilities</u> S\$	<u>Total carrying amount</u> S\$	<u>Fair value*</u> S\$
<b><u>2019</u></b>					
Trade receivables	(6)	2,076,561	-	2,076,561	2,076,561
Other receivables	(7)	715	-	715	715
Cash and cash equivalents	(8)	1,357,329	-	1,357,329	1,357,329
		<b>3,434,605</b>	<b>-</b>	<b>3,434,605</b>	<b>3,434,605</b>
Trade payables		-	1,674,239	1,674,239	1,674,239
Other payables and accruals	(11)	-	1,007,381	1,007,381	1,007,381
		<b>-</b>	<b>2,681,620</b>	<b>2,681,620</b>	<b>2,681,620</b>
<b><u>2018</u></b>					
Trade receivables	(6)	1,812,571	-	1,812,571	1,812,571
Other receivables	(7)	6,882	-	6,882	6,882
Cash and cash equivalents	(8)	1,348,704	-	1,348,704	1,348,704
		<b>3,168,157</b>	<b>-</b>	<b>3,168,157</b>	<b>3,168,157</b>
Trade payables		-	706,933	706,933	706,933
Other payables and accruals	(11)	-	869,166	869,166	869,166
		<b>-</b>	<b>1,576,099</b>	<b>1,576,099</b>	<b>1,576,099</b>

\* Refer to Note 16 as to how fair values have been determined.



**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued**

*Risk management policies*

Exposure to credit, liquidity and market risks arises in the normal course of the Company's business. The Company's overall business strategies, its tolerance of risk and its general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions.

The Company does not hold or issue derivative financial instruments for speculative purposes.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises mainly from the Company's receivables and bank balances.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition.

At reporting date the maximum exposure to credit risk was as follows:

	<u>2019</u> S\$	<u>2018</u> S\$
Trade receivables	2,076,561	1,812,571
Other receivables	715	6,882
Cash at bank and fixed deposit	1,357,328	1,348,703
	<u>3,434,604</u>	<u>3,168,156</u>

Trade receivables are due from the immediate and intermediate holding companies. The ageing analysis of trade receivables is disclosed in Note 6.

Cash at bank and fixed deposit are maintained with a fully licensed bank in Singapore. Impairment on cash at bank has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that the cash at banks have low credit risk based on the external credit ratings of the banks. The amount of the allowance on cash at banks is negligible.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued**

*Risk management policies - continued*

**Credit risk - continued**

*Trade receivables from holding companies, and other receivables*

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

**Liquidity risk**

Liquidity risk is the risk of the Company being unable to secure adequate funding to meet current obligations. The Company monitors its liquidity risk and maintains a level of cash and cash equivalents considered adequate by management to finance the Company's operation and to mitigate the effects of fluctuations in cash flows.

The maturity profile of the financial liabilities of the Company is shown below. The amounts disclosed below are the contractual undiscounted cash flows:

	<u>Carrying amount</u> S\$	<u>Contractual cash flows</u> S\$	<u>On demand</u> S\$	<u>Due within one year</u> S\$	<u>Total</u> S\$
<b><u>2019</u></b>					
Trade payables	1,674,239	1,674,239	-	1,674,239	1,674,239
Other payables and accruals	1,007,381	1,007,381	8,618	998,763	1,007,381
	<b>2,681,620</b>	<b>2,681,620</b>	<b>8,618</b>	<b>2,673,002</b>	<b>2,681,620</b>
<b><u>2018</u></b>					
Trade payables	706,933	706,933	-	706,933	706,933
Other payables and accruals	869,166	869,166	6,373	862,793	869,166
	<b>1,576,099</b>	<b>1,576,099</b>	<b>6,373</b>	<b>1,569,726</b>	<b>1,576,099</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT - continued**

*Risk management policies - continued*

**Market risk**

As at reporting date, the Company does not have significant exposure to market risks such as interest rate and foreign exchange rate fluctuation risks.

**16. DETERMINATION OF FAIR VALUES**

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

**Other receivables, Cash and cash equivalents and Other payables and accruals**

The carrying amounts of these financial instruments approximate their respective fair values due to their short term nature.

**Trade receivables and Trade payables**

The carrying amounts of trade receivables and trade payables approximate their respective fair values as they are subject to normal trade terms.

**17. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Company comprises issued share capital and retained earnings.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made to the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018. The Company's overall strategy remains unchanged from 2018.

The Company is not subject to externally imposed capital requirements.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**

(Incorporated in the Republic of Singapore)

(Registration No. 201007565C)

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**

**18. DIVIDENDS**

During the financial year, an interim one-tier tax exempt dividend of S\$1,500,000 (2018: Nil) per ordinary share amounting to S\$1,500,000 (2018: Nil) was declared and paid.

The dividends have been accounted for in the shareholder's equity as an appropriation of retained earnings in the current financial year when they were approved for payment.

**COALITION DEVELOPMENT SINGAPORE PTE. LTD.**  
(Incorporated in the Republic of Singapore)  
(Registration No. 201007565C)

**DETAILED INCOME STATEMENT**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<u>2019</u> S\$	<u>2018</u> S\$
<b>Revenue</b>		
Services rendered	<u>11,367,997</u>	<u>9,855,731</u>
<b>Cost of services</b>		
Research and analyst cost	<u>8,344,179</u>	<u>7,576,718</u>
<b>Other income</b>		
Exchange gain	12,692	-
Interest on fixed deposit	1,586	203
Temporary employment credit	-	360
	<u>14,278</u>	<u>563</u>
<b>Operating expenses</b>		
Audit fee	8,200	8,200
Bank charges	2,800	2,934
Depreciation	407	25
Directors' emoluments	1,342,581	1,026,193
Entertainment	5,722	2,529
General expenses	240	5,330
Insurance	24,194	13,263
Membership fee	465	-
Office expenses	192	301
Office rent	12,000	12,000
Postage	71	-
Printing and stationery	7,070	6,720
Professional services charges	39,450	43,071
Repairs and maintenance	1,500	2,100
Skills development levy	396	286
Staff CPF	17,340	17,340
Staff incentive	50,221	30,821
Staff salaries and bonuses	692,807	404,294
Staff welfare	7,470	1,403
Telephone and fax charges	6,521	3,782
Travelling expenses	111,146	98,715
	<u>2,330,793</u>	<u>1,679,307</u>

This statement does not form part of the audited financial statements.