PROVIDENCE PRESBYTERIAN CHURCH LTD
AND ITS SUBSIDIARY
(Co. Reg. No. 201206026Z)

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

CONTENTS

PROVIDENCE PRESBYTERIAN CHURCH LTD AND ITS SUBSIDIARY

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of the Group and the balance sheet and statement of changes in funds of the Company for the financial year ended 30 June 2019.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in funds of the Company as set out on pages 6 to 27 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 30 June 2019 and the financial performance, changes in funds and cash flows of the Group and the changes in funds of the Company for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act"), the Charities Act, Chapter 37 and other relevant regulations and Financial Reporting Standards in Singapore; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Teo Yew Tiong
Lim Chye Kee
Tan Cheh Ngen
Tan Seow Ann
Bay Way Yee
Chong Boon Siong
Leong Wai Kin
Wong Kin Mun
Lee Chi Kwan Stephen
Chong Soo Fah
Tan Geok Eng
Tan Chek Hui
Tan Yan Shin Caleb Soediarto
Koh Kok Pin
Lim Pang Jong
Ting Tau Nay
Yong Kai Ming
Ong Ah Hian
Koong Der Meei
Liew Sok Jee
Chua Kern
Theng Cheow Soon
Lu Feng
Wong Kee Eee
Tan Ching Eng
Lee Ah Kian
Chee Yu Ming
Chong Pin Siong

Arrangements to enable directors to acquire benefits

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 or any other body corporate.

Other matters

As the Company is limited by guarantee and does not have a share capital, matters relating to the issue of shares, debenture, dividends or share options are not applicable.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Directors

Elder Ong Ah Hian
Session Clerk

Elder Ting Tau Nay
Session Treasurer

12 November 2019

bakertilly

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE PRESBYTERIAN CHURCH LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Providence Presbyterian Church Ltd (the "Company") and its subsidiary (the "Group") as set out on pages 6 to 27, which comprise the balance sheets of the Group and the Company as at 30 June 2019 and the consolidated statements of comprehensive income, consolidated statement of changes in funds and consolidated statement of cash flows of the Group and the statement of changes in funds 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 consolidated financial statements of the Group and the balance sheet and statement of changes in funds of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act"), the Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in funds and consolidated cash flows of the Group and the changes in funds 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 Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' Statement as 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.

bakertilly

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE PRESBYTERIAN CHURCH LTD (cont'd)

Report on the Audit of the Financial Statements (cont'd)

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, Charities Act and Regulations 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group'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 of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROVIDENCE PRESBYTERIAN CHURCH LTD (cont'd)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

During the course of our audit, nothing has come to our attention that causes us to believe that during the financial year, the Company has not complied with the requirements of regulation 7 (Fund-raising expenses) of the Charities (Fund-Raising Appeals for Local and Foreign Charitable Purposes) Regulations 2012.

Baker Tilly TFW LLP

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

12 November 2019

PROVIDENCE PRESBYTERIAN CHURCH LTD AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the financial year ended 30 June 2019

	Note	Accumulated Income Fund $	Mission Fund $	Church Development Fund $	Asset Capitalisation Reserve $	Total $
2019						
Income						
Church collections and offerings		3,916,221	578,066	1,251,028	–	5,745,315
Tuition and registration fees		35,805	–	–	–	35,805
Interest income		43,103	–	–	70,859	113,962
Other income		11,922	–	–	–	11,922
		4,007,051	578,066	1,251,028	70,859	5,907,004
Less expenditure						
Depreciation of property, plant and equipment	5	10,916	–	–	–	10,916
Salaries and related costs		1,461,868	–	–	–	1,461,868
CPF contributions		216,834	–	–	–	216,834
Rental of premises		2,699	–	–	162,000	164,699
Rental and maintenance of equipment		146,828	–	–	–	146,828
Amortisation of deferred expenditure	7	–	–	–	50,808	50,808
Other operating expenses		1,659,516	413,222	–	–	2,072,738
		3,498,661	413,222	–	212,808	4,124,691
Net surplus/(deficit) and total comprehensive income/(loss) for the year	4	**508,390**	**164,844**	**1,251,028**	**(141,949)**	**1,782,313**

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

PROVIDENCE PRESBYTERIAN CHURCH LTD AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (cont'd)
For the financial year ended 30 June 2019

	Note	Accumulated Income Fund $	Mission Fund $	Church Development Fund $	Asset Capitalisation Reserve $	Total $
2018						
Income						
Church collections and offerings		3,709,233	555,788	1,597,182	–	5,862,203
Church 50th Anniversary		134,612	–	–	–	134,612
Tuition and registration fees		44,570	–	–	–	44,570
Interest income		21,856	–	–	73,272	95,128
Other income		20,294	–	–	–	20,294
		3,930,565	555,788	1,597,182	73,272	6,156,807
Less expenditure						
Church 50th Anniversary		102,042	–	–	–	102,042
Depreciation of property, plant and equipment	5	22,946	–	–	–	22,946
Salaries and related costs		1,374,062	–	–	–	1,374,062
CPF contributions		231,829	–	–	–	231,829
Rental of premises		85,415	–	–	173,340	258,755
Rental of equipment		128,718	–	–	–	128,718
Amortisation of deferred expenditure	7	–	–	–	50,808	50,808
Other operating expenses		1,554,599	522,081	–	–	2,076,680
		3,499,611	522,081	–	224,148	4,245,840
Net surplus/(deficit) and total comprehensive income/(loss) for the year	4	430,954	33,707	1,597,182	(150,876)	1,910,967

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

PROVIDENCE PRESBYTERIAN CHURCH LTD AND ITS SUBSIDIARY

BALANCE SHEETS
At 30 June 2019

		Group		Company	
		2019	2018	**2019**	2018
	Note	**$**	$	**$**	$
Non-current assets					
Property, plant and equipment	5	**30,162**	36,421	**28,941**	34,403
Loan receivable	6	**2,638,659**	2,734,467	**2,638,659**	2,734,467
Deferred expenditure	7	**1,079,659**	1,130,467	**1,079,659**	1,130,467
Investment in subsidiary	8	**–**	–	**–**	–
		3,748,480	3,901,355	**3,747,259**	3,899,337
Current assets					
Other receivables and prepayments	9	**242,232**	212,488	**226,661**	198,483
Cash and cash equivalents	10	**14,677,207**	12,584,993	**14,641,361**	12,524,926
		14,919,439	12,797,481	**14,868,022**	12,723,409
Total assets		**18,667,919**	16,698,836	**18,615,281**	16,622,746
Current liability					
Other payables	11	**602,499**	415,729	**579,597**	402,897
Net assets		**18,065,420**	16,283,107	**18,035,684**	16,219,849
Funds					
Accumulated Income Fund	12	**6,999,004**	6,375,770	**6,969,268**	6,312,512
Mission Fund	13	**150,000**	100,000	**150,000**	100,000
Church Development Fund	14	**6,990,600**	5,739,572	**6,990,600**	5,739,572
Asset Capitalisation Reserve	15	**3,925,816**	4,067,765	**3,925,816**	4,067,765
Total funds		**18,065,420**	16,283,107	**18,035,684**	16,219,849

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

STATEMENTS OF CHANGES IN FUNDS
For the financial year ended 30 June 2019

	Accumulated Income Fund $	Mission Fund $	Church Development Fund $	Asset Capitalisation Reserve $	Total funds $
Group					
Balance at 1 July 2017	6,000,558	100,000	4,064,281	4,207,301	14,372,140
Total comprehensive income/(loss) for the year	430,954	33,707	1,597,182	(150,876)	1,910,967
Transfer of funds	(55,742)	(33,707)	78,109	11,340	–
Balance at 30 June 2018	6,375,770	100,000	5,739,572	4,067,765	16,283,107
Total comprehensive income/(loss) for the year	508,390	164,844	1,251,028	(141,949)	1,782,313
Transfer of funds	114,844	(114,844)	–	–	–
Balance at 30 June 2019	**6,999,004**	**150,000**	**6,990,600**	**3,925,816**	**18,065,420**
Company					
Balance at 1 July 2017	5,930,744	100,000	4,064,281	4,207,301	14,302,326
Total comprehensive income/(loss) for the year	437,510	33,707	1,597,182	(150,876)	1,917,523
Transfer of funds	(55,742)	(33,707)	78,109	11,340	–
Balance at 30 June 2018	6,312,512	100,000	5,739,572	4,067,765	16,219,849
Total comprehensive income/(loss) for the year	541,912	164,844	1,251,028	(141,949)	1,815,835
Transfer of funds	114,844	(114,844)	–	–	–
Balance at 30 June 2019	**6,969,268**	**150,000**	**6,990,600**	**3,925,816**	**18,035,684**

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

PROVIDENCE PRESBYTERIAN CHURCH LTD AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 30 June 2019

	Group	
	2019	2018
	$	$
Cash flows from operating activities		
Surplus for the financial year	**1,782,313**	1,910,967
Adjustments for:		
Depreciation of property, plant and equipment	**10,916**	22,946
Interest income	**(113,962)**	(95,128)
Amortisation of deferred expenditure	**50,808**	50,808
Loss on disposal of property, plant and equipment	**–**	2,404
Operating cash flows before working capital changes	**1,730,075**	1,891,997
Receivables	**(22,198)**	61,476
Payables	**186,770**	(147,702)
Net cash generated from operating activities	**1,894,647**	1,805,771
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,657)**	(28,957)
Proceeds from disposal of property, plant and equipment	**–**	300
Interest received	**35,557**	21,856
Loan repayment from third party	**166,667**	166,666
Net cash generated from investing activities	**197,567**	159,865
Net increase in cash and cash equivalents	**2,092,214**	1,965,636
Cash and cash equivalents at beginning of financial year	**12,584,993**	10,619,357
Cash and cash equivalents at end of financial year (Note 10)	**14,677,207**	12,584,993

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

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

1 Corporate information

The Company (Co. Reg. No. 201206026Z) is registered and domiciled in Singapore. Its principal place of business and registered office is at 3 Orchard Road, Singapore 238825. The Company is limited by guarantee, registered under the Charities Act.

The principal activities of the Company are to provide places of worship for Christians, evangelism and providing funding for Christian education and social/welfare activities. The principal activity of the subsidiary is set out in Note 8 to the financial statements.

In accordance with the Memorandum of Articles of Association, each member of the Company has undertaken to contribute such amount not exceeding $10 to the assets of the Company in the event the Company is wound up and the monies are required for payment of the liabilities of the Company.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial statements, presented in Singapore dollar ("$"), which is the functional currency have been prepared in accordance with the provisions of the Companies Act, Chapter 50, Charities Act, Chapter 37 and other relevant regulations and Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There were no significant judgements made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

The carrying amounts of cash and cash equivalents, other receivables and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2 Summary of significant accounting policies (cont'd)

(a) Basis of preparation (cont'd)

New and revised standards

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRSs and INT FRSs did not have any material effect on the financial statements of the Group except for updates made to the accounting policy of financial assets [Note 2(j)] and changes in classification of the Group's and the Company's financial assets effective from 1 July 2018 [Note 18(a)] as required by FRS 109 *Financial Instruments*.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 30 June 2019 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group except as disclosed below.

FRS 116 Leases

FRS 116 replaces the existing FRS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheet to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

The Group plans to adopt the new standard on the required effective date using the modified retrospective approach and recognises any differences in the carrying amounts of assets and liabilities resulting from the adoption of FRS 116 at the date of initial application in the opening accumulated income fund as at 1 July 2019. Right-of-use assets are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. At the balance sheet date, the Group has non-cancellable operating lease commitments of $3,559,876 (Note 16). The Group expects to recognise right-of-use assets and lease liabilities of approximately $2,301,416 on 1 July 2019.

(b) Subsidiary

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

In the Company's balance sheet, investment in subsidiary is accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in income or expenditure.

2 Summary of significant accounting policies (cont'd)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the balance sheet date. The subsidiary is consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary is prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income and expenses, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as receivables, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill.

(d) Income recognition

Donations and contributions

Donations and contributions income are recognised when received.

Tuition fees

The Group provides tuition services to primary and secondary school children. The Group has the right to tuition fees (including other related fees) from its students in an amount that corresponds directly with the provision of tuition services and other incidental services on a monthly basis. Accordingly, tuition fees are recognised on a monthly basis.

Interest income

Interest income from fixed deposits is recognised on time-apportion basis at the effective interest rate applicable.

2 Summary of significant accounting policies (cont'd)

(e) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated on a straight-line basis so as to allocate the depreciable amount of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Office and musical equipment	20% to 33%
Furniture and fittings	20%
Renovation	14%

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in income or expenditure when the changes arise.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to income or expenditure.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(f) Employee benefits

Defined contribution plans

The Group contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Singapore Government. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

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

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2 Summary of significant accounting policies (cont'd)

(g) Taxation

The Company is a registered charity under the Charities Act and is exempted from income tax under the provision of the Singapore Income Tax Act.

(h) Operating lease

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to income or expenditure on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(i) Impairment of non-financial assets

Non-financial assets are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income or expenditure.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income or expenditure. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(j) Financial assets

The accounting policy for financial assets before 1 July 2018 are as follows:

The Group's and the Company's only financial assets are "loans and receivables" which comprise loan receivable, other receivables (excluding prepayments) and cash and cash equivalents.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. The Group and the Company assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When such evidence exists, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in income or expenditure. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. When a receivable is uncollectible, it is written off against the allowance account for the receivables. Subsequent recoveries of amounts previously written off are credited in income or expenditure.

2 Summary of significant accounting policies (cont'd)

(j) Financial assets (cont'd)

The accounting policy for financial assets from 1 July 2018 onwards are as follows:

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in income or expenditure.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group's only financial assets are classified at amortised cost which comprise cash and cash equivalents, loan receivable and other receivables (excluding prepayments).

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in income or expenditure when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

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

The Group recognises an impairment gain or loss in income or expenditure for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

2 Summary of significant accounting policies (cont'd)

(j) Financial assets (cont'd)

The accounting policy for financial assets from 1 July 2018 onwards are as follows (cont'd):

Offset

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, short-term fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(l) Financial liabilities

Financial liabilities, include other payables (excluding provision for compensated absences) are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in income or expenditure when the liabilities are derecognised and through the amortisation process.

(m) Funds

Unless specially indicated, fund balances are not represented by any specific amounts, but are represented by all assets of the Group.

Accumulated income fund of the Group includes the general fund of the subsidiary.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as financial cost in income or expenditure.

3 Donations - Group

The amount of $240,000 (2018: $180,000) was paid to Providence Care Centre which is a joint project between the subsidiary and Presbyterian Community Services.

4 Net surplus/(deficit) and total comprehensive income/(loss) for the year

These are after charging the following:

	Group 2019 $	Group 2018 $
Board expenses	**95,270**	80,070
Congregation care and fellowship	**62,209**	57,851
Mission support - local and overseas	**413,222**	522,081
Session expenses	**135,969**	105,554
Shared expenses with Orchard Road Presbyterian Church ("ORPC")	**282,444**	299,374
Shared expenses with Bukit Batok Presbyterian Church ("BBPC")	**254,742**	266,765
Tutor's fee	**42,595**	60,668
Loss on disposal of plant and equipment	–	2,404

The Group shares operating expenses and upkeep expenses of ORPC and BBPC on cost sharing allocation basis (currently 35% and 50% respectively) as governed by the Memorandum of Understanding.

5 Property, plant and equipment

	Office and musical equipment $	Furniture and fittings $	Renovation $	Total $
Group				
2019				
Cost				
At 1 July 2018	496,724	98,393	393,732	988,849
Additions	4,657	–	–	4,657
At 30 June 2019	**501,381**	**98,393**	**393,732**	**993,506**
Accumulated depreciation				
At 1 July 2018	473,612	92,037	386,779	952,428
Depreciation charge	6,958	2,815	1,143	10,916
At 30 June 2019	**480,570**	**94,852**	**387,922**	**963,344**
Net carrying value				
At 30 June 2019	**20,811**	**3,541**	**5,810**	**30,162**

5 Property, plant and equipment (cont'd)

	Office and musical equipment $	Furniture and fittings $	Renovation $	Total $
Group				
2018				
Cost				
At 1 July 2017	477,753	105,926	385,732	969,411
Additions	18,971	1,986	8,000	28,957
Disposal	–	(9,519)	–	(9,519)
At 30 June 2018	496,724	98,393	393,732	988,849
Accumulated depreciation				
At 1 July 2017	465,974	94,557	375,766	936,297
Depreciation charge	7,638	4,295	11,013	22,946
Disposal	–	(6,815)	–	(6,815)
At 30 June 2018	473,612	92,037	386,779	952,428
Net carrying value				
At 30 June 2018	23,112	6,356	6,953	36,421
Company				
2019				
Cost				
At 1 July 2018	298,027	62,199	293,487	653,713
Additions	4,657	–	–	4,657
At 30 June 2019	**302,684**	**62,199**	**293,487**	**658,370**
Accumulated depreciation				
At 1 July 2018	274,915	57,861	286,534	619,310
Depreciation charge	6,958	2,018	1,143	10,119
At 30 June 2019	**281,873**	**59,879**	**287,677**	**629,429**
Net carrying value				
At 30 June 2019	**20,811**	**2,320**	**5,810**	**28,941**

5 Property, plant and equipment (cont'd)

	Office and musical equipment $	Furniture and fittings $	Renovation $	Total $
Company				
2018				
Cost				
At 1 July 2017	279,056	60,213	285,487	624,756
Additions	18,971	1,986	8,000	28,957
At 30 June 2018	298,027	62,199	293,487	653,713
Accumulated depreciation				
At 1 July 2017	267,277	54,701	275,521	597,499
Depreciation charge	7,638	3,160	11,013	21,811
At 30 June 2018	274,915	57,861	286,534	619,310
Net carrying value				
At 30 June 2018	23,112	4,338	6,953	34,403

6 Loan receivable

In November 2008, Providence Presbyterian Church Ltd ("PPC") entered into a loan agreement with The Bible Society of Singapore ("BSS") to make available to BSS an interest-free loan of $5,000,000 for the purpose of redeveloping the Bible House into a five storey building with 2 basements. On the same day, PPC entered into a lease rental agreement with BSS to lease 646.95 square metre of the premise for 30 years at the following rental rates which take into consideration of the benefit of BSS not having to pay any interest on the $5 million loan:

Year	Rental rate	Total rental
1 to 10	$13,500 per month	$162,000 per year
11 to 20	$13,900 per month	$166,800 per year
21 to 30	$14,300 per month	$171,600 per year

The loan is to be drawn down in stages in accordance to the construction phase of the Bible House. Full redevelopment of the Bible House was completed in June 2011.

The loan to BSS is unsecured, interest free and repayable over 360 monthly instalment commencing from 1 October 2010.

In accordance with FRS 109, The Session of PPC fair valued the loan based on the market rate prevailing on loan inception dates of 2.50% per annum. The difference between the fair value of the loan and notional value of the loan is taken to "Deferred Expenditure" account and amortised to surplus or deficit on a straight-line basis over the term of the lease.

6 Loan receivable (cont'd)

	Group and Company 2019 $	Group and Company 2018 $
Loan receivable:		
Repayable within 12 months (Note 9)	**166,667**	166,667
Repayable after 12 months	**2,638,659**	2,734,467
Total	**2,805,326**	2,901,134

7 Deferred expenditure

The deferred expenditure pertains to the Day One difference between the fair value of the loan amount drawn down from $5 million interest free loan facility given by PPC to BSS for the purpose disclosed in Note 6 above and the notional loan amount drawn down. In essence, the Day One difference represents deferred benefits from the rental of the premises from BSS at below the market rental rate. Deferred expenditure is amortised on a straight line basis over the period of lease.

	Group and Company 2019 $	Group and Company 2018 $
Deferred expenditure	**1,524,227**	1,524,227
Less: Amortisation	**(444,568)**	(393,760)
	1,079,659	1,130,467
Movement in amortisation:		
Balance at beginning of financial year	**393,760**	342,952
Amortisation charged	**50,808**	50,808
Balance at end of financial year	**444,568**	393,760

8 Investment in subsidiary

The subsidiary has no share capital and is limited by guarantee. The details of the subsidiary at 30 June 2019 are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Group's equity interest 2019 %	Group's equity interest 2018 %
Providence Care Limited	Educational support courses/services and counseling to public	Singapore	**100**	100

9 Other receivables and prepayments

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Prepaid expenses	**46,542**	26,276	**46,542**	25,911
Amount due from Providence Care Centre	**15,150**	13,640	**–**	–
Current portion of loan receivable (Note 6)	**166,667**	166,667	**166,667**	166,667
Deposits	**5,242**	4,915	**4,916**	4,915
Interest receivables	**8,536**	990	**8,536**	990
Other receivables	**95**	–	**–**	–
	242,232	212,488	**226,661**	198,483

The amount due from Providence Care Centre is interest-free and repayable on demand.

10 Cash and cash equivalents

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Bank and cash balances	**7,091,998**	10,035,341	**7,056,152**	9,975,274
Fixed deposits	**7,585,209**	2,549,652	**7,585,209**	2,549,652
	14,677,207	12,584,993	**14,641,361**	12,524,926

The fixed deposits are placed with a bank and mature within 12 months (2018: 12 months) from the balance sheet date. The interest rates of these deposits ranged from 1.60% to 1.90% (2018: 1.09%) per annum at balance sheet date.

11 Other payables

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Amount due to The Presbyterian Church Singapore	**66,678**	63,780	**66,678**	63,780
Amount due to Bukit Batok Presbyterian Church	**68,442**	73,294	**68,442**	73,294
Provision for compensated absences	**25,935**	28,606	**25,935**	28,606
Other payables and accruals	**441,444**	250,049	**418,542**	237,217
	602,499	415,729	**579,597**	402,897

12 Accumulated Income Fund

	Group		Company	
	2019	2018	**2019**	2018
	$	$	**$**	$
Balance at beginning of financial year	**6,375,770**	6,000,558	**6,312,512**	5,930,744
Surplus for the year	**508,390**	430,954	**541,912**	437,510
Transfer from Mission Fund (Note 13)	**114,844**	33,707	**114,844**	33,707
Transfer to Church Development Fund (Note 14)	**–**	(78,109)	**–**	(78,109)
Transfer to Asset Capitalisation Reserve* (Note 15)	**–**	(11,340)	**–**	(11,340)
Balance at end of financial year	**6,999,004**	6,375,770	**6,969,268**	6,312,512

* This transfer represents Goods and Services Tax incurred during the year for the rental expense which was charged to the Asset Capitalisation Reserve.

Group

The fund of the Group comprises the accumulated income fund of the Company and the revenue reserves of the subsidiary.

Company

The fund represents accumulated income fund arising from activities of the Church.

13 Mission Fund

	Group and Company	
	2019	2018
	$	$
Balance at beginning of financial year	**100,000**	100,000
Surplus for the year	**164,844**	33,707
Transfer to Accumulated Income Fund (Note 12)	**(114,844)**	(33,707)
Balance at end of financial year	**150,000**	100,000

Fund was raised for the purpose of financing local and overseas missions.

14 Church Development Fund

	Group and Company 2019 $	2018 $
Balance at beginning of financial year	**5,739,572**	4,064,281
Surplus for the year	**1,251,028**	1,597,182
Transfer from Accumulated Income Fund (Note 12)	–	78,109
Balance at end of financial year	**6,990,600**	5,739,572

Fund was raised for the purpose of extension and redevelopment of the Church.

15 Asset Capitalisation Reserve

	Group and Company 2019 $	2018 $
Balance at beginning of financial year	**4,067,765**	4,207,301
Deficit for the year	**(141,949)**	(150,876)
Transfer from Accumulated Income Fund (Note 12)	–	11,340
Balance at end of financial year	**3,925,816**	4,067,765

Fund was raised for the purpose of the $5 million loan to The Bible Society of Singapore (Note 6).

16 Operating lease commitments

Commitments in relation to non-cancellable operating leases of office equipment and office premises contracted for at the balance sheet date, but not recognised as liabilities, are payable as follows:

	Group 2019 $	2018 $
Not later than one financial year	**222,466**	221,474
Later than one financial year but not later than five financial years	**727,894**	731,887
More than five financial years	**2,609,516**	2,787,992
	3,559,876	3,741,353

Operating lease payments represent rentals payable by the Group for the office equipment and office premises. Leases are negotiated for an average term of 2 to 5 years and rentals are fixed for an average of 2 to 5 years except for the lease of the premise at The Bible House which is disclosed in Note 6 to the financial statements.

17 Related party transactions

(a) In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year on terms agreed between the parties concerned:

	Group	
	2019	2018
	$	$
Synod levy	**78,324**	74,239

(b) Compensation of directors and key management personnel

	Group	
	2019	2018
	$	$
Salaries and related costs	**275,135**	319,946
CPF	**35,274**	40,183
	310,409	360,129

These compensation were paid to 1 moderator (2018: 1 moderator) and 2 pastors (2018: 3 pastors) who are chairman and prospective chairperson of their respective board of management of Congregations of the Group.

(c) The annual remuneration of the Group's highest paid staff in the financial year are as follow:

	Group	
	2019	2018
	$	$
Number of staff in the following remuneration band: $100,000 to $200,000	**2**	3

18 Financial instruments

(a) Categories of financial instruments

Financial instruments at their carrying amounts at the balance sheet date are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$	$	**$**	$
Financial assets				
Loans and receivables (including cash and cash equivalents)	–	15,505,672	–	15,431,965
Financial assets at amortised cost	**17,511,556**	–	**17,460,139**	–
Financial liabilities				
Financial liabilities at amortised cost	**576,564**	387,123	**553,662**	374,291

(b) Financial risk management policies and objectives

The management monitors and manages the financial risks relating to the operations of the Group to ensure appropriate measures are implemented in a timely and effective manner. These risks include market risk (including currency and interest rate), credit risk and liquidity risk.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Foreign currency risk

The Group operates mainly in Singapore and transacts substantially in Singapore dollar which is its functional currency. Therefore, currency risk exposure is very minimal.

Interest rate risk management

The Group has other financial assets and fixed deposits as detailed in Note 6 and Note 10 to the financial statements that are exposed to insignificant interest rate risks.

Sensitivity analysis for changes in interest rate is not disclosed as the effect on income or expenditure is considered not significant for the Group and the Company. The Group and the Company have no interest-bearing liabilities.

18 Financial instruments (cont'd)

(b) Financial risk management policies and objectives (cont'd)

Credit risk management

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from loan receivable, cash and cash equivalents and other receivables. For financial assets, including cash and cash equivalents, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group does not have any significant concentration of credit risk exposure. The maximum exposure to credit risk is represented by the carrying value of each class of financial assets recognised on the balance sheet. Credit risk exposure in relation to financial assets at amortised cost as at 30 June 2019 is insignificant, and accordingly no credit loss allowance is recognised as at 30 June 2019. There were no financial assets that are past due and/or impaired.

Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. The Treasury Team manages liquidity through internally generated cash flows.

The financial liabilities of the Group are payable within 12 months from the balance sheet date and represent the contractual undiscounted repayment obligations.

(c) Fair values of financial assets and liabilities

The fair value of the loan receivable approximate its carrying amount at the balance sheet date. This fair value measurement determined using the discounted cash flow method, is categorised within Level 3 of the fair value hierarchy. Level 3 is fair value measurement using inputs for assets or liabilities that are not based on observable market data.

The carrying amounts of the other current financial assets and liabilities recorded in the financial statements of the Group approximate their respective fair values.

19 Capital risk management policies and objectives

The Group manages its funds to ensure that it will be able to continue as a going concern.

The capital structure of the Group comprises funds raised and accumulated income.

The management reviews the capital structure on an on-going basis. As part of the review, the Group considers the needs associated with the respective funds. Based on the recommendation of the management, the Group will balance its overall capital structure through spending from the respective fund accounts for their intended use as well as organising fund raising activities to raise funds when the need arises.

The Group's overall strategy remains unchanged from 2018.

20 Authorisation of the financial statements

The consolidated financial statements of the Group and the balance sheet and statement of changes in funds of the Company for the financial year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Board of Directors dated 12 November 2019.