



**PAP COMMUNITY FOUNDATION
CHARITY DIVISION
(Registration No. T02CC1585L)**

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

**FINANCIAL YEAR ENDED
MARCH 31, 2017**

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

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**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

DIRECTORS' STATEMENT


In the opinion of the directors,

- (a) the financial statements of PAP Community Foundation - Charity Division (the "Charity Division") set out on pages 6 to 23 are drawn up in accordance with the provisions of the Charities Act, Chapter 37 (the "Charities Act"), and Financial Reporting Standards in Singapore so as to give a true and fair view of the financial position of the Charity Division as at March 31, 2017 and the financial performance, changes in endowment fund and revenue reserve and cash flows of the Charity Division for the financial year ended March 31, 2017;
- (b) the Charity Division has complied with regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations;
- (c) the use of donation moneys is in accordance with the objectives of the Charity Division as required under regulation 11 of the Charities (Institutions of a Public Character) Regulations;
- (d) the accounting records required by the Charities Act and Regulations have been properly kept in accordance with the provisions of the regulations; and
- (e) as at the date of this statement, there are reasonable grounds to believe that the Charity Division will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS



.....
Wong Shyun Tsai, Lawrence
Chairman



.....
Heng Chee How
Director

August 18, 2017

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF

PAP COMMUNITY FOUNDATION CHARITY DIVISION

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of PAP Community Foundation - Charity Division (the "Charity Division"), which comprise the statement of financial position as at March 31, 2017, and the statement of comprehensive income, statement of changes in endowment fund and revenue reserve and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 23.

The Charity Division is a segment of PAP Community Foundation (the "Foundation") and is not a separately incorporated legal entity. The attached financial statements have been prepared solely from the records of the Charity Division and reflect only the transactions recorded therein.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of 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 financial position of the Charity Division as at March 31, 2017 and of the financial performance, changes in endowment fund and revenue reserve and cash flows of the Charity Division 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 Charity Division 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.

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF

PAP COMMUNITY FOUNDATION CHARITY DIVISION

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement set out on page 1 and the Annual Report.

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.

Responsibilities of Management and Those Charged with Governance 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 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 Charity Division'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 Charity Division or to cease operations, or has no realistic alternative but to do so.

Those charged with governance comprises the directors and the audit and risk committee. Their responsibilities include overseeing the Charity Division's financial reporting process.



INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF

PAP COMMUNITY FOUNDATION CHARITY DIVISION

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 Charity Division's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Charity Division'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 Charity Division 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT COMMITTEE OF

PAP COMMUNITY FOUNDATION CHARITY DIVISION

Report on Other Legal and Regulatory Requirements

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

During the course of our audit, nothing has come to our attention that causes us to believe that during the year:

- (a) the Charity Division has not used the donation moneys in accordance with its objectives as required under Regulation 11 of the Charities (Institutions of a Public Character) Regulations; and
- (b) the Charity Division has not complied with the requirements of Regulation 15 of the Charities (Institutions of a Public Character) Regulations.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

August 18, 2017

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**STATEMENT OF FINANCIAL POSITION
March 31, 2017**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		\$	\$
<u>ASSETS</u>			
Current assets			
Cash at bank		6,631,800	7,778,644
Fixed deposits	5	15,624,417	15,519,624
Other receivables	6	401,394	611,028
Total current assets		<u>22,657,611</u>	<u>23,909,296</u>
Non-current asset			
Property, plant and equipment	7	<u>599,184</u>	<u>635,942</u>
Total assets		<u>23,256,795</u>	<u>24,545,238</u>
<u>LIABILITIES, ENDOWMENT FUND AND REVENUE RESERVE</u>			
Current liabilities			
Accrued expenses		112,055	52,977
Other payables to service division		640,980	2,005,749
Total current liabilities		<u>753,035</u>	<u>2,058,726</u>
Endowment fund and revenue reserve			
Endowment fund	8	4,000,000	4,000,000
Revenue reserve		18,503,760	18,486,512
Total endowment fund and revenue reserve		<u>22,503,760</u>	<u>22,486,512</u>
Total liabilities, endowment fund and revenue reserve		<u>23,256,795</u>	<u>24,545,238</u>

See accompanying notes to financial statements.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**STATEMENT OF COMPREHENSIVE INCOME
Financial year ended March 31, 2017**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
		\$	\$
Income	9	2,517,876	5,380,489
Donation and direct charitable expenses		(1,627,844)	(2,798,609)
Fund raising expenses		(334,671)	(452,641)
Staff cost		-	(3,280)
Depreciation	7	(36,758)	(36,294)
Other operating expenses	10	<u>(160,019)</u>	<u>(303,917)</u>
Surplus before income tax	11	358,584	1,785,748
Income tax	12	<u>-</u>	<u>-</u>
Surplus for the financial year representing total comprehensive income for the financial year		<u>358,584</u>	<u>1,785,748</u>

See accompanying notes to financial statements.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**STATEMENT OF CHANGES IN ENDOWMENT FUND AND REVENUE RESERVE
Financial year ended March 31, 2017**

	Endowment fund	Revenue reserve	Total
	\$	\$	\$
Balance at April 1, 2015	4,000,000	16,823,638	20,823,638
Surplus for the financial year, representing total comprehensive income for the financial year	-	1,785,748	1,785,748
Transfer to Foundation, representing transactions with owners	-	(122,874)	(122,874)
Balance at March 31, 2016	4,000,000	18,486,512	22,486,512
Surplus for the financial year, representing total comprehensive income for the financial year	-	358,584	358,584
Transfer to Foundation, representing transactions with owners	-	(341,336)	(341,336)
Balance at March 31, 2017	4,000,000	18,503,760	22,503,760

See accompanying notes to financial statements.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**STATEMENT OF CASH FLOWS
Financial year ended March 31, 2017**

	2017	2016
	\$	\$
Operating activities		
Surplus before income tax	358,584	1,785,748
Adjustments for:		
Loss on disposal of property, plant and equipment	-	607
Depreciation expense	36,758	36,294
Interest income	(153,814)	(102,052)
Operating surplus before working capital	241,528	1,720,597
Other receivables	231,162	(138,750)
Accrued expenses	59,078	30,491
Other payables to service division	(1,364,769)	2,005,749
Net cash (used in) from operating activities	(833,001)	3,618,087
Investing activities		
Purchase of property, plant and equipment	-	(3,650)
Interest received	132,286	92,704
Net cash from investing activities	132,286	89,054
Financing activity		
Funds remitted to Foundation representing net cash used in financing activity	(341,336)	(122,874)
Net (decrease) increase in cash and cash equivalents	(1,042,051)	3,584,267
Cash and cash equivalents at beginning of financial year	23,298,268	19,714,001
Cash and cash equivalents at end of financial year (Note A)	22,256,217	23,298,268

Note A

Cash and cash equivalents in the statement of cash flows consist of:

Cash at bank	6,631,800	7,778,644
Fixed deposits (Note 5)	15,624,417	15,519,624
Total	22,256,217	23,298,268

See accompanying notes to financial statements.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

1 GENERAL

The PAP Community Foundation (the "Foundation") (Registration No. T02CC1585L) was incorporated in Republic of Singapore on May 17, 1986 as a public company limited by guarantee. Its registered office and principal place of business is at Blk 57B, New Upper Changi Road, #01-1402 PCF Building, Singapore 463057. The liability of each member of the Foundation is limited to an amount as may be required but not exceeding \$100. No contribution has been made by the members since the date of incorporation. There are ten members in the Foundation.

The Charity Division is a part of the Foundation and the attached financial statements have been prepared from the records of the Charity Division and reflect only the transactions recorded therein.

The financial statements are expressed in Singapore dollars, which is the Charity Division's functional currency.

On May 17, 1986, the Foundation was gazetted as an Institution of a Public Character ("IPC") and is exempted from income tax. The Institution of a Public Character status expired on May 16, 2001 but was extended for 5 years with effect from May 16, 2001 to May 15, 2006. On July 23, 2002, an internal division, Charity Division within the Foundation was set up and was granted charity status on July 25, 2002. The Institution of Public Character status was also granted for a period of five years with effect from July 24, 2002. This status was extended for another 5 years from July 24, 2007 to July 23, 2012 and on July 24, 2012, extended for another 4 years from July 24, 2012 to July 23, 2017. On July 24, 2017, the status was further extended for another 4 years from July 24, 2017 to July 23, 2020. On July 24, 2002, the Foundation voluntarily gave up its Institution of Public Character status and transferred funds to the Charity Division.

The principal activity of the Charity Division is to promote the welfare and interests of the citizens of Singapore and to give donations to charitable/educational or other works in Singapore and the relief of poor and needy.

The financial statements of the Charity Division for the financial year ended March 31, 2017 were authorised for issue by the management on August 18, 2017.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Financial Reporting Standards in Singapore ("FRSs").

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Charity Division takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

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

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

ADOPTION OF NEW AND REVISED STANDARDS - On April 1, 2016, the Charity Division has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRS and INT FRS does not result in changes to the Charity Division's accounting policies and has no material effect on the amounts reported for the current or prior years.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

At the date of authorisation of these financial statements, the following FRS that are relevant to the Charity Division were issued but not effective:

- FRS 109 *Financial Instruments* ⁽¹⁾
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)* ⁽¹⁾
- FRS 116 *Leases* ⁽²⁾

(1) Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

(2) Applies to annual periods beginning on or after January 1, 2019, with early application permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Charity Division in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109 that may be relevant to the Charity Division:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit and loss.
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Charity Division's financial statements in the period of initial application as the management has yet to complete its detailed assessment.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed deposits which are subject to an insignificant risk of changes in value and are readily convertible to a known amount of cash.

Other receivables

Other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables where the carrying amount is reduced through the use of an allowance account. When other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

Financial liabilities

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently received at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Charity Division derecognises financial liabilities when, and only when, the Charity Division's obligations are discharged, cancelled or expired.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

ENDOWMENT FUND - The endowment fund forms part of a \$10 million endowment fund approved by the Commissioner for Inland Revenue. The fund is to be built up using past and future surpluses from the revenue reserve.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings and leased property	-	3.33% to 20%
Renovation	-	20%
Furniture and fittings and other assets	-	20% to 33.3%
IT project and computer	-	33.3%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

Gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

IMPAIRMENT OF ASSETS - At the end of each reporting period, the Charity Division reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Charity Division estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

PROVISIONS - Provisions are recognised when the Charity Division has a present obligation (legal or constructive) as a result of a past event, it is probable that the Charity Division will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Charity Division will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the Charity Division should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

REVENUE RECOGNITION - Revenue is recognised at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Rendering of services

Revenue from rendering of services is recognised when the services are rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Donation income

Donation income is recognised when the rights to receive such payment have been established.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

FOREIGN CURRENCY TRANSACTIONS - The financial statements of the Charity Division are measured and presented in Singapore dollars, which is the currency of the primary economic environment in which the Charity Division operates (its functional currency).

In preparing the financial statements, transactions in currencies other than the Charity Division's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

**3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES
OF ESTIMATION UNCERTAINTY**

In the application of the Charity Division's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

**PAP COMMUNITY FOUNDATION
CHARITY DIVISION**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2017**

Critical judgments in applying the Charity Division's accounting policies

Management is of the opinion that there are no instances of application of judgements that are expected to have a 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Charity Division assesses annually the useful life of the property, plant and equipment and has not changed its useful life estimate during the year as the existing useful lives of the assets reflect their economic useful life. However, if the expectation differs from the original estimate, such difference will impact the depreciation in the period in which such estimate has been changed. The carrying amounts of the Charity Division's property, plant and equipment are disclosed in Note 7 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting year:

	<u>2017</u>	<u>2016</u>
	\$	\$
Financial assets		
Loans and receivables	<u>22,597,774</u>	<u>23,909,296</u>
Financial liabilities		
Payables at amortised cost	<u>753,035</u>	<u>2,058,726</u>

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- (b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Charity Division does not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

- (c) *Financial risk management policies and objectives*

The Charity Division's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance of the Charity Division. The Charity Division has adopted risk management policies that seek to mitigate these risks in a cost-effective manner.

There has been no change to the Charity Division's exposure to these financial risks or the manner in which it manages and measures the risk.

- (i) Foreign currency risk management

The Charity Division is not exposed to significant foreign currency exchange risk. Hence, no sensitivity analysis is prepared.

- (ii) Interest rate risk management

The Charity Division's policy is to maintain cash equivalents with reputable financial institutions on a short term basis.

No sensitivity analysis on interest rate has been prepared as the Charity Division does not expect any material effect on the Charity Division's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

- (iii) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Charity Division.

Cash and cash equivalents are placed with reputable financial institutions.

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(iv) Liquidity risk management

The Charity Division maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities.

All financial assets and liabilities in the financial year ended March 31, 2017 are repayable on demand or due within 1 year from the end of the reporting period, and non-interest bearing.

(v) Fair values of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities as reported on the statement of financial position approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

(d) *Capital management policies and objectives*

The Charity Division manages its capital to ensure that the Charity Division will be able to continue as a going concern.

The capital structure of the Charity Division consists of funds and reserves as presented in the statement of changes in endowment fund and revenue reserve.

The Charity Division's overall strategy remains unchanged from the previous financial year.

5 **FIXED DEPOSITS**

Fixed deposits bear interests ranging from 0.05% to 0.75% (2016 : 0.05% to 1.2%) per annum and for a tenure of less than 12 months.

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6 OTHER RECEIVABLES

	2017	2016
	\$	\$
Grant receivables	-	200,000
Receivables from Service Division	-	200,000
Interest receivables	45,756	24,228
Donation receivables	295,000	156,000
Prepayment	59,837	-
Others	801	30,800
Total	<u>401,394</u>	<u>611,028</u>

Management believes that no allowance for doubtful receivables is required as there has been no significant change in credit quality and the amount of receivables are recoverable.

7 PROPERTY, PLANT AND EQUIPMENT

	Building and leased property	Renovation	Furniture and fittings and other assets	IT project and computer	Total
	\$	\$	\$	\$	\$
Cost:					
At April 1, 2015	1,063,750	254,801	151,421	12,409	1,482,381
Additions	-	-	-	3,650	3,650
Disposals	(460)	-	(12,779)	-	(13,239)
At March 31, 2016	<u>1,063,290</u>	<u>254,801</u>	<u>138,642</u>	<u>16,059</u>	<u>1,472,792</u>
Disposals	-	(197,375)	(28,725)	-	(226,100)
At March 31, 2017	<u>1,063,290</u>	<u>57,426</u>	<u>109,917</u>	<u>16,059</u>	<u>1,246,692</u>
Accumulated depreciation:					
At April 1, 2015	395,852	254,801	150,126	12,409	813,188
Depreciation	35,279	-	711	304	36,294
Disposals	(172)	-	(12,460)	-	(12,632)
At March 31, 2016	<u>430,959</u>	<u>254,801</u>	<u>138,377</u>	<u>12,713</u>	<u>836,850</u>
Depreciation	35,276	-	265	1,217	36,758
Disposals	-	(197,375)	(28,725)	-	(226,100)
At March 31, 2017	<u>466,235</u>	<u>57,426</u>	<u>109,917</u>	<u>13,930</u>	<u>647,508</u>
Carrying amount:					
At March 31, 2017	<u>597,055</u>	<u>-</u>	<u>-</u>	<u>2,129</u>	<u>599,184</u>
At March 31, 2016	<u>632,331</u>	<u>-</u>	<u>265</u>	<u>3,346</u>	<u>635,942</u>

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8 ENDOWMENT FUND

The endowment fund forms part of a \$10 million endowment fund approved by the Commissioner for Inland Revenue Authority of Singapore. The fund is to be built up using past and future surpluses from the revenue reserve.

9 INCOME

	<u>2017</u>	<u>2016</u>
	\$	\$
Donations received (tax-exempt)	2,087,338	4,372,973
Donations received (non tax-exempt)	62,503	722,417
Donations received (sponsorship)	73,127	93,641
Grant income	631	722
Interest income	153,814	102,052
Special project income	118,934	56,484
Others	21,529	32,200
Total	<u>2,517,876</u>	<u>5,380,489</u>

Donation (tax-exempt) amounting to \$256,420 (2016 : \$35,500) was received by the Charity Division for the Senior Care Centre @ Changi Simei and Senior Care Centre @ Yew Tee. This donation was subsequently transferred to the senior care centre managed by the Service Division for the purpose of submission of request for matching grant from Community Service Trust ("CST") managed by the Agency of Integrated Care (Ministry of Health).

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10 OTHER OPERATING EXPENSES

	<u>2017</u>	<u>2016</u>
	\$	\$
Activity class expenses	-	11,910
Functions and activities	100,442	179,838
Loss on disposal of property, plant and equipment	-	607
Printing and stationery	180	1,949
Refreshment	676	54,077
Rental	4,661	4,658
Repair and maintenance	23,819	6,934
Utilities charges	9,243	11,011
Others	20,998	32,933
Total	<u>160,019</u>	<u>303,917</u>

11 SURPLUS BEFORE INCOME TAX

The above includes the following:

	<u>2017</u>	<u>2016</u>
	\$	\$
Costs of defined contribution plans included in staff costs	-	466

The remuneration of key management personnel are paid by the Foundation.

12 INCOME TAX

The Charity Division is an approved charity under the Charities Act, Cap 37 and an institution of public character under the Income Tax Act, Cap 134.