FINANCIAL Statements

Statement by the Members of the Board

Statement by the members of the Board

In our opinion,

(a) the accompanying financial statements of the National Council of Social Service (the "Council"), set out on pages 57 to 102 are properly drawn up in accordance with the provisions of the Public Sector (Governance) Act 2018, Act 5 of 2018 (the "PSG" Act), the National Council of Social Service Act, Chapter 195A (the "Act"), the Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Statutory Board Financial Reporting Standards ("SB-FRSs") so as to present fairly, in all material respects, the state of affairs of the Council as at 31 March 2020 and the results, changes in statutory funds and reserve and cash flows of the Council for the year ended on that date;

(b) the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Council during the financial year are, in all material respects, in accordance with the provisions of the PSG Act, the Act, and the requirements of any other written law applicable to moneys of or managed by the Council; and

(c) proper accounting and other records have been kept, including records of all assets of the Council whether purchased, donated or otherwise.

The members of the Board have, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board

Anita Fam
President

Tan Khiaw Ngoh
Honorary Treasurer

16 June 2020

Independent Auditors' Report

Members of the Council
National Council of Social Service
Established in Singapore under the National Council of Social Service Act

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Council of Social Service (the "Council"), which comprise the statement of financial position as at 31 March 2020, the statement of comprehensive income, statement of changes in statutory funds and reserve and statement of cash flows of the Council for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 102.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Public Sector (Governance) Act 2018, Act 5 of 2018 (the "PSG" Act), the National Council of Social Service Act, Chapter 195A (the "Act") the Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Statutory Board Financial Reporting Standards ("SB-FRSs") so as to present fairly, in all material respects, the state of affairs of the Council as at 31 March 2020 and the results, changes in statutory funds and reserve and cash flows of the Council 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 Council in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' 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 the Board of the Council for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the PSG Act, the Act, the Charities Act and Regulations and SB-FRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

A statutory board is constituted based on its constitutional act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Council'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 there is intention to wind up the Council or for the Council to cease operations.

The Board of the Council are responsible for overseeing the Council's financial reporting process.

Independent Auditors' Report

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion

In our opinion:

- the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Council during the financial year are, in all material respects, in accordance with the provisions of the PSG Act, the Act and the requirements of any other written law applicable to moneys of or managed by the Council; and

- proper accounting and other records have been kept, including records of all assets of the Council whether purchased, donated or otherwise.

Independent Auditors' Report

Report on Other Legal and Regulatory Requirements *(cont'd)*

Basis for opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the compliance audit'* section of our report. We are independent of the Council in accordance with the 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 on management's compliance.

Responsibilities of management for compliance with legal and regulatory requirements

Management is responsible for ensuring that the receipts, expenditure, investments of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the PSG Act, the Act and the requirements of any other written law applicable to moneys of or managed by the Council. This responsibility includes monitoring related compliance requirements relevant to the Council, and implementing internal controls as management determines are necessary to enable compliance with the requirements.

Auditors' responsibilities for the compliance audit

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investments of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the PSG Act, the Act and the requirements of any other written law applicable to moneys of or managed by the Council.

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investments of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Because of the inherent limitations in any internal control system, non-compliances may nevertheless occur and not be detected.

Requirements under Charities (Institutions of a Public Character) Regulations

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

- the Council 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

- the Council has not complied with the requirements of Regulation 15 (fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
16 June 2020

Statement of Financial Position

As at 31 March 2020

	Note	2020 $'000	2019 $'000
Non-current assets			
Property, plant and equipment	4	8,874	7,985
Right-of-use assets	5	4,594	–
Intangible assets	6	374	762
Debt investments at amortised cost	7	44,254	48,338
Equity investments at fair value through other comprehensive income	8	593	1,573
Investments at fair value through profit or loss	9	324	–
Total non-current assets		59,013	58,658
Current assets			
Debt investments at amortised cost	7	5,709	–
Investments at fair value through profit or loss	9	165,914	162,984
Debtors, grant receivables and prepayments	10	36,810	35,933
Cash and bank balances	11	105,087	87,154
Total current assets		313,520	286,071
Total assets		372,533	344,729
Funds of the Council			
Statutory funds:			
– Endowment fund	13	191,884	191,884
– General fund	14	39,705	33,430
– ComChest fund	15	74,431	74,909
Fair value reserve		(7)	–
Total funds		306,013	300,223
Non-current liabilities			
Lease liabilities	5	2,518	–
Deferred capital grants	16	5,420	5,631
Provision for reinstatement cost	17	142	271
Sundry creditors and accruals	18	1,966	1,478
Total non-current liabilities		10,046	7,380
Current liabilities			
Derivative liabilities	20	1,137	–
Lease liabilities	5	2,044	–
Sundry creditors and accruals	18	53,293	37,126
		56,474	37,126
Total liabilities		66,520	44,506
Total funds, reserve and liabilities		372,533	344,729
Net assets of trust funds	12	151,438	187,531

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

Statement of Comprehensive Income

Year ended 31 March 2020

	Note	2020 $'000	2019 $'000
Operating and investment income:			
Interest income from bank balances		1,785	1,785
Interest income from debt investments at amortised cost		1,893	484
Dividend income from investments at fair value through profit or loss		391	146
Net fair value gain/(loss) on investments at fair value through profit or loss:			
– investments held by the Council	9	–	(28)
– funds managed by fund managers	9	2,551	3,504
– derivatives		(2,071)	–
Gain/(Loss) on redemption of debt investments at amortised cost		6	(32)
Amortisation of premium on debt investments at amortised cost		(106)	(90)
Accretion income on debt investments at amortised cost		195	–
Subscriptions and miscellaneous income		13,734	7,490
Total operating and investment income		18,378	13,259
Operating and investment expenditure:			
Staff costs – salaries and related costs	23	(18,813)	(20,593)
Contributions to defined contribution plan	23	(2,505)	(2,864)
Operating lease expenses			
– Temporary Occupation Licence fee		(60)	(1,001)
– Other operating lease expenses		(408)	(1,042)
Depreciation of property, plant and equipment	4	(1,410)	(1,023)
Depreciation of right-of-use assets	5	(942)	–
Amortisation of intangible assets	6	(369)	(1,368)
Property, plant and equipment written off		(1)	–
Funding of Community Chest operating expenses [(1)]		(1,657)	(2,763)
Building and system maintenance expenses		(3,707)	(3,526)
Project expenses		(35,634)	(29,254)
Utilities expenses		(120)	(133)
Other expenses		(3,879)	(4,911)
Finance costs		(63)	–
Total operating and investment expenditure		(69,568)	(68,478)
Operating deficit before government and other grants		(51,190)	(55,219)
Government and other grants:			
Operating Grants		46,472	43,756
MSF Capital Grant	16	449	407
Grants for Temporary Occupation Licence fee		911	898
Care & Share Grant		9,209	10,000
Total government and other grants		57,041	55,061
Operating surplus/(deficit) before SSI and Community Chest Operations		5,851	(158)

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

Statement of Comprehensive Income

Year ended 31 March 2020

	Note	2020 $'000	2019 $'000
Social Service Institute ("SSI")			
Proceeds and claims from SSI courses		7,110	7,288
Operating Grant		3,859	4,152
MSF Capital Grant	16	469	470
Care & Share Grant		529	231
Tote Board Grant		1,631	752
Other Income		130	96
Less: Direct SSI course expenditure		(2,579)	(3,020)
Staff costs – salaries and related costs	23	(5,320)	(6,576)
Contributions to defined contribution plan	23	(654)	(664)
Other administrative expenses		(3,014)	(2,006)
Operating lease expenses – Temporary Occupation Licence fee		(158)	(1,417)
Depreciation of property, plant and equipment	4	(463)	(509)
Depreciation of right-of-use assets	5	(1,039)	–
Amortisation of intangible assets	6	(2)	(2)
Finance costs		(75)	–
Net surplus/(deficit) from SSI		424	(1,205)
Operating surplus/(deficit) for the year before Community Chest Operations		6,275	(1,363)
NCSS Charitable Fund (Community Chest Only)			
Funding from NCSS operating income [(1)]		1,657	2,763
Direct donations for fund-raising operating expenses [(1)]		7,401	5,930
Other expenses		–	(9)
Less: Staff costs – salaries and related costs	23	(4,064)	(3,902)
Contributions to defined contribution plan	23	(675)	(654)
Depreciation of property, plant and equipment	4	(69)	(52)
Depreciation of right-of-use assets	5	(106)	–
Amortisation of intangible assets	6	(26)	(28)
Indirect fund-raising expenses		(4,111)	(3,940)
Operating lease expenses – Temporary Occupation Licence fee		–	(108)
Finance costs		(7)	–
Fund-raising proceeds from Community Chest	27	58,662	54,183
Less:Service allocations to Charitable activities	19	(59,140)	(52,046)
(Deficit)/Surplus from Community Chest		(478)	2,137
Surplus for the year	14	5,797	774
Total comprehensive surplus for the year attributable to Council funds		5,797	774

(1) All expenses of the NCSS Charitable Fund (Community Chest only) are covered by donations and sponsorships for fund-raising expenses and NCSS operating income for the year.

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

Statement of Changes in Statutory Funds and Reserve

Year ended 31 March 2020

	Note	Statutory Funds				
		Endowment Fund $'000	General Fund $'000	ComChest Fund $'000	Fair value reserve $'000	Total $'000
Balance as at 1 April 2018		191,884	34,793	72,772	–	299,449
Surplus for the financial year		–	774	–	–	774
Transfer	14,15	–	(2,137)	2,137	–	–
Balance as at 31 March 2019		191,884	33,430	74,909	–	300,223
Balance as at 1 April 2019		191,884	33,430	74,909	–	300,223
Surplus for the financial year		–	5,797	–	–	5,797
Transfer	14,15	–	478	(478)	–	–
Net change in fair value – Equity investments at FVOCI		–	–	–	(7)	(7)
Balance as at 31 March 2020		191,884	39,705	74,431	(7)	306,013

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

Statement of Cash Flows

Year ended 31 March 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Surplus for the year		5,797	774
Less: Grant income		(70,930)	(66,596)
Deficit before grant		(65,133)	(65,822)
Adjustments for:			
Depreciation of property, plant and equipment	4	1,942	1,584
Depreciation of right-of-use assets	5	2,087	–
Amortisation of intangible assets	6	397	1,398
Property, plant and equipment written off		1	–
Interest income from bank balances		(1,785)	(1,785)
Interest income from debt investments at amortised cost		(1,893)	(484)
Dividend income from investments at fair value through profit or loss		(391)	(146)
Gain/(Loss) on redemption of debt investments at amortised cost		(6)	32
Unrealised gain on investments at fair value through profit or loss		(1,313)	(3,418)
Unrealised loss on derivatives		1,137	–
Realised gain on sale of fair value through profit or loss		(1,238)	(58)
Realised loss on derivatives		934	–
Accretion income on debt investments at amortised cost		(195)	–
Amortisation of premium on debt investments at amortised cost		106	90
Finance cost		145	–
(Reversal)/Impairment loss on debtors and other receivables	25	(4)	2
Operating loss before working capital changes		(65,209)	(68,607)
Increase in debtors, grant receivables and prepayments		(11,506)	(1,059)
Increase in sundry creditors and accruals		31,867	3,484
Decrease in provision for reinstatement		(129)	–
Net cash used in operating activities		(44,977)	(66,182)

Statement of Cash Flows

Year ended 31 March 2020

	Note	2020 $'000	2019 $'000
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(2,832)	(90)
Expenditure on software development	6	(9)	(299)
Interest received on bank balances		2,199	1,405
Interest income from debt investments at amortised cost		–	282
Dividend income received		–	146
Withdrawal from investments at fair value through profit or loss		–	–
Purchase of investments at fair value through profit or loss		–	(14,000)
Purchase of debt investment at amortised cost		–	(45,428)
Purchase of equity investment at fair value through other comprehensive income		–	(1,573)
Proceeds from redemption of debt investments at amortised cost		–	10,556
Proceeds from disposal of investments at fair value through profit or loss		–	25,810
Net cash generated used in investing activities		(642)	(23,191)
Cash flows from financing activities			
Government and other grants received	18	65,816	53,363
Payment of lease liabilities	5	(2,119)	–
Interest paid	5	(145)	–
Net cash generated from financing activities		63,552	53,363
Net increase/(decrease) in cash and cash equivalents		17,933	(36,010)
Cash and cash equivalents at beginning of financial year		87,154	123,164
Cash and cash equivalents at end of financial year	11	105,087	87,154

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of the Council on 16 June 2020.

1. General

National Council of Social Service (the "Council") was established as a statutory body on 1 May 1992 under the National Council of Social Service Act (Chapter 195A amended in September 2000) (the "Act") and is domiciled in Singapore. The registered office of the Council and principal place of operations is at NCSS Centre, Ulu Pandan Community Building, 170 Ghim Moh Road #01-02, Singapore 279621.

The NCSS Charitable Fund was established on 1 May 2003, as an Institution of a Public Character ("IPC") under the Charities Act (Chapter 37) and comprises all the charitable activities of NCSS. The NCSS Charitable Fund consist of Community Chest, President's Challenge and The Wan Boo Sow Charity Fund.

The principal activities of the Council are to provide, develop and promote efficient and effective social services and encourage voluntary work to meet current and future needs.

The current financial year of the Council is from 1 April 2019 to 31 March 2020.

2. Summary of significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Public Sector (Governance) Act 2018, Act 5 of 2018 (the "PSG" Act), the National Council of Social Service Act (Chapter 195A amended in September 2000) (the "Act") the Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Statutory Board Financial Reporting Standards ("SB-FRS"). SB-FRS includes Statutory Board Financial Reporting Standards, Interpretations of SB-FRS and SB-FRS Guidance Notes as promulgated by the Accountant-General.

This is the first set of the Council's annual financial statements in which SB-FRS 116 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared based on the historical cost basis except as disclosed in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore Dollar (S$) which is the functional currency of the Council. All financial information presented in Singapore Dollars have been rounded to the nearest thousand (S$'000), except when otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SB-FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenditure. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements

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

2.4 Use of estimates and judgements *(cont'd)*

There are no critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

Note 25 – Impairment of financial assets
Note 26 – Valuation of assets and liabilities

Measurement of fair values

A number of the Council's accounting policies and disclosures requires the measurement of fair values, for both financial and non-financial assets and liabilities.

The Council has an established control framework with respect to the measurement of fair values. This includes an investment team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Finance Director.

The investment team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the investment team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SB-FRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Investment Committee.

When measuring the fair value of an asset or a liability, the Council uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement (with Level 3 being the lowest).

The Council recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 26.

Notes to the Financial Statements

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

2.5 Changes in significant accounting policies

New standards and amendments

The Council has applied the following SB-FRSs, amendments to and interpretations of SB-FRS for the first time for the annual period beginning on 1 April 2019:

- SB-FRS 116 *Leases*
- INT SB-FRS 123 *Uncertainty over Income Tax Treatments*
- *Prepayment Features with Negative Compensation* (Amendments to SB-FRS 109)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SB-FRS 12)

Other than SB-FRS 116, the application of these amendments to standards and interpretations did not have a material effect on the financial statements.

SB-FRS 116 *Leases*

The Council applied SB-FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in general fund at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under SB-FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SB-FRS 116 have not generally been applied to comparative information.

Definition of a lease

Previously, the Council determined at contract inception whether an arrangement was or contained a lease under INT SB-FRS 104 *Determining whether an Arrangement contains a Lease*. The Council now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SB-FRS 116.

On transition to SB-FRS 116, the Council elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Council applied SB-FRS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SB-FRS 17 and INT SB-FRS 104 were not reassessed for whether there is a lease under SB-FRS 116. Therefore, the definition of a lease under SB-FRS 116 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

As a lessee, the Council leases many assets including buildings and office equipment. The Council previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Council. Under SB-FRS 116, the Council recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Notes to the Financial Statements

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

2.5 Changes in significant accounting policies *(cont'd)*

Leases classified as operating leases under SB-FRS 17

Previously, the Council classified leases of buildings as operating leases under SB-FRS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 April 2019. Right-of-use assets are measured at an amount equal to the lease liability.

The Council has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Council used a number of practical expedients when applying SB-FRS 116 to leases previously classified as operating leases under SB-FRS 17. In particular, the Council:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on financial statements

Impact on transition*

On transition to SB-FRS 116, the Council recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 April 2019 $'000
Right-of-use assets – property, plant and equipment	6,681
Lease liabilities	(6,681)

* For the impact of SB-FRS 116 on profit or loss for the period, see note 5. For the details of accounting policies under SB-FRS 116 and SB-FRS 17, see note 3.11.

Notes to the Financial Statements

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

2.5 Changes in significant accounting policies *(cont'd)*

Impact on financial statements *(cont'd)*

Impact on transition* *(cont'd)*

When measuring lease liabilities for leases that were classified as operating leases, the Council discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 2.66%.

	1 April 2019 $'000
Operating lease commitments at 31 March 2019 as disclosed under SB-FRS 17 in the Council's financial statements	12,457
Discounted using the incremental borrowing rate at 1 April 2019	11,937
Commitment related to non-lease components	(2,283)
Commitment related to leases not fall under the definition of SB-FRS 116	(2,973)
Lease liabilities recognised at 1 April 2019	6,681

3. Significant accounting policies

The accounting policies adopted have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in statement of comprehensive income.

3.2 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Debtors and other receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Council becomes a party to the contractual provisions of the instrument.

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

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.2 Financial instruments

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

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

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Council may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Council may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.2 Financial instruments *(cont'd)*

(ii) Classification and subsequent measurement *(cont'd)*

Financial assets: Business model assessment

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

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

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

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

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Council's claim to cash flows from specified assets (e.g. non-recourse features).

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.2 Financial instruments *(cont'd)*

(ii) Classification and subsequent measurement *(cont'd)*

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest *(cont'd)*

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

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

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of comprehensive income.

Financial assets at amortised cost

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

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in statement of comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to statement of comprehensive income.

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

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

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

(iii) Derivative financial instruments

The Council holds derivative financial instruments to hedge its foreign currency risk exposures.

Derivatives are recognised initially at fair value, attributable transaction costs are recognised as an expense when incurred.

Subsequent to initial recognition, derivatives are measured at fair value, and the changes are recognised in the statement of comprehensive income.

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.2 Financial instruments *(cont'd)*

(iv) Derecognition

Financial assets

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

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

Financial liabilities

The Council derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Council also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

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

(v) Offsetting

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

(vi) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and fixed bank deposits with maturities of six months or less from the date of acquisition that are subject to an insignificant risk of changes in value, and are used by Council in the management of it short-term commitments.

3.3 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Assets classified as construction-in-progress are not depreciated, as these assets are not available for use.

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.3 Property, plant and equipment *(cont'd)*

Depreciation is recognised as an expense in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	33⅓%
Furniture and equipment	10% to 25%
Leasehold improvements	10% to 20%
Motor vehicles	20%
Other leasehold building	3⅓%

Property, plant and equipment costing less than $5,000 are charged to the statement of comprehensive income in the year of purchase.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in the statement of comprehensive income in the year the asset is derecognised.

3.4 Intangible assets

Intangible assets represent software expenditure directly attributable to the development of a computer system. The development expenditures are capitalised and carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. The intangible assets have finite useful lives and are amortised over estimated useful life of three years on a straight-line basis.

3.5 Impairment

(i) Non-derivative financial assets

The Council recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised costs.

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

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

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

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

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.5 Impairment *(cont'd)*

(i) Non-derivative financial assets *(cont'd)*

General approach

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

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

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

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

The Council considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held).

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Council on terms that the Council would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.5 Impairment *(cont'd)*

(i) Non-derivative financial assets *(cont'd)*

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

(ii) Non-financial assets

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

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

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

3.6 Trust Funds

Monies received where the Council is not the owner and beneficiaries are accounted for as trust funds. The receipts and payments in respect of trust funds are taken directly to the funds accounts and the net assets relating to these funds are shown as a separate line item in the statement of financial position.

3.7 Provisions

A provision is recognised if, as a result of a past event, the Council has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.8 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Grants from the government to meet the Council's operating expenses are recognised as income to match the related operating expenditure.

Government grants for the purchase of depreciable assets are taken to the Deferred Capital Grant Account. The grants are recognised as income over the useful lives of the related assets to match the depreciation of those assets.

Both operating and capital grants are accounted for on an accrual basis.

3.9 Revenue recognition

Revenue from rendering of service is recognised when the Council satisfies a performance obligation ("PO") by transferring control of a promised service. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised services.

Transaction price is the amount of consideration in the contract to which the Council expects to be entitled in exchange for transferring the promised services.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Donation

A donation of cash or assets is recognised in the statement of comprehensive income when the Council obtains control of the donation or the right to receive the donation; it is probable that the economic benefits comprising the donation will flow to the Council; and the amount of the donation can be measured reliably.

(b) Dividend income

Dividend income is recorded in the statement of comprehensive income when the right to receive the dividend has been established.

(c) Interest income

Interest income from bank deposits and bonds is recognised using the effective interest method.

(d) Training programme income

Training programme income is recognised when the services are rendered. The income is recorded as part of the proceeds and claims from Social Service Institute ("SSI") courses in the statement of comprehensive income.

(e) Sun Ray income

Sun Ray income refers to revenue generated from secondment of employees to respective Social Service Agencies. The income is recognised when services are rendered to Social Service Agencies and recorded as part of the subscriptions and miscellaneous income in the statement of comprehensive income.

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.10 Employee benefits

Defined contribution plans

The Council makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as expenditure in the period in which the related service is performed.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and re-measurement of the liability are recognised in the statement of comprehensive income.

3.11 Leases

The Council has applied SB-FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SB-FRS 17 and INT SB-FRS 104. The details of accounting policies under SB-FRS 17 and INT SB-FRS 104 are disclosed separately.

Policy applicable from 1 April 2019

At inception of a contract, the Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Council uses the definition of a lease in SB-FRS 116.

This policy is applied to contracts entered into, on or after 1 April 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Council allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Council by the end of the lease term or the cost of the right-of-use asset reflects that the Council will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.11 Leases *(cont'd)*

Policy applicable from 1 April 2019 *(cont'd)*

(i) As a lessee *(cont'd)*

Depreciation is recognised as an expense in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings Remaining lease term of 2 – 3 years

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Council's incremental borrowing rate. Generally, the Council uses its incremental borrowing rate as the discount rate.

The Council determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Council is reasonably certain to exercise, lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Council is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Council's estimate of the amount expected to be payable under a residual value guarantee, if the Council changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Council has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

3. Significant accounting policies *(cont'd)*

3.11 Leases *(cont'd)*

Policy applicable before 1 April 2019

For contracts entered into before 1 April 2019, the Council determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Council classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Council's statement of financial position. Payments made under operating leases were recognised in statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3.12 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted; however, the Council has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SB-FRSs, interpretations and amendments to SB-FRSs are not expected to have a significant impact on the Council's statement of financial position:

- SB-FRS Conceptual Framework for Financial Reporting
- Amendments to SB-FRS 103 *Definition of a Business*
- Amendments to SB-FRS 1-1 and SB-FRS8 *Definition of Material*

Notes to the Financial Statements

4. Property, plant and equipment

	Computer equipment $'000	Furniture and equipment $'000	Leasehold improvements $'000	Motor vehicles $'000	Other leasehold building $'000	Assets under construction $'000	Total $'000
Cost							
At 1 April 2018	1,712	1,765	3,779	65	10,552	1,160	19,033
Additions	79	11	–	–	–	–	90
Write-off	–	(67)	–	–	–	–	(67)
Reclassification	141	1,019	–	–	–	(1,160)	–
At 31 March 2019	1,932	2,728	3,779	65	10,552	–	19,056
Additions	1,667	–	217	–	–	960	2,844
Write-off	–	(5)	–	–	–	–	(5)
Adjustments	–	(12)	–	–	–	–	(12)
At 31 March 2020	3,599	2,711	3,996	65	10,552	960	21,883
Accumulated depreciation							
At 1 April 2018	1,097	1,524	733	65	6,135	–	9,554
Depreciation charge for the year	367	268	600	–	349	–	1,584
Write-off	–	(67)	–	–	–	–	(67)
At 31 March 2019	1,464	1,725	1,333	65	6,484	–	11,071
Depreciation charge for the year	642	313	638	–	349	–	1,942
Write-off	–	(4)	–	–	–	–	(4)
At 31 March 2020	2,106	2,034	1,971	65	6,833	–	13,009
Carrying amount							
At 1 April 2018	615	241	3,046	–	4,417	1,160	9,479
At 31 March 2019	468	1,003	2,446	–	4,068	–	7,985
At 31 March 2020	1,493	677	2,025	–	3,719	960	8,874

Included within cost of leasehold improvements as at 31 March 2020 is a provision for reinstatement cost of $142,000 (2019: $271,000). See note 17.

	2020 $'000	2019 $'000
Depreciation expense charged to statement of comprehensive income:		
- Operating and investment expenditure	1,410	1,023
- SSI	463	509
- NCSS Charitable Fund (Community Chest Only)	69	52
	1,942	1,584

Notes to the Financial Statements

5. Leases

Leases as lessee SB-FRS 116

The Council leases buildings and office equipment. The leases typically run for a period of 1 to 4 years, with an option to renew the lease after that date. Lease payments are renegotiated to reflect market rentals.

The Council leases office equipment with contract terms of one to four years. These leases are of low-value items. The Council has elected not to recognise right-of-use assets and lease liabilities for these leases.

Right-of-use assets

	Buildings $'000
Cost	
At 1 April 2019	–
Recognition of right-of-use asset on initial application of SB-FRS 116	6,681
Adjusted balance at 1 April 2019 and 31 March 2020	6,681
Accumulated depreciation	
At 1 April 2019	–
Recognition of right-of-use asset on initial application of SB-FRS 116	–
Adjusted balance 1 April 2019	–
Depreciation	2,087
Balance at 31 March 2020	2,087
Carrying amounts	
At 1 April 2019	6,681
At 31 March 2020	4,594

	2020 $'000
Depreciation expense charged to statement of comprehensive income:	
- Operating and investment expenditure	942
- SSI	1,039
- NCSS Charitable Fund (Community Chest Only)	106
	2,087

Lease liabilities

	2020 $'000
Current	2,044
Non-current	2,518
	4,562

Notes to the Financial Statements

5. Leases *(cont'd)*

Lease liabilities *(cont'd)*
Terms and conditions of outstanding lease liabilities are as follows:

	Effective interest rate	Year of maturity	Face value $'000	Carrying amount $'000
31 March 2020				
Lease liabilities	2.66%	2021 – 2022	4,694	4,562

Amounts recognised in profit or loss

	2020 $'000
2020 – Leases under SB-FRS 116	
Interest on lease liabilities	145
Expenses relating to leases of low-value assets	206
2019 – Operating leases under SB-FRS 17	
Lease expense	2,453

Amounts recognised in statement of cash flows

	2020 $'000
Total cash outflow for leases	2,264

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Lease liabilities $'000
Balance as at 1 April 2019	–
Adjustment on initial application of SB-FRS 116	6,681
Adjusted balance as at 1 April 2019	6,681
Changes from financing cash flows	
Payment of lease liabilities	(2,119)
Interest paid	(145)
Total changes from financing cash flows	(2,264)
Other changes	
Interest expense	145
Total liability-related other changes	145
Balance as at 31 March 2020	4,562

Notes to the Financial Statements

5. Leases *(cont'd)*

Extension options
Some building leases contain extension options exercisable by the Council up to three years before the end of the non-cancellable contract period. Where practicable, the Council seeks to include extension options in new leases to provide operational flexibility. The extension option is subject to the availability of a similar extension option by the head tenant to renew the head tenancy with the landlord. The Council assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Council reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Council has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $1,592,000.

6. Intangible assets

	2020 $'000	2019 $'000
Cost		
At 1 April	6,542	6,243
Additions	9	299
At 31 March	6,551	6,542
Amortisation		
At 1 April	5,780	4,382
Amortisation for the year	397	1,398
At 31 March	6,177	5,780
Net carrying amount	374	762
Amortisation expense charged to statement of comprehensive income:		
– Operating and investment expenditure	369	1,368
– SSI	2	2
– NCSS Charitable Fund (Community Chest Only)	26	28
	397	1,398

The intangible assets consist of software expenditure that is directly attributable to the development of a computer system.

Notes to the Financial Statements

7. Debt investment at amortised cost

	2020 $'000	2019 $'000
Current:		
Unquoted bonds, at amortised cost	5,709	–
Non-current:		
Quoted bonds, at amortised cost maturing:		
– Within 2 to 5 years	5,301	10,479
– More than 5 years	1,000	1,001
	6,301	11,480
Unquoted bonds, at amortised cost maturing:		
– Within 2 to 5 years	32,023	36,858
– More than 5 years	5,930	–
	37,953	36,858
Total non-current	44,254	48,338
Total debt investments at amortised cost	49,963	48,338
Fair value of quoted bonds	6,742	11,591
Fair value of unquoted bonds	43,662	37,795
	50,404	49,386

In 2020, the bonds have fixed coupon rates ranging from 2.125% to 7.25% (2019: 2.125% to 7.25%) per annum. The maturity dates range from April 2020 to September 2076 (2019: April 2020 to September 2076).

The Council's debt investments at amortised cost are denominated in the following currencies:

	2020 $'000	2019 $'000
Singapore Dollars	14,816	14,105
United States Dollars	35,147	34,233
	49,963	48,338

Notes to the Financial Statements

8. Equity investments designated as at fair value through other comprehensive income

	2020 $'000	2019 $'000
Equity investments at FVOCI	593	1,573

The Council designated the equity investments shown below as FVOCI because these equity investments are intended to be held for long-term for strategic purposes.

Equity investments	**Fair value as at 31 March 2020** $'000	**Interest income recognised during 2020** $'000
Singapore Real Estate Investment Trusts (S-REIT)	593	28

Equity investments	**Fair value as at 31 March 2019** $'000	**Interest income recognised during 2019** $'000
Singapore Real Estate Investment Trusts (S-REIT)	600	3
Financials Sector	316	2
Energy Sector	657	4
	1,573	9

There were no transfers of any cumulative gain or loss within equity relating to these investments.

Notes to the Financial Statements

9. Investments at fair value through profit or loss

	2020 $'000	2019 $'000
Current:		
Funds managed by fund managers	165,914	162,984
Non-current:		
Debt investments	324	–
Total investments at fair value through profit or loss	166,238	162,984

The investments comprise groups of financial assets that are managed and designated as financial assets at fair value through profit or loss because this designation eliminates or significantly reduces the accounting mismatch that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases.

The performance of the investments held by the Council and funds managed by fund managers is actively monitored and managed on a fair value basis.

The Council's investments at fair value through profit or loss are denominated in the following currencies:

	2020 $'000	2019 $'000
United States Dollars	97,832	113,155
Singapore Dollars	57,161	35,051
Korean Won	3,062	4,897
Hong Kong Dollars	5,804	4,522
Thai Baht	1,576	3,562
Others	803	1,797
	166,238	162,984
Net fair value gain for the financial year ended is as follows:		
- Realised gain	1,238	58
- Unrealised gain	1,313	3,418
	2,551	3,476

In prior financial year, two of the funds managed by funds managers were redeemed for consideration of $20,804,000.

Notional principal of the financial derivatives entered into to hedge the foreign currency risk on USD-denominated investments are as follows:

	2020 $'000	2019 $'000
Forward foreign exchange contracts	101,541	113,172

Notes to the Financial Statements

9. Investments at fair value through profit or loss *(cont'd)*

The unrealised fair value loss from financial derivatives of $3,207,000 (2019: unrealised fair value gain of $174,000) is included in the net fair value gain on investment at fair value through profit or loss – funds managed by fund managers.

The movement of the carrying value of funds at 31 March is as follows:

	Cost of investment at end of the year $'000	Carrying value of investment at beginning of the year $'000	Addition of investment during the year $'000	Disposal of investment during the year $'000	Realised gain/ (loss) during the year $'000	Unrealised gain during the year $'000	Dividend income $'000	Carrying value of investment at end of the year $'000
2020								
Current:								
Non principal guaranteed or capital protected funds	144,000	162,984	–	–	1,238	1,301	391	165,914
Non-current:								
Debt investments	312	–	312	–	–	12	–	324
	144,312	162,984	312	–	1,238	1,313	391	166,238
2019								
Current:								
Quoted equity securities	5,000	5,034	–	(5,006)	(28)	–	–	–
Non principal guaranteed or capital protected funds	144,000	166,284	14,000	(20,804)	86	3,418	–	162,984
	149,000	171,318	14,000	(25,810)	58	3,418	–	162,984

10. Debtors, grant receivables and prepayments

	2020 $'000	2019 $'000
Debtors	380	712
Grant and other receivables	34,436	32,658
Interest receivable on bank balances	571	985
Interest receivable on debt instruments at amortised cost	505	481
Sundry deposits	702	801
Prepaid operating expenses	216	296
	36,810	35,933

Grant and other receivables

The grant and other receivables mainly consist of grant receivables from the Ministry of Social and Family Development (MSF) for NCSS operating cost, Tote Board for SSI and ComChest operating cost, receivables from trust funds, donation from President's Challenge and income from SSI courses.

Notes to the Financial Statements

11. Cash and bank balances

	2020 $'000	2019 $'000
Cash at banks	79,793	50,714
Fixed bank deposits	25,294	36,440
Cash and cash equivalents	105,087	87,154

The Council participates in the Accountant General's Department's (AGD) Centralised Liquidity Management (CLM) Scheme whereby the Council's cash is pooled together and managed centrally by AGD, a related party. This balance with AGD is placed on overnight basis, and does not affect the daily liquidity of the Council. AGD pays interest on the Council's cash with AGD.

Fixed bank deposits bear interest at an average rate of 2% (2019: 2.23%) per annum and for tenure of approximately 185 days (2019: 183 days).

The Council's cash and bank balances are denominated in Singapore Dollars.

12. Trust Funds

	2020 $'000	2019 $'000
VWOs – Charities Capability Fund:		
– VWO Capability Fund 1	56	57
– VWO Capability Fund 2	675	675
– VWO Capability Fund 3	9,993	11,211
– VWO Capability Fund 4	5,906	9,919
Charities Fund	600	600
Charities Fund 2	2,783	2,904
Charities Fund 3	274	215
	20,287	25,581
MOE Special Education Fund	48,709	49,168
Tote Board Social Service Fund	3,224	9,968
Lee Wee Kheng Fund	26,648	27,042
Social Service Sector ICT Master Plan	–	(50)
Care & Share	12,455	37,909
IDA Digital Inclusion Fund	2,498	5,452
Wing Tai Foundation	10,722	8,567
SHARE as One	8,184	4,287
Tote Board Mental Health Strategic Initiative	179	460
	132,906	168,384
NCSS Charitable Fund		
The Wan Boo Sow Charity Fund	57	57
President's Challenge	18,475	19,090
	18,532	19,147
Total	151,438	187,531

Notes to the Financial Statements

12. Trust Funds *(cont'd)*

	2020 $'000	2019 $'000
Represented by:		
Bank balances – Trust Funds	106,680	134,657
Bank balances – NCSS Charitable Fund	16,663	16,516
	123,343	151,173
Fixed bank deposits – Trust Funds	–	10,240
Sundry receivables – Trust Funds	1,139	562
Sundry receivables – NCSS Charitable Fund	1,872	2,643
	3,011	3,205
Investments – Trust Funds	27,921	23,759
	154,275	188,377
Less: Sundry creditors and accruals – Trust Funds	(2,521)	(834)
Sundry creditors and accruals – NCSS Charitable Fund	(2)	(12)
	(2,523)	(846)
Less: Derivatives – Trust Funds	(314)	–
	151,438	187,531

	Trust Funds $'000	NCSS Charitable Fund $'000	Total $'000
Balance as at beginning of the financial year	168,384	19,147	187,531
Incoming resources	346,543	17,627	364,170
Outgoing resources	(381,994)	(18,242)	(400,236)
Net movement for the financial year	(35,451)	(615)	(36,066)
Fair value reserve	(27)	–	(27)
Balance as at end of the financial year	132,906	18,532	151,438

Notes to the Financial Statements

13. Endowment Fund

	2020 $'000	2019 $'000
At beginning and end of the financial year	191,884	191,884

The Endowment Fund, which was established under Section 12 of the National Council of Social Service Act (Chapter 195A amended in September 2000) (the "Act") and in accordance with the provision of the Act, consists of:

(a) all donations and gifts accepted by the Council for the Endowment Fund;

(b) all reserves of the Council in excess of two years of its operating expenditure; and

(c) such other monies as the Council may determine to transfer to the Endowment Fund.

Interest, dividends and other income derived from the Endowment Fund are credited to the General Fund. The Endowment Fund may be used for such purposes as may be approved by the Minister in writing. The Endowment Fund is intended to provide a safeguard towards continuity of funding for all member Social Service Agencies in the event the Council has difficulties in raising funds. During any financial year, the aggregate amount of General Fund and ComChest Fund that is in excess of two years of the Council's operating expenditure will be transferred from the General Fund to the Endowment Fund. No transfer has been made in the current and prior financial year.

14. General Fund

	Note	2020 $'000	2019 $'000
At 1 April		33,430	34,793
Surplus for the financial year		5,797	774
Transfer from/(to) ComChest Fund	15	478	(2,137)
At 31 March		39,705	33,430

The General Fund represents accumulated surplus and is for the purpose of meeting operating expenses incurred by the Council.

The General Fund, together with the ComChest Fund, does not exceed two years of the Council's operating expenses.

15. ComChest Fund

	Note	2020 $'000	2019 $'000
At 1 April		74,909	72,772
Transfer to/(from) General Fund	14	(478)	2,137
At 31 March		74,431	74,909

The ComChest Fund was established by the Board, effective from the financial year commencing 1 April 2007.

Notes to the Financial Statements

15. ComChest Fund *(cont'd)*

The purpose of ComChest Fund is to fund programmes of the Council's members supported by Community Chest, in the event that there is a shortfall in fund-raising in future years.

The amount equivalent to the surplus of Community Chest in any financial year is transferred from the General Fund to the ComChest Fund. In the event of a deficit in the fund-raising proceeds from Community Chest in any financial year, the amount equivalent to the deficit is transferred from the ComChest Fund to the General Fund to cover service allocations due to members.

16. Deferred capital grants

	2020 $'000	2019 $'000
Capital grant received	23,114	22,407
Accumulated amortisation:		
At 1 April	16,776	15,899
Amortisation for the year	918	877
At 31 March	17,694	16,776
Net carrying amount	5,420	5,631
Amortisation charged to statement of comprehensive income:		
Government and other grants:		
– MSF Capital Grant	449	407
SSI		
– MSF Capital Grant	469	470
	918	877

17. Provision for reinstatement cost

	2020 $'000	2019 $'000
At 1 April	271	271
Provision used during the year	(129)	–
At 31 March	142	271

Provision for reinstatement cost is determined based on quotation from the quantity surveyor for the renovation project. The cost is capitalised as part of property, plant and equipment and is depreciated over the lease terms.

Notes to the Financial Statements

18. Sundry creditors and accruals

	2020 $'000	2019 $'000
Non-current		
Accrued operating expenses	1,966	1,478
Current		
Sundry creditors	3,948	3,470
Accrued operating expenses	22,401	23,945
Advances held for designated projects	23,191	1,745
Deferred rental payable	–	103
Grant income received in advance	3,753	7,863
	53,293	37,126

Reconciliation of movements of assets and liabilities to cash flows arising from financing activities

	Assets		Liabilities			
	Debtors (Note 10) $'000	Grant and other receivables (Note 10) $'000	Deferred capital grants (Note 16) $'000	Advances held for designated projects (Note 18) $'000	Grant income received in advance (Note 18) $'000	Total $'000
Balance as at 1 April 2018	(685)	(26,387)	6,058	13,218	6,050	(1,746)
Changes from financing cash flows						
Grant and other grants received	599	41,030	–	–	11,734	53,363
Total changes from financing cash flows	599	41,030	–	–	11,734	53,363
Other changes						
Decrease/(Increase) in debtors, grant receivables and other receivables	90	(1,742)	–	–		(1,652)
Decrease/(Increase) in sundry creditors and accruals	–	–	450	(1,240)	(710)	(1,500)
Grant income	(716)	(45,559)	(877)	(10,233)	(9,211)	(66,596)
Total other changes	(626)	(47,301)	(427)	(11,473)	(9,921)	(69,748)
Balance as at 31 March 2019	(712)	(32,658)	5,631	1,745	7,863	(18,131)

Notes to the Financial Statements

18. Sundry creditors and accruals *(cont'd)*

Reconciliation of movements of assets and liabilities to cash flows arising from financing activities

	Assets		Liabilities			
	Debtors (Note 10) $'000	Grant and other receivables (Note 10) $'000	Deferred capital grants (Note 16) $'000	Advances held for designated projects (Note 18) $'000	Grant income received in advance (Note 18) $'000	Total $'000
Balance as at 1 April 2019	(712)	(32,658)	5,631	1,745	7,863	(18,131)
Changes from financing cash flows						
Grant and other grants received	632	52,969	707	–	11,508	65,816
Total changes from financing cash flows	632	52,969	707	–	11,508	65,816
Other changes						
Decrease/(Increase) in debtors, grant receivables and other receivables	414	(11,820)	–	–	–	(11,406)
Increase in sundry creditors and accruals	–	–	–	31,184	1,015	32,199
Grant income	(714)	(42,927)	(918)	(9,738)	(16,633)	(70,930)
Total other changes	(300)	(54,747)	(918)	21,446	(15,618)	(50,137)
Balance as at 31 March 2020	(380)	(34,436)	5,420	23,191	3,753	(2,452)

19. Service allocations to Charitable activities

	2020 $'000	2019 $'000
Allocation to programmes/projects	56,647	51,603
Other allocations	2,493	443
Service allocations to Charitable activities charged as an expense to proceeds from Community Chest	59,140	52,046
Service allocations to Charitable activities	59,140	52,046

Allocation to programmes and projects includes disbursements to member Social Service Agencies, project expenditure to build capability of Social Service Agencies, raise public awareness of social services and disbursements under ComChest Care Programme.

Other allocations refer to transfer of funds to trust accounts ring-fenced for specific purposes.

Notes to the Financial Statements

20. Derivatives

	Contract/ notional amount $'000	Liabilities $'000
2020		
Forward contracts	38,121	1,137
Total financial liabilities at fair value through profit or loss	38,121	1,137
2019		
Forward contracts	16,035	–
Total financial liabilities at fair value through profit or loss	16,035	–

The Council classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss. No financial liabilities were recognised in FY2019 as the amount was insignificant. The Council does not apply hedge accounting.

21. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Council if the Council has the direct and indirect ability to control the party, jointly control or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Council and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Council considers government agencies to be related parties.

(a) Compensation of key management personnel

Key management personnel of the Council are those individuals having the authority and responsibility for planning, directing and controlling the activities at the Council. The CEO, Directors (senior management) and the Board of the Council are considered key management personnel of the Council. The Board of the Council do not receive any remuneration, benefits and allowances.

The remuneration of the CEO and Directors (senior management) during the year was as follows:

	2020 $'000	2019 $'000
Salaries and other employee benefits	5,232	4,843
Contributions to defined contribution plan	351	335
	5,583	5,178
Number of key management personnel	21	19

The remuneration of key management personnel is determined by the Board of the Council.

Notes to the Financial Statements

21. Significant related party transactions *(cont'd)*

(b) Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties based on agreed terms are as follows:

	2020 $'000	2019 $'000
Ministry of Social and Family Development		
Grant income and income on provision of services received and recognised	47,381	41,691
Secondment fee, funding for service and training courses fees paid/payable	(7,973)	(5,178)
Singapore Totalisator Board		
Donation and grant income received and recognised	10,288	9,658
Other Ministries		
Grant income and income on provision of services received and recognised	1,026	1,354
Service fee, Licence fee paid/payable	(1,038)	(1,321)
Other Public Agencies		
Grant income and income on provision of services received and recognised	1,577	588
Service fee, Training courses fee paid/payable	(6,048)	(4,124)

The Council also transacts with other government agencies in its normal day-to-day operations, where the amounts are individually and collectively not significant.

22. Commitments and contingent assets

	2020 $'000	2019 $'000
(a) Approved funding to members	45,095	44,756

The Council has budgeted an approved funding of $45,095,000 (2019: $44,756,000) for disbursements to its Social Service Agencies for the subsequent financial year.

(b) Operating leases

Future minimum lease payments under low-value asset leases are as follows:

	2020 $'000
Within one year	191
Two to five years	185
	376

Notes to the Financial Statements

22. Commitments and contingent assets *(cont'd)*

Comparative information under SB-FRS 117

The Council has entered into commercial leases on its rental of office spaces and computer software. In 2019, these leases have an average tenure of two and a half years with no contingent rent provision included in the contracts.

Future minimum rental payable under non-cancellable operating leases at 31 March 2019 were as follows:

	2019 $'000
Within one year	3,851
Two to five years	8,606
	12,457

(c) Contingent assets

The Care & Share Movement is a national fund-raising and volunteerism movement for the social service sector which was launched in December 2013. The Council will be able to claim matching grants for funds raised by Community Chest from Ministry of Social and Family Development over the next few years until 31 March 2021, for eligible projects which were approved by the Board and the Ministry of Social and Family Development. The eligible donations raised ($118.8 million) by Community Chest during the matching period (1 December 2013 to 31 March 2016) were capped at $100 million. At the end of the reporting period, approved projects amounted to $66.2 million (2019: $59.5 million), of which the Council has received $61.6 million cumulative as at 31 March 2020 (2019: $30.0 million).

23. Number of employees

The number of employees in the Council at the end of the year was 299 (2019: 308). Total staff costs of the Council amounted to $32,031,000 (2019: $35,253,000).

	2020 $'000	2019 $'000
Operating and Investment expenditure:		
Staff costs – Salaries and related costs	18,813	20,593
Contributions to defined contribution plan	2,505	2,864
SSI:		
Staff costs – Salaries and related costs	5,320	6,576
Contributions to defined contribution plan	654	664
NCSS Charitable Fund (Community Chest Only):		
Staff costs – Salaries and related costs	4,064	3,902
Contributions to defined contribution plan	675	654
	32,031	35,253

Notes to the Financial Statements

24. Taxation

The Council is exempted from income tax under Section 13(1)(e) of the Income Tax Act, Cap. 134.

25. Financial risk management objectives and policies

The Council is exposed to credit risk, liquidity risk and market risk (including interest rate and market prices risks) arising from its operations. The Council's risk management approach seeks to minimise the potential material adverse effects from these exposures. As a whole, the Council has implemented risk management policies and guidelines which set out its tolerance of risk and its general risk management philosophy. In connection with this, the Council has established a framework and process to monitor the exposures so as to ensure appropriate measures can be implemented in a timely and effective manner.

Credit risk

Credit risk is the risk of financial loss to the Council if a counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets represent the Council's maximum exposure to credit risk, before taking into account any collateral held. The Council does not require any collateral in respect of their financial assets.

Debtors that are neither past due nor impaired are with creditworthy debtors with good payment record with the Council.

Impairment losses on financial assets recognised in statement of comprehensive income were as follows:

	2020 $'000	2019 $'000
(Reversal of impairment losses)/Impairment losses on debtors	(4)	2

Debtors

Exposure to credit risk

A summary of the Council's exposures to credit risk for debtors is as follows:

	2020		2019	
	Not credit-impaired $'000	Credit-impaired $'000	Not credit-impaired $'000	Credit-impaired $'000
Not past due	269	–	589	–
Past due 1 – 30 days	61	–	69	–
Past due 31 – 90 days	42	–	35	–
Past due more than 90 days	8	5	19	9
Total gross carrying amount	380	5	712	9
Loss allowance	–	(5)	–	(9)
	380	–	712	–

Notes to the Financial Statements

25. Financial risk management objectives and policies *(cont'd)*

Expected credit loss assessment for debtors

The Council uses an allowance matrix to measure the ECLs of debtors which comprise a very large number of small balances.

The allowance matrix is based on actual credit loss experience over the past three years. The ECL computed is purely derived from historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

The following table provides information about the exposure to credit risk and ECLs for debtors.

	Weighted average loss rate %	Gross carrying amount $'000	Impairment loss allowance $'000	Credit impaired
31 March 2020				
Not past due	–	269	–	No
Past due 1 – 30 days	–	61	–	No
Past due 31 – 90 days	–	42	–	No
Past due more than 90 days	38	13	(5)	Yes
		385	(5)	
31 March 2019				
Not past due	–	589	–	No
Past due 1 – 30 days	–	69	–	No
Past due 31 – 90 days	–	35	–	No
Past due more than 90 days	32	28	(9)	Yes
		721	(9)	

Movements in allowance for impairment in respect of debtors

The movement in the allowance for impairment losses in respect of debtors during the year was as follows:

	Lifetime ECL	
	2020 $'000	**2019** $'000
At 1 April	9	20
(Reversal of impairment loss)/Impairment loss recognised	(4)	2
Amount written off	–	(13)
At 31 March	5	9

The Council has performed an analysis on the credit risk exposure on other receivables based on general approach and assessed that no impairment loss was required to be recognised.

Notes to the Financial Statements

25. Financial risk management objectives and policies *(cont'd)*

Debt investments

The Council limits its exposure to credit risk on investments held by investing only in liquid debt securities and only with counterparties that have a credit rating of at least BBB- from Standard & Poor's and Fitch and Baa3 from Moody's.

The Council monitors changes in credit risk by tracking published external credit ratings provided by the custodian and the fund managers. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Council supplements this by reviewing changes in bond yields and, where available, credit default swap ("CDS") prices together with available press and regulatory information about issuers.

The following table presents an analysis of the credit quality of debt investments at amortised cost. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in latter case, whether they were credit-impaired.

	At amortised cost 12-month ECL	
	2020 $'000	**2019** $'000
No credit rating	7,851	5,870
Aa3 to Aaa	1,267	2,353
A3 to A1	30,159	29,471
Baa3 to Baa1	10,686	10,644
Gross carrying amounts	49,963	48,338
Less: Loss allowance	–	–
Carrying amount	49,963	48,338

The Council did not have any debt investments that were past due but not impaired as at 31 March 2020 and 31 March 2019.

Cash and cash equivalents

The Council held cash and cash equivalents of $105,087,000 (2019: $87,154,000). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to Aa2 based on Moody's ratings.

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

Notes to the Financial Statements

25. Financial risk management objectives and policies *(cont'd)*

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting financial obligations due to shortage of funds. The Council's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. In the management of liquidity risk, the Council monitors and maintains a level of cash and bank balances deemed adequate to finance the Council's operations and to mitigate the effects of fluctuations in short-term cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Council's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	One year or less $'000	More than one and less than five years $'000	Total $'000
2020					
Debtors, grant and other receivables*	36,594	36,594	36,594	–	36,594
Cash and bank balances	105,087	105,087	105,087	–	105,087
Total undiscounted financial assets	141,681	141,681	141,681	–	141,681
Sundry creditors and accruals#	(51,506)	(51,506)	(49,540)	(1,966)	(51,506)
Lease liabilities	(4,562)	(4,694)	(2,135)	(2,559)	(4,694)
Total undiscounted financial liabilities	(56,068)	(56,200)	(51,675)	(4,525)	(56,200)
Total net undiscounted financial assets/(liabilities)	85,613	85,481	90,006	(4,525)	85,481
2019					
Debtors, grant and other receivables*	35,637	35,637	35,637	–	35,637
Cash and bank balances	87,154	87,154	87,154	–	87,154
Total undiscounted financial assets	122,791	122,791	122,791	–	122,791
Sundry creditors and accruals#	(30,741)	(30,741)	(29,263)	(1,478)	(30,741)
Total undiscounted financial liabilities	(30,741)	(30,741)	(29,263)	(1,478)	(30,741)
Total net undiscounted financial assets/(liabilities)	92,050	92,050	93,528	(1,478)	92,050

* Exclude prepaid operating expenses
\# Exclude grant income received in advance

Notes to the Financial Statements

25. Financial risk management objectives and policies *(cont'd)*

Reserves management

The reserves of the Council comprise the ComChest Fund, General Fund and Endowment Fund. The ComChest Fund is an internally established reserve to track the fund-raising proceeds that are yet to be distributed to the member Social Service Agencies in any financial year. The sum of the ComChest Fund and General Fund as at the financial year reporting date is capped at an amount not exceeding two years of the Council's annual operating expenditure (including service expenditure). All reserves of the Council in excess of two years of its annual operating expenditure are transferred to the Endowment Fund. Utilisation of the reserves from the Endowment Fund would require written approval from the Minister.

There were no changes in the Council's approach to reserves management during the financial year. The Council is not subject to externally imposed capital reserve requirements.

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Council's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Council's exposure to changes in market prices relates primarily to the investments at fair value through profit or loss.

The Council's objective is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. It is the Council's policy to achieve an appropriate diversification in its investment portfolio in order to mitigate such risk.

At the reporting date, if market prices for the investments at fair value through profit or loss and equity investments designated at fair value through other comprehensive income had declined by 10%, assuming all other variables remain constant, the Council's surplus/reserve for the financial year would decrease by approximately $16,624,000 and $59,000, respectively (2019: $16,298,000 and $157,000 respectively). An increase in 10% of the equity prices would have an equal but opposite effect. The above sensitivity analysis is inclusive of decrease/increase in the net fair value loss/gains for financial derivatives.

Derivatives are financial contracts whose values are derived from the value of underlying assets. Forwards contracts used for hedging purposes to manage portfolio risk and for efficient portfolio management to improve risk-adjusted performance.

Approved guidelines detail the permissible derivative instruments and their risk limits. Ongoing monitoring and reporting are undertaken at various levels to ensure that investment activities are in accordance with the investment guidelines.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Council's financial instruments will fluctuate because of changes in market interest rates.

As the Council's investments in bonds and placements of fixed bank deposits are fixed rate instruments, the Council has no exposure to interest rate volatility for these financial assets.

For the financial instruments held through the fund managers, the Council relies on professional fund managers to monitor and mitigate the adverse effects of interest rate changes on its investment portfolios.

Notes to the Financial Statements

26. Fair value of assets and liabilities

Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
2020				
Financial assets measured at fair value				
Investments at FVTPL:				
- Funds managed by fund managers	160,186	5,728	–	165,914
- Debt investments	324	–	–	324
Equity investments at FVOCI	593	–	–	593
Financial assets as at 31 March 2020	161,103	5,728	–	166,831
Financial liabilities measured at fair value				
Derivative	–	1,137	–	1,137
Financial liabilities as at 31 March 2020	–	1,137	–	1,137
2019				
Financial assets measured at fair value				
Investments at FVTPL:				
- Funds managed by fund managers	157,714	5,270	–	162,984
Equity investments at FVOCI	600	973	–	1,573
Financial assets as at 31 March 2019	158,314	6,243	–	164,557

There have been no transfers between the levels during the financial year.

Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy:

Investments at fair value through profit or loss

The fair value is a combination of quoted instruments and funds at published market bid price at the reporting date and unquoted funds based on the net asset value of the investees provided by non-related fund managers.

Notes to the Financial Statements

26. Fair value of assets and liabilities

Equity investments designated at fair value through other comprehensive income

The fair value of the unquoted perpetual bonds are valued using the valuation techniques that reflect market participants' assumptions, maximising the use of relevant observable data including quoted prices for similar assets, benchmark yield curves and market corroborated inputs. To reflect current market conditions, the evaluated pricing applications incorporate market information obtained throughout the trading day from market sources and integrated relative credit rating information, observed market movements, and sector news.

Derivatives – Forward contracts

Where available, quoted market prices are used as a measure of fair value for the outstanding contracts. Where the quoted market prices are not available, the fair value are based on management's best estimate and are arrived at by reference to the market price of another contract that is substantially similar or the latest available rate.

Non-derivative financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including debtors and grant receivables, cash and cash equivalents, and sundry creditors) or those which reprice within six months are assumed to approximate their fair value because of the short period to maturity or repricing. All other financial assets and liabilities are discounted using the discounted cash flow valuation technique to determine their fair values.

27. Fund-raising proceeds and operating expenses for NCSS Charitable Fund

	Community Chest		The Wan Boo Sow Charity Fund		President's Challenge		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Tax deductible donations	31,466	26,896	–	–	11,539	8,992	43,005	35,888
Tax non-deductible donations	27,196	27,287	–	–	3,441	4,668	30,637	31,955
	58,662	54,183	–	–	14,980	13,660	73,642	67,843
Funding from NCSS operating income	1,657	2,763	–	–	–	–	1,657	2,763
Operating Grant	–	–	–	–	2,496	2,644	2,496	2,644
Direct donations for fund-raising operating expenses	7,401	5,930	–	–	–	–	7,401	5,930
Other income/(expense)	–	(9)	–	–	150	–	150	(9)
Less: Direct fund raising expenses	(2,002)	(2,600)	–	–	(1)	(2)	(2,003)	(2,602)
Indirect fund raising expenses	(7,056)	(6,084)	–	–	–	–	(7,056)	(6,084)
Service allocations to Charitable activities	(59,140)	(52,046)	–	–	(18,240)	(12,202)	(77,380)	(64,248)
Net (deficit)/surplus	(478)	2,137	–	–	(615)	4,100	(1,093)	6,237

Notes to the Financial Statements

28. Fund-raising activities

In accordance with the Charities (Institution of a Public Character) Regulations, the Council is required to disclose fund-raising appeals with gross receipts of more than $1 million.

	Fund-raising proceeds $'000	Fund-raising expenses $'000	Net fund-raising proceeds $'000
2020			
SGX Bull Charge – Outright donation	3,451	918	2,533
UOB Heartbeat Run/Walk 2019	1,252	1	1,251
	4,703	919	3,784
2019			
SGX Bull Charge – Outright donation	3,427	969	2,458
35th Anniversary ComChest TV shows	3,395	972	2,423
	6,822	1,941	4,881

29. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 March 2020 were authorised for issue by the Board of the Council on 16 June 2020.

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