Directors’ Statement and Audited Consolidated Financial Statements

LUTHERAN COMMUNITY CARE SERVICES LIMITED

Registration No. 200207586Z
(A public company limited by guarantee)
(Incorporated in Singapore)

AND ITS SUBSIDIARY

For the Financial Year Ended
31 December 2020

LUTHERAN COMMUNITY CARE SERVICES LIMITED AND ITS SUBSIDIARY
(A public company limited by guarantee)

General Information

Directors

Chong Fu Kiong
Ho Ji-Min Gabriel
Chua Aik Hoon@Chua It Hoon
Terry Kee Buck Hwa
Tan Hock Ing
Chong Foo Kong
Teo Thian Hoe
Lau Peng Soon
Tan Shi Song

Secretary

Teo Been Boon (resigned on 5 May 2021)
Lau Peng Soon (appointed on 20 May 2021)

Registered office

3779 Jalan Bukit Merah
#02-01 Bukit Merah Community Hub
Singapore 159462

Auditor

Jia Yue (S) LLP

Banker

United Overseas Bank Limited

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The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Lutheran Community Care Services Limited (the Company) and its subsidiary (collectively, the Group) and the statement of financial position and statement of changes in funds of the Company for the financial year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statements of financial position and statement of changes in funds of the Company are drawn up in accordance with the provisions of the Charities Act, Chapter 37 and other relevant regulations, the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in funds and cash flows of the Group and changes in funds of the Company for the financial year ended on that date; and

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

2. Directors

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

Chong Fu Kiong
Ho Ji-Min Gabriel
Chua Aik Hoon@Chua It Hoon
Terry Kee Buck Hwa
Tan Hock Ing
Chong Foo Kong
Teo Thian Hoe
Lau Peng Soon
Tan Shi Song

3. Arrangements to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of any other body corporate.

4. Other matters

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

5. Auditor

Jia Yue (S) LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors

Teo Thian Hoe	Ho Ji-Min, Gabriel
Director	Director

Singapore
21 May 2021

JIA YUE (S) LLP

PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS
OF SINGAPORE
REG NO. T18LL1715G

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INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

TO THE MEMBERS OF LUTHERAN COMMUNITY CARE SERVICES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lutheran Community Care Services Limited (the Company) and its subsidiary (collectively, the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2020, the statements of changes in funds of the Group and the Company and the consolidated statement of profit or loss and other comprehensive income and the consolidated cash flows statement of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in funds of the Company are properly drawn up in accordance with the provisions of the Charities Act, Chapter 37 and other relevant regulations (the Charities Act and Regulations), the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in funds and consolidated cash flows statement of the Group and changes in funds of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

TO THE MEMBERS OF LUTHERAN COMMUNITY CARE SERVICES LIMITED

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

TO THE MEMBERS OF LUTHERAN COMMUNITY CARE SERVICES LIMITED

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditor has been properly kept in accordance with the provisions of the Act.

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

(i) the Company 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

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

Zhu xinzhang

JIA YUE (S) LLP
Public Accountants and
Chartered Accountants

Singapore
21 May 2021

LUTHERAN COMMUNITY CARE SERVICES LIMITED AND ITS SUBSIDIARY
(A public company limited by guarantee)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Financial Year Ended 31 December 2020

		2020			2019
	Note	**Unrestricted**	**Restricted**	**Total**	**Total**
Group		S$	S$	S$	S$
					Restated
Revenue	4	531,367	626,550	1,157,917	1,418,378
Other items of income					
Other income	5	450,574	–	450,574	272,267
Other items of expense:					
Amortisation of intangible asset	11	(2,285)	(1,758)	(4,043)	(12,126)
Depreciation of plant and equipment	10	(11,784)	(9,348)	(21,132)	(86,580)
Employee benefits expense	6	(761,462)	(532,503)	(1,293,965)	(1,262,284)
Fund raising event expenses		(2,178)	–	(2,178)	(75,621)
Programme expenses		(8,023)	(1,382)	(9,405)	(35,971)
Finance costs	7	(2,523)	–	(2,523)	(2,666)
Other expenses	8	(133,838)	(92,071)	(225,909)	(207,134)
Profit / (Loss) before income tax		59,848	(10,512)	49,336	8,263
Income tax expense	9(a)	–	–	–	–
Profit / (Loss) for the financial year, representing total comprehensive income / (loss) for the financial year		59,848	(10,512)	49,336	8,263

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

LUTHERAN COMMUNITY CARE SERVICES LIMITED AND ITS SUBSIDIARY
(A public company limited by guarantee)

Statements of Financial Position
As at 31 December 2020

		Group		Company	
		2020	**2019**	**2020**	**2019**
	Note	S$	S$	S$	S$
			Restated		Restated
ASSETS					
Non-current assets					
Plant and equipment	10	481,214	23,651	481,214	23,651
Intangible asset	11	–	4,043	–	4,043
Investment in a subsidiary	12	–	–	2,724	2,724
Loan to the subsidiary	13	–	–	19,048	18,141
		481,214	27,694	502,986	48,559
Current assets					
Cash and cash equivalents	14	1,249,811	1,488,595	1,202,816	1,443,302
Trade and other receivables	15	154,120	167,553	210,482	217,321
		1,403,931	1,656,148	1,413,298	1,660,623
TOTAL ASSETS		1,885,145	1,683,842	1,916,284	1,709,182
LIABILITIES					
Non-current liabilities					
Lease liabilities	18(b)	88,835	–	88,835	–
		88,835	–	88,835	–
Current liabilities					
Trade and other payables	16	279,792	252,138	290,098	248,538
Lease liabilities	18(b)	49,900	14,422	49,900	14,422
		329,692	266,560	339,998	262,960
TOTAL LIABILITIES		418,527	266,560	428,833	262,960
NET ASSETS		1,466,618	1,417,282	1,487,451	1,446,222
FUNDS					
General reserve funds		1,422,677	1,578,727	1,443,510	1,607,667
Restricted funds	17	43,941	(161,445)	43,941	(161,445)
TOTAL FUNDS		1,466,618	1,417,282	1,487,451	1,446,222

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

Statements of Changes in Funds
For the Financial Year Ended 31 December 2020

	General reserve funds	Restricted funds	Total
Group (2020)	S$	S$	S$
Balance at 1 January 2020	1,578,727	(161,445)	1,417,282
Profit / (Loss) for the financial year, representing total comprehensive income / (loss) for the financial year	59,848	(10,512)	49,336
Transfer of deficit balance of restricted funds upon completion of programmes (Note 17)	(215,898)	215,898	–
Balance at 31 December 2020	1,422,677	43,941	1,466,618
Group (2019)			
Balance at 1 January 2019	1,838,763	(426,665)	1,412,098
Effect of adopting FRS 116 Leases	(3,675)	596	(3,079)
Balance at 1 January 2019 (restated)	1,835,088	(426,069)	1,409,019
(Loss) / Profit for the financial year, representing total comprehensive (loss) / income for the financial year	(83,745)	9,258	(74,487)
Transfer of deficit balance of restricted funds upon completion of programmes (Note 17)	(255,366)	255,366	–
Balance at 31 December 2019	1,495,977	(161,445)	1,334,532
Effect of changing in accounting policy and correction of error in prior years (Note 22)	82,750	–	82,750
Balance at 31 December 2019 (restated)	1,578,727	(161,445)	1,417,282

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

LUTHERAN COMMUNITY CARE SERVICES LIMITED AND ITS SUBSIDIARY
(A public company limited by guarantee)

Statements of Changes in Funds
For the Financial Year Ended 31 December 2020

Company (2020)	General reserve funds S$	Restricted funds S$	Total S$
Balance at 1 January 2020	1,607,667	(161,445)	1,446,222
Profit / (Loss) for the financial year, representing total comprehensive income / (loss) for the financial year	51,741	(10,512)	41,229
Transfer of deficit balance of restricted funds upon completion of programmes (Note 17)	(215,898)	215,898	–
Balance at 31 December 2020	1,443,510	43,941	1,487,451

Company (2019)	General reserve funds S$	Restricted funds S$	Total S$
Balance at 1 January 2019	1,838,763	(426,665)	1,412,098
Effect of adopting FRS 116 Leases	(3,675)	596	(3,079)
Balance at 1 January 2019 (restated)	1,835,088	(426,069)	1,409,019
(Loss) / Profit for the financial year, representing total comprehensive (loss) / income for the financial year	(54,805)	9,258	(45,547)
Transfer of deficit balance of restricted funds upon completion of programmes (Note 17)	(255,366)	255,366	–
Balance at 31 December 2019	1,524,917	(161,445)	1,363,472
Effect of changing in accounting policy and correction of error in prior years (Note 22)	82,750	–	82,750
Balance at 31 December 2019 (restated)	1,607,667	(161,445)	1,446,222

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

Consolidated Statement of Cash Flows
For the Financial Year Ended 31 December 2020

	Note	Group 2020 S$	Group 2019 S$ Restated
Cash flows from operating activities			
Profit before tax		49,336	8,263
Adjustments for:			
Depreciation of plant and equipment		21,132	86,580
Amortisation of intangible asset		4,043	12,126
Interest expense		2,523	2,666
Operating cash flow before working capital changes		77,034	109,635
Change in working capital:			
Trade and other receivables		13,433	(128,072)
Trade and other payables		27,654	(39,521)
Net cash generated / (used in) from operating activities		118,121	(57,958)
Cash flow from investing activities			
Purchase of plant and equipment		(333,149)	(10,046)
Net cash flow used in investing activities		(333,149)	(10,046)
Cash flow from financing activities			
Interest paid		(2,523)	(2,666)
Payment of principal portion of lease liabilities		(21,233)	(83,834)
Net cash flow used in financing activities		(23,756)	(86,500)
Net decrease in cash and cash equivalents		(238,784)	(154,504)
Cash and cash equivalents at the beginning of the financial year		1,488,595	1,643,099
Cash and cash equivalents at the end of the financial year	14	1,249,811	1,488,595

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

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

1. General

Lutheran Community Care Services Limited (the Company) is a public company limited by guarantee incorporated and domiciled in Singapore (Company Registration Number: 200207586Z). It is an approved charitable organisation under the Charities Act, Cap. 37, registered on 30 January 2003. The registered office is located at 3779 Jalan Bukit Merah, #02-01 Bukit Merah Community Hub, Singapore 159462.

The principal activities of the Company are providing care and ministering for the elderly and young in the community by way of counselling and mentoring programmes for the youths. The principal activities of the subsidiary are disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The Company is granted the Institute of Public Character (IPC) status and is qualified to issue tax deductible receipts for outright donations designated for its counselling and mentoring related programmes as stated in its objects of Constitution. This status is granted from 1 May 2020 to 31 October 2022.

2. Summary of Significant Accounting Policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and statement of changes in funds of the Company are presented in Singapore dollar (SGD or S$) which is the Company's functional currency, have been prepared in accordance with the provisions of the Charities Act, Chapter 37 and other relevant regulations, the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore ("FRSs").

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

2.2 *Adoption of new and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2020.

The adoption of these standards did not have any material effect on the financial performance or position of the Group.

2. Summary of Significant Accounting Policies (Cont'd)

2.3 *Standard issued but not yet effective*

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendment to FRS 116 Leases: Covid-19-Related Rent Concessions	1 June 2020
Amendments to FRS 109 Financial Instruments, FRS 39 Financial Instruments: Recognition and Measurement, FRS 107 Financial Instruments: Disclosures, FRS 104 Insurance Contracts, FRS 116 Leases: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to FRS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to FRS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting period. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.5 *Foreign currency*

The financial statements are presented in Singapore Dollars (SGD or S$), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

2. Summary of Significant Accounting Policies (Cont’d)

2.5 *Foreign currency (Cont'd)*

(a) *Foreign currency transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchanges differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 *Plant and equipment*

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

The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Leasehold office	3 years
Furniture and fittings	3 years
Office equipments	3 years
Computers	3 years
Renovation	3 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

2. Summary of Significant Accounting Policies (Cont'd)

2.6 *Plant and equipment (Cont'd)*

An item of 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 derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite which is 3 years.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognized.

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2. Summary of Significant Accounting Policies (Cont'd)

2.8 *Impairment of non-financial assets (Cont'd)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses relating to goodwill cannot be reversed in future periods.

2.9 *Subsidiary*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the Company's separate financial statements, investments in subsidiary is accounted for at cost less impairment losses.

2.10 *Financial instruments*

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes a party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income (FVOCI) and FVPL.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognized in profit or loss when the assets are de-recognised or impaired, and through the amortisation process.

2. Summary of Significant Accounting Policies (Cont'd)

2.10 *Financial instruments (Cont'd)*

(a) **Financial assets (Cont'd)**

Subsequent measurement (Cont'd)

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI which will not be reclassified subsequently to profit or loss. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2. Summary of Significant Accounting Policies (Cont'd)

2.11 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtor's ability to pay.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 *Cash and cash equivalents*

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

2.13 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

2. Summary of Significant Accounting Policies (Cont'd)

2.13 *Provisions (Cont'd)*

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.14 *Government grants*

Government grants are recognised when there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

Where the government grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Government grants related to income that are receivable as compensation for expenses or losses incurred, shall be recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for the purpose of giving immediate financial support to the Group with no future related costs, are recognised in profit or loss in the period in which they become receivable.

2.15 *Employee benefits*

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore company in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlements

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

2. Summary of Significant Accounting Policies (Cont'd)

2.16 *Leases*

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

(a) As lessee

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

Right-of-use assets

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

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

Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are disclosed in Note 18.

2. Summary of Significant Accounting Policies (Cont'd)

2.16 *Leases (Cont'd)*

(a) As lessee (Cont'd)

Short-term leases and leases of low-value assets

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

(b) **As lessor**

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

2.17 *Revenue recognition*

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

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

Donations and income from fund raising activities are recognised as and when the Group entitlement to such income is established with certainty and the amount can be measured with sufficient reliability. This normally coincides with the receipt of the donation and income from the fund raising activities. Donations received in advance for future fund raising activities are deferred and recognised as incoming resources as and when the fund raising activities are held;

The accounting policies for government grants related to income are stated in Note 2.14.

Programme fee is recognised when services are rendered and accepted by customers.

Interest income is recognised as the interest accrues based on the effective interest method.

2. Summary of Significant Accounting Policies (Cont'd)

2.18 *Income Tax*

The Company has been registered as a Charity under the Singapore Charities Act and is exempted from income tax under the provisions of the Income Tax Act Cap. 134.

The subsidiary has been registered as a private company under the Singapore Companies Act and the following accounting policies relating to taxation are applied:

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided, using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.19 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event(s) not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

2. Summary of Significant Accounting Policies (Cont'd)

2.19 *Contingencies (Cont'd)*

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.20 *Funds*

The General reserve funds are unrestricted funds which are available to be used for any of the Group's purposes and in which the accumulated profits or losses of subsidiary of the Company are allocated.

Fund balances restricted by fund providers are so indicated and are distinguished from unrestricted funds allocated to specific purposes, if any, by action of the Management.

Restricted funds are distinguished from unrestricted funds and may only be utilized in accordance with the purposes established by the source of such funds or through the terms of an appeal and are in contrast with unrestricted funds over which the Management retains full control to use in the furtherance of the general objectives of the Group and which have not been designated for specific purposes. An expense resulting from the operating activities of a fund that is directly attributable to the fund is charged to that fund. The balance of restricted fund will transfer to unrestricted funds when the program has been completed.

3. Significant Accounting Estimates and Judgements

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgements made in applying accounting policies*

Management is of the opinion that any instances of application of judgements on the Group's accounting policies are not expected to have a significant effect of the amounts recognised in the financial statements.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The net carrying amount of right-of-use asset and lease liabilities at 31 December 2020 and the annual depreciation charge and interest expenses on lease liabilities for the financial year ended 31 December 2020 are disclosed in Note 18. Any changes in the incremental borrowing rate would affect the net carrying amount of right-of-use asset and lease liabilities, and the depreciation charge and interest expenses on lease liabilities for the financial year.

Amortisation of intangible asset

The Group reviews the useful life of intangible asset at the end of financial year in accordance with the accounting policy in Note 2.7. Changes in circumstances, such as technological or other types of obsolescence, could result in the actual useful life differing from the management's current estimates.

The net carrying amount of intangible asset at 31 December 2020 and the annual amortisation charge for the financial year ended 31 December 2020 are disclosed in Note 11. Any changes in the expected useful life of the asset would affect the net carrying amount of intangible asset, and the amortisation charge for the financial year.

4. Revenue

	Group 2020 S$	Group 2019 S$ Restated
Donation income		
- Lutheran Church in Singapore and its member congregations	107,900	63,100
- Third parties	49,752	100,585
	157,652	163,685
Income from fund raising activities	138,684	410,744
Programme fees	235,031	287,891
Government grant restricted (Note 17)	626,550	556,058
	1,157,917	1,418,378

The total amount of tax deductible donations received for financial year ended 31 December 2020 is S$174,555 (2019: S$312,672).

5. Other Income

	Group 2020 S$	Group 2019 S$
Government grant unrestricted		
- Professional conversion programmes grants	87,159	–
- VWOs-Charities Capability Funding training grant	12,265	–
- Job support scheme grant	306,830	
- Care and share grants	–	197,780
- Wage credit scheme	16,178	11,086
- Others	11,095	56,713
	433,527	265,579
Miscellaneous income	17,047	6,688
	450,574	272,267

6. Employee Benefits Expense

	Group 2020 S$	Group 2019 S$
Salaries, bonuses and allowances	1,104,110	1,028,720
Contributions to Central Provident Fund	173,884	160,317
Staff benefits and other related costs	15,971	73,247
	1,293,965	1,262,284

7. Finance Costs

	Group 2020 S$	Group 2019 S$
Interest expenses on lease liabilities (Note 18(b))	2,523	2,666

8. Other Expenses

	Group	
	2020	**2019**
	S$	S$
Legal and professional fee	19,657	22,850
Office expenses	23,362	21,821
Lease expenses (Note 18(c))	47,859	3,873
Secondment related expenses	90,511	111,034
Transportation and travelling expenses	10,524	16,322
Others	33,996	31,234
	225,909	207,134

9. Income Tax

(a) ***Income tax expense***

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2020 were as follows:

	Group	
	2020	**2019**
	S$	S$
		Restated
Profit before income tax	49,336	8,263
Income tax using the statutory tax rate of 17%	8,387	1,405
Adjustments:		
- Not-deductible expenses	215	1,067
- Recognition of tax effect of previously unrecognized tax losses	(1,593)	–
- Deferred tax assets not recognised	–	3,853
- Exempt amount	(7,009)	(6,325)
	–	–

(b) ***Unrecognised deferred tax assets***

	Group	
	2020	**2019**
	S$	S$
Tax loss carried forward	2,260	3,853

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

10. Plant and Equipment

Group & Company	Leasehold office S$	Furniture & fittings S$	Office equipment S$	Computer S$	Renovation S$	Total S$
Cost						
At 1 January 2019	–	48,497	38,806	47,136	14,995	149,434
Effect of adopting FRS16	163,161	–	–	–	–	163,161
As 1 January 2019 (restated)	163,161	48,497	38,806	47,136	14,995	312,595
Additions	–	–	399	9,647	–	10,046
Write off	–	–	–	(5,290)	–	(5,290)
At 31 December 2019	163,161	48,497	39,205	51,493	14,995	317,351
At 1 January 2020	163,161	48,497	39,205	51,493	14,995	317,351
Additions	145,546	8,452	–	13,455	311,242	478,695
Write off	(163,161)	–	–	–	–	(163,161)
As at 31 December 2020	145,546	56,949	39,205	64,948	326,237	632,885
Accumulated depreciation						
At 1 January 2019	–	47,440	37,712	44,279	14,995	144,426
Effect of adoption FRS 116	67,984	–	–	–	–	67,984
As 1 January 2019 (restated)	67,984	47,440	37,712	44,279	14,995	212,410
Depreciation charge	81,580	352	685	3,963	–	86,580
Write off	–	–	–	(5,290)	–	(5,290)
At 31 December 2019	149,564	47,792	38,397	42,952	14,995	293,700
At 1 January 2020	149,564	47,792	38,397	42,952	14,995	293,700
Depreciation charge	13,597	352	553	6,630	–	21,132
Write off	(163,161)	–	–	–	–	(163,161)
As at 31 December 2020	–	48,144	38,950	49,582	14,995	151,671
Carrying amount						
At 31 December 2019	13,597	705	808	8,541	–	23,651
At 31 December 2020	145,546	8,805	255	15,366	311,242	481,214

Right-of-use assets acquired under leasing arrangements are presented as leasehold office. Details of such leased assets are disclosed in Note 18.

11. Intangible Asset

Group & Company	**Software** S$	**Total** S$
Cost		
At 1 January 2019 and 31 December 2019	36,380	36,380
Addition	–	–
At 31 December 2020	36,380	36,380
Accumulated amortisation		
At 1 January 2019	20,211	20,211
Amortisation charge	12,126	12,126
At 31 December 2019	32,337	32,337
Amortisation charge	4,043	4,043
At 31 December 2020	36,380	36,380
Net carrying amount		
At 31 December 2019	4,043	4,043
At 31 December 2020	–	–

The intangible asset relates to customer relationship management platform acquired by the Group.

12. Investment in a Subsidiary

	Company	
	2020 S$	**2019** S$
Unlisted equity shares, at cost	1	1
Capital contribution to the Subsidiary (Note 13)	2,723	2,723
	2,724	2,724

On 27 February 2019, the Company had an investment of S$ 1 to incorporate an entity in Singapore named Steppingstones Pte. Ltd. (the subsidiary). Upon incorporation of the subsidiary, the Company directly held its 100% equity interest of the subsidiary, therefore it became a wholly owned subsidiary of the Company.

The amount of capital contribution to the subsidiary relates to the difference between the amount lent of loan to the subsidiary and its fair value on initial recognition, was recorded as a part of investment in a subsidiary.

12. Investment in a Subsidiary (Cont'd)

Name of subsidiary	Principal activities	Principal places of business	Proportion of ownership	
			2020	**2019**
Steppingstones Pte. Ltd.[1]	Social services for children and youth as well as charitable and other supporting activities for humanitarian work	Singapore	100%	100%

[1]Audited by Jia Yue (S) LLP.

13. Loan to the Subsidiary

A reconciliation of liabilities arising from loan to the subsidiary is as follows:

	Company	
	2020	**2019**
	S$	S$
At the beginning of the financial year	18,141	–
Issue of loan to the subsidiary	–	17,277
Interest income from the loan	907	864
At the end of the financial year	19,048	18,141

On 1 March 2019, the Company entered into a three years loan agreement with its subsidiary, where the Company lent an unsecured interest-free loan of S$20,000 to the subsidiary, receivable at end of the loan term (28 February 2022).

The difference of S$2,723 between the loan amount lent and its fair value on initial recognition, was recorded in investment in a subsidiary as capital contribution to the subsidiary (Note 12).

14. Cash and Cash Equivalents

	Group		Company	
	2020	**2019**	**2020**	**2019**
	S$	S$	S$	S$
Cash on hand	140	363	140	363
Cash at bank	1,249,671	1,488,232	1,202,676	1,442,939
Cash and cash equivalents	1,249,811	1,488,595	1,202,816	1,443,302

15. Trade and Other Receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	S$	S$	S$	S$
		Restated		Restated
Trade receivables	21,791	17,650	21,791	17,650
Grant receivables from National Council of Social Service (Note 22)	82,750	124,790	82,750	124,790
Deposit	26,964	15,530	26,964	15,530
Prepayments	2,605	6,566	2,605	6,566
Amount due from the subsidiary	–	–	56,362	49,768
Others	20,010	3,017	20,010	3,017
	154,120	167,553	210,482	217,321

Trade receivables are non-interest bearing and are normally settled on 30 day terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amount due from the subsidiary is non-trade in nature, unsecured, non-interest bearing and receivable on demand.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to S$5,991 (2019: S$17,650) that are past due at the end of the financial year but not impaired as these debtors who mostly are local charities, social institutions or government departments, never default on their obligation and got long term good relationship with the Group. The analysis of the aging of these trade receivables at the end of the reporting period is as follows:

	Group & Company	
	2020	**2019**
	S$	S$
Trade receivables past due but not impaired:		
- Less than 30 days	–	420
- 31 – 60 days	2,200	7,389
- 61 – 90 days	–	5,400
- More than 90 days	3,791	4,441
	5,991	17,650

16. Trade and Other Payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	S$	S$	S$	S$
Trade payables	–	185	–	185
Accrued expenses	95,881	105,463	92,881	101,863
Advance receipts	169,799	133,484	169,799	133,484
Amount due to a third party	641	–	–	–
Amount due to the subsidiary	–	–	13,947	–
Provision of unutilised leave	13,006	13,006	13,006	13,006
Others	465	–	465	–
	279,792	252,138	290,098	248,538

Trade payables are non-interest bearing and are normally settled on 30 day terms. Accrued expenses are expected to be settled in the next 12 months. Advance receipts relate to fund received in advance from the National Council of Social Service and Ministry of Social and Family Development to fund various programmes carried out by the Group.

17. Restricted Funds

	Group & Company	
	2020	**2019**
	S$	S$
		Restated
Deficit balance at the beginning of the financial year	(161,445)	(426,665)
Effect of adoption FRS 116	–	596
Deficit balance at the beginning of the financial year (restated)	(161,445)	(426,069)
Restricted revenues recognised for:		
The Builder's Project (April 2019 to March 2021)	171,223	167,164
President's Challenge - 2018 (June 2019 to May 2020)	83,161	208,636
President's Challenge - 2019 (June 2020 to May 2021)	165,000	42,880
President's Challenge - Empower Life Fund (July 2019 to June 2022)	165,500	82,750
Charity Support Fund (March 2018 to February 2020)	8,333	50,000
The Invictus Fund (July 2020 to March 2021)	33,333	4,628
	626,550	556,058
Disbursements for:		
The Builder's Project (April 2019 to March 2021)	(176,194)	(167,173)
President's Challenge - 2018 (June 2019 to May 2020)	(95,352)	(208,636)
President's Challenge - 2019 (June 2020 to May 2021)	(174,812)	(41,404)
President's Challenge - Empower Life Fund (July 2019 to June 2022)	(174,812)	(82,750)
Charity Support Fund (March 2018 to February 2020)	(15,892)	(46,837)
	(637,062)	(546,800)
(Deficit)/Surplus for the financial year	(10,512)	9,258
Transfer of deficit balances of restricted funds upon completion of programmes	215,898	255,366
Surplus/(Deficit) balance at the end of the financial year	43,941	(161,445)

17. Restricted Funds (Cont'd)

The major funds are:

(a) The Builder's Project Fund amounting to S$168,162 per annum will be disbursed over 2 years from April 2019 to March 2021 (April 2017 to March 2019: S$324,918). The fund will be used to support projects assigned by the National Council of Social Service.

(b) President's Challenge Fund - 2018 amounting to S$150,000 is used to cover the operating cost of the Mobilising Community Assets to Integrate Marginalised Individuals in the Family programme and the manpower cost of 1.5 staffs (2018: 3 staffs) for a year. Fund should be utilised within 1 year from the date of disbursement but the Company has the option to extend for another 6 months.

(c) President's Challenge Fund - 2019 amounting to S$165,000 is used to cover the operating cost of the Project Restore, a bullying intervention programme and enhancing of work environment and the manpower cost of 2.75 staffs for a year. Fund should be utilised within 1 year from the date of disbursement but the Company has the option to extend for another 6 months.

(d) President's Challenge Fund - Empower Life Fund amounting to S$496,500 will be disbursed over 3 years from July 2019 to June 2022. The fund is used to enable the families to take responsibilities for their own lives and develop solutions and make decisions for their own well-being.

(e) Charity Support Fund is used to support community needs for services and programmes targeting the disadvantaged groups. The fund amounting $50,000 per year is granted for 2 years from 1 March 2018 to 29 February 2020.

(f) The Invictus Fund is used to support the Company in maintaining service delivery and serving clients safely and effectively during the pandemic. The fund amounting $50,000 is granted for 9 months from 1 July 2020 to 31 March 2021.

18. Leases

Group as a lessee

The Group has a lease contract for office premises. The lease has tenure of three years. The Group's obligations under the lease are secured by the lessor's title to the leased asset. The lease contract includes an extension options which are further discussed below.

The Group also has certain leases of office equipment with low value. The Group applies the 'lease of low-value assets' recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets classified within plant and equipment

The carrying amounts of the lease asset and depreciation during the year are disclosed in Note 10.

18. Leases (Cont'd)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the financial year are disclosed as follows:

Group & Company	1 January 2020	Cash flows	Non-cash changes			31 December 2020
			Acquisition	Accretion of interests	Other	
	S$	S$	S$	S$	S$	S$
-Current	14,422	(23,756)	6,811	2,523	49,900	49,900
-Non-current	–	–	138,735	–	(49,900)	88,835
	14,422	(23,756)	145,546	2,523	–	138,735

Group & Company	1 January 2019	Cash flows	Non-cash changes			31 December 2019
			Acquisition	Accretion of interests	Other	
	S$	S$	S$	S$	S$	S$
-Current	83,834	(86,500)	–	2,666	14,422	14,422
-Non-current	14,422	–	–	–	(14,422)	–
	98,256	(86,500)	–	2,666	–	14,422

The maturity analysis of lease liabilities is disclosed in Note 22(b).

(c) Amounts recognised in profit or loss

	Group 2020	Group 2019
	S$	S$
Depreciation of right-of-use assets (Note 10)	13,597	81,580
Interest expense on lease liabilities	2,523	2,666
Lease expense not capitalized in lease liabilities:		
- Expense relating to short-term lease (Note 8)	43,441	–
- Expense relating to low-value lease (Note 8)	4,418	3,873
	47,859	3,873
Total amount recognised in profit or loss	63,979	88,119

(d) Total cash outflow

The Group has total cash outflow for leases of S$71,615 (2019: S$90,373).

19. Significant Related Party Transactions

Key management personnel are the senior officer having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The following matters for key management compensation are for 1 (2019: 2) senior officers of the Group. Remuneration of key management personnel is set in alignment with the National Council of Social Service salary guidelines for the social service.

	Group	
	2020	**2019**
	S$	S$
Salaries, bonus and allowance	102,540	174,727
CPF contribution	14,192	26,884
	116,732	201,611

20. Financial Instruments

(a) ***Fair value of financial instruments***

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(i) ***Fair value of financial instruments that are carried at fair value***

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Fair value hierarchy

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group does not have any financial instruments that are carried at fair value as at the reporting date.

20. Financial Instruments (Cont'd)

(a) ***Fair value of financial instruments (Cont'd)***

(ii) ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Cash and cash equivalents, other receivable and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables and trade payables

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

Loan to the subsidiary

The carrying amounts of loan to a subsidiary approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

(b) ***Category of financial instruments***

At the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows:

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	S$	S$	S$	S$
		Restated		Restated
Financial assets measured at amortised cost				
Loan to the subsidiary	–	–	19,048	18,141
Trade and other receivables[1]	151,515	160,987	207,877	210,755
Cash and cash equivalents	1,249,811	1,488,595	1,202,816	1,443,302
	1,401,326	1,649,582	1,429,741	1,672,198
Financial liabilities measured at amortised cost				
Trade and other payables[2]	109,993	118,654	120,299	115,054
Lease liabilities	138,735	14,422	138,735	14,422
	248,728	133,076	259,034	129,476

[1] Excludes prepayments.

[2] Excludes advance receipts.

Further quantitative disclosures are included throughout these financial statements.

21. Financial Risk Management

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk). The directors review and agree policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk primarily arises from trade and other receivables and cash at bank. For trade and other receivables, the Group has adopted the policy of only dealing with creditworthy counterparties and has mitigated with ongoing monitoring over collections, the management believes that the risk of defaults is minimal and does not require collateral. For cash at bank, the Group minimises credit risk by placing its cash balances with a high credit quality financial institution.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Group has developed and maintained the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due (except those debtors who are social institutions or government departments, never default on their obligation and got long term good relationship with the Group) in making contractual payment.

21. Financial Risk Management (Cont'd)

(a) Credit risk (Cont'd)

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery. The Group's current credit risk grading framework comprises the following categories:

Category	**Definition of category**	**Basis for recognising expected credit loss (ECL)**
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit-impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

<u>Excessive risk concentration</u>

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Exposure to credit risk

The Group has no significant concentration of credit risk. The Group has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

21. Financial Risk Management (Cont'd)

(b) Liquidity risk

Liquidity risk relates to the risk that the Group and the Company will encounter difficulties in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage its liquidity risk by monitoring and maintaining an adequate level of cash and cash equivalents deemed adequate by the Management to finance its activities and to mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group and the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount	**Contractual cash flows**	**One year or less**	**One to five years**
	S$	S$	S$	S$
2020				
Group				
Financial assets:				
Trade and other receivables[1]	151,515	151,515	151,515	–
Cash and cash equivalents	1,249,811	1,249,811	1,249,811	–
	1,401,326	1,401,326	1,401,326	–
Financial liabilities:				
Trade and other payables[2]	109,993	109,993	109,993	–
Lease liabilities	138,735	148,088	55,533	92,555
	248,728	258,081	165,526	92,555
Total net undiscounted financial assets	1,152,598	1,143,245	1,235,800	(92,555)
2019 (Restated)				
Group				
Financial assets:				
Trade and other receivables[1]	160,987	160,987	160,987	–
Cash and cash equivalents	1,488,595	1,488,595	1,488,595	–
	1,649,582	1,649,582	1,649,582	–
Financial liabilities:				
Trade and other payables[2]	118,654	118,654	118,654	–
Lease liabilities	14,422	14,500	14,500	–
	133,076	133,154	133,154	–
Total net undiscounted financial assets	1,516,506	1,516,428	1,516,428	–

21. Financial Risk Management (Cont'd)

(b) Liquidity risk (Cont'd)

	Carrying amount S$	Contractual cash flows S$	One year or less S$	One to five years S$
2020				
Company				
Financial assets:				
Loan to the subsidiary	19,048	20,000	–	20,000
Trade and other receivables[1]	207,877	207,877	207,877	–
Cash and cash equivalents	1,202,816	1,202,816	1,202,816	–
	1,429,741	1,430,693	1,410,693	20,000
Financial liabilities:				
Trade and other payables[2]	120,299	120,299	120,299	–
Lease liabilities	138,735	148,088	55,533	92,555
	259,034	268,387	175,832	92,555
Total net undiscounted financial assets	1,170,707	1,162,306	1,234,861	(72,555)
2019 (Restated)				
Company				
Financial assets:				
Loan to the subsidiary	18,141	20,000	–	20,000
Trade and other receivables[1]	210,755	210,755	210,755	–
Cash and cash equivalents	1,443,302	1,443,302	1,443,302	–
	1,672,198	1,674,057	1,654,057	20,000
Financial liabilities:				
Trade and other payables[2]	115,054	115,054	115,054	–
Lease liabilities	14,422	14,500	14,500	–
	129,476	129,554	129,554	–
Total net undiscounted financial assets	1,542,722	1,544,503	1,524,503	20,000

[1] Excludes prepayment.

[2] Excludes advance receipts.

Further quantitative disclosures are included throughout these financial statements.

21. Financial Risk Management (Cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's and Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) *Interest rate risk*

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

The Group and the Company have no significant interest-bearing assets or liabilities, therefore its income and operating cash flows are substantially independent of changes in market interest rates.

(ii) *Foreign currency risk*

During the current financial year, the Group and the Company activities are denominated in Singapore dollar which is its functional currency and does not have transactional currency exposures arising from revenue or expenses that are denominated in a currency other than its functional currency. As such, the Group and the Company do not expose to currency risk.

22. Restatement of Comparative Figures

The Company under recognised of revenue of S$82,750 of restricted funds (President's Challenge – Empower Life Fund) for the period from 1 July 2019 to 31 December 2019. To correct this error, certain line items have been restated in the previously issued consolidated financial statements for the financial year ended 31 December 2019. This error did not affect issued financial statements for the financial year ended 31 December 2018 and before.

Effect on Statement of Financial Position as at 31 December 2019	**Group**			**Company**		
	As previously reported S$	**Adjustment** S$	**Restated** S$	**As previously reported** S$	**Adjustment** S$	**Restated** S$
Non-current assets	27,694	–	27,694	48,559	–	48,559
Current assets						
Cash and cash equivalents	1,488,595	–	1,488,595	1,443,302	–	1,443,302
Trade and other receivables	84,803	82,750	167,553	134,571	82,750	217,321
	1,573,398	82,750	1,656,148	1,577,873	82,750	1,660,623
Total assets	1,601,092	82,750	1,683,842	1,626,432	82,750	1,709,182
Funds and liabilities						
General reserve funds	1,495,977	82,750	1,578,727	1,524,917	82,750	1,607,667
Restricted funds	(161,445)	–	(161,445)	(161,445)	–	(161,445)
	1,334,532	82,750	1,417,282	1,363,472	82,750	1,446,222
Total liabilities	266,560	–	266,560	262,960	–	262,960
Total funds and liabilities	1,601,092	82,750	1,683,842	1,626,432	82,750	1,709,182

22. Restatement of Comparative Figures (Cont'd)

Effect on Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2019

	Unrestricted			Restricted			Total	
Group	**As previously reported** S$	**Adjustment** S$	**Restated** S$	**As previously reported** S$	**Adjustment** S$	**Restated** S$	**As previously reported** S$	**Restated** S$
Revenue	862,320		862,320	473,308	82,750	556,058	1,335,628	1,418,378
Other items of income	272,267		272,267	–	–	–	272,267	272,267
Other items of expense	(1,218,332)	82,750	(1,135,582)	(464,050)	(82,750)	(546,800)	(1,682,382)	(1,682,382)
(Loss)/Profit before income tax	(83,745)	82,750	(995)	9,258	–	9,258	(74,487)	8,263
Income tax expense	–	–	–	–	–	–	–	–
(Loss) / Profit for the financial year, representing total comprehensive (loss) / income for the financial year	(83,745)	82,750	(995)	9,258	–	9,258	(74,487)	8,263

23. Fund Management

The Group's objectives when managing its funds are to safeguard and maintain adequate working capital to continue as a going concern. The directors consider the accumulated fund as the capital of the Group and no changes were made to the Group's fund management objectives during the financial years ended 31 December 2020 and 31 December 2019.

24. Authorisation of Financial Statements

The financial statements for the financial year ended 31 December 2020 were approved by the directors and authorised for issue on 21 May 2021.

LUTHERAN COMMUNITY CARE SERVICES LIMITED AND ITS SUBSIDIARY
(A public company limited by guarantee)

Supplementary Consolidated Profit or Loss Account
For the Financial Year Ended 31 December 2020

This Schedule contains additional information that has been prepared from the books and records of the Group and does not form part of the audited consolidated financial statements.

	2020			2019
Group	Unrestricted S$	Restricted S$	Total S$	Total S$ Restated
Revenue				
Donation income	157,652	–	157,652	163,685
Income from fund raising activities	138,684	–	138,684	410,744
Programme fee	235,031	–	235,031	287,891
Government grant restricted	–	626,550	626,550	556,058
	531,367	626,550	1,157,917	1,418,378
Add: Other incomes				
Government grant unrestricted	433,527	–	433,527	265,579
Miscellaneous income	17,047	–	17,047	6,688
	450,574	–	450,574	272,267
Less: Operating expenses				
Amortisation	2,285	1,758	4,043	12,126
Bank charges	780	420	1,200	3,181
CPF contributions	101,647	72,237	173,884	160,317
Depreciation	11,784	9,348	21,132	86,580
Fund raising event expenses	2,178	–	2,178	75,621
Insurance	3,435	2,599	6,034	1,161
Interest expense on lease liabilities	2,523	–	2,523	2,666
Lease expenses	28,755	19,104	47,859	3,873
Legal and professional fees	12,702	6,955	19,657	22,850
Office expenses	13,967	9,395	23,362	21,821
Programme expenses	8,023	1,382	9,405	35,971
Repair and maintenance	653	502	1,155	892
Salaries, bonuses and allowances	643,844	460,266	1,104,110	1,028,720
Secondment related expenses	51,159	39,352	90,511	111,034
Skill development levy	1,465	1,046	2,511	2,252
Staff benefits and other related expenses	15,971	–	15,971	73,247
Stationery, printing and postage	3,272	2,143	5,415	7,796
Subscription	917	706	1,623	1,306
Telecommunication expenses	7,258	4,612	11,870	8,853
Transportation and travelling expense	7,052	3,472	10,524	16,322
Utilities	1,863	1,334	3,197	5,793
Others	560	431	991	–
	922,093	637,062	1,559,155	1,682,382
Profit / (Loss) before income tax	59,848	(10,512)	49,336	8,263