

Company Registration No. 200210647W  
Charity No. 01658

Arts House Ltd.

Annual Financial Statements  
31 March 2017

**Arts House Ltd.**

**Index**

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## **Arts House Ltd.**

### **Directors' statement**

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The directors are pleased to present their statement to the members together with the audited financial statements of Arts House Ltd (the "Company") for the financial year ended 31 March 2017.

#### **Opinion of the directors**

In the opinion of the directors,

- (i) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2017 and the financial performance, changes in accumulated fund and cash flows of the Company for the financial year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

#### **Directors**

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

Gan Christine  
Ang Kah Eng Kelvin  
Chong Yuan Chien  
Deborah Joanne Ho Hyuk Choo  
Koh Choon Fah  
Lynette Pang Hsu Lyin  
Maniza Jumabhoy  
Mok Wei Wei  
Ong Chao Choon  
Tan Chee Meng  
Tan Kim Liang Paul  
Madeleine Lee Suh Shin  
Sarah Binte Mohamed Abdullah Martin

As the Company is limited by guarantee, the board of directors does not consider it necessary to report on the matters to be disclosed under Schedule 12.8 and 12.9 of the Singapore Companies Act, Chapter 50.

#### **Directors' conflict of interest policy**

The Company has a conflict of interest policy. The Company requires that members of the board to comply with the policy and fully disclose to the board immediately when a conflict of interest situation arises.

**Arts House Ltd.**

**Directors' statement**

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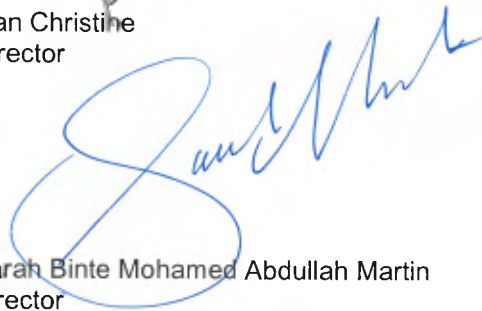
**Auditor**

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:



Gan Christine  
Director



Sarah Binte Mohamed Abdullah Martin  
Director

Singapore

**29 AUG 2017**

**Arts House Ltd.**

**Independent auditor's report  
For the financial year ended 31 March 2017**

**Independent auditor's report to the members of Arts House Ltd.**

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## **Report on the audit of the financial statements**

### **Opinion**

We have audited the financial statements of Arts House Ltd. (the "Company"), which comprise the balance sheet as at 31 March 2017, the statement of comprehensive income, statement of changes in accumulated funds and cash flow statement of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2017 and of the financial performance, changes in equity and cash flows 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 Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other information**

Management is responsible for 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.

**Arts House Ltd.**

**Independent auditor's report  
For the financial year ended 31 March 2017**

**Independent auditor's report to the members of Arts House Ltd.**

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### **Responsibilities of management and directors for the financial statements**

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

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

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Arts House Ltd.

Independent auditor's report  
For the financial year ended 31 March 2017

**Independent auditor's report to the members of Arts House Ltd.**

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**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.

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

**Report on other legal and regulatory requirements**

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

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

- (a) The use of donation moneys was not in accordance with the objectives of the Company as required under regulation 16 of the Charities (Institutions of a Public Character) Regulations; and
- (b) The Company has not complied with the requirements of regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.



Ernst & Young LLP

Public Accountants and  
Chartered Accountants  
Singapore

**29 AUG 2017**

Arts House Ltd.

Balance sheet  
As at 31 March 2017

	Note	2017 \$	2016 \$
<b>Non-current assets</b>			
Equipment	4	573,265	464,668
<b>Current assets</b>			
Trade and other receivables	5	405,472	821,589
Prepaid operating expenses		84,598	92,642
Cash and cash equivalents	6	10,547,616	8,947,202
		11,037,686	9,861,433
<b>Current liabilities</b>			
Trade and other payables	7	2,603,045	2,336,935
Unearned revenue	8	346,222	436,520
Deferred capital grant	9	69,483	69,483
Grants received in advance	10	845,808	-
		3,864,558	2,842,938
<b>Net current assets</b>		7,173,128	7,018,495
<b>Non-current liability</b>			
Deferred capital grant	9	168,367	237,850
		168,367	237,850
<b>Net assets</b>		7,578,026	7,245,313
<b>Equity</b>			
General funds	19	7,578,026	7,245,313
<b>Accumulated surplus</b>		7,578,026	7,245,313

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



Arts House Ltd.

**Statement of comprehensive income  
For the financial year ended 31 March 2017**

	Note	2017 \$	2016 \$
<b>Income</b>			
Rental income		3,244,530	2,792,197
Venue hire		1,468,152	1,099,330
Programming events income		668,880	670,029
Management fee income		51,667	55,142
Cultural matching fund		364,896	239,957
Sponsorships, contributions and donations - tax deductible receipts		613,849	81,437
Sponsorships, contributions and donations - non-tax deductible receipts		564,889	267,268
Other income	11	183,288	265,903
Carpark		143,217	135,056
<b>Total income</b>		<b>7,303,368</b>	<b>5,606,319</b>
<b>Expenditure</b>			
Art programming expenses		(7,030,849)	(8,060,370)
Marketing and publicity expenses		(1,086,151)	(1,058,527)
Building rental		(4,331,744)	(3,279,552)
Property maintenance and utilities		(2,137,580)	(2,406,564)
Depreciation of equipment	4	(212,765)	(170,315)
Venue hire and tenancy cost		(94,367)	(64,429)
Staff and related expenses	12	(4,105,022)	(4,160,567)
Write-back of accruals and payables		-	250,980
Other operating expenditure	13	(1,138,000)	(1,376,750)
<b>Total expenditure</b>		<b>(20,136,478)</b>	<b>(20,326,094)</b>
<b>Deficit before grants</b>		<b>(12,833,110)</b>	<b>(14,719,775)</b>
Grants	14	13,096,340	14,644,560
Amortisation of deferred capital grant	9	69,483	371,067
<b>Surplus after grants</b>		<b>332,713</b>	<b>295,852</b>
Income tax expenses	15	-	-
<b>Net surplus for the financial year, representing total comprehensive income for the financial year</b>		<b>332,713</b>	<b>295,852</b>

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

Arts House Ltd.

Statements of changes in accumulated fund  
For the financial year ended 31 March 2017

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	<b>General funds \$</b>
Opening balance at 1 April 2015	6,949,461
Net surplus for the financial year, representing total comprehensive income for the financial year	<u>295,852</u>
Closing balance at 31 March 2016	<u>7,245,313</u>
Opening balance at 1 April 2016	7,245,313
Net surplus for the financial year, representing total comprehensive income for the financial year	<u>332,713</u>
Closing balance at 31 March 2017	<u>7,578,026</u>

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

Arts House Ltd.

Cash flow statement  
For the financial year ended 31 March 2017

	2017 \$	2016 \$
<b>Operating activities</b>		
Deficit before grants	(12,833,110)	(14,719,775)
Adjustments:		
Depreciation of equipment	212,765	170,315
Bad debts written off	2,429	39
Allowance for doubtful debts	6,668	30,354
Reversal of allowance for doubtful debts	(29,493)	(522)
Equipment written off	6,160	20,822
Interest income	(5,537)	(444)
Write-back of accruals and payables	-	(250,980)
Operating cash flows before changes in working capital	(12,640,118)	(14,750,191)
Decrease/(increase) in trade and other receivables	441,699	(247,949)
Decrease in prepaid operating expenses	8,044	223,959
Increase/(decrease) in trade and other payables	266,110	(26,148)
(Decrease)/increase in unearned revenue	(90,298)	132,353
<b>Cash flows used in operations, representing net cash flows used in operating activities</b>	<b>(12,014,563)</b>	<b>(14,667,976)</b>
<b>Investing activities</b>		
Purchase of equipment	(327,522)	(399,922)
Interest received	350	412
<b>Net cash flows used in investing activities</b>	<b>(327,172)</b>	<b>(399,510)</b>
<b>Financing activity</b>		
Government grants received (Note (i)), representing net cash flows generated from investing activity	13,942,149	14,649,560
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,600,414</b>	<b>(417,926)</b>
Cash and cash equivalents at 1 April	8,947,202	9,365,128
<b>Cash and cash equivalents at 31 March (Note 6)</b>	<b>10,547,616</b>	<b>8,947,202</b>

Note (i): Include market rental subvention grants received for market rental of buildings under management by the Company amounting to \$4,331,744 (2016: \$3,279,552).

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

**Notes to the financial statements**  
**For the financial year ended 31 March 2017**

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**1. Corporate information**

Arts House Ltd (the "Company") is incorporated and domiciled in Singapore, limited by guarantee and does not have a share capital.

The Company has been registered as a Charity, Registration No. 01658 under the Charities Act, Chapter 37 of Singapore with effect from 24 February 2003. The registered office and principal place of business of the Company is located at 1 Old Parliament Lane, Singapore 179429.

The principal activities of the Company are:

- To manage physical facilities for the arts, to lease as well as provide venues for hire to artists, arts companies, government and corporations and to facilitate events for the same through technical support;
- To produce and present highly accessible quality events with strong artistic value within a calendar of events; and
- To organise and market the arts, and festivals in the promotion of the arts, including the Singapore International Festival of Arts, and to manage and develop lively arts precincts, venues, facilities and other arts platforms that support and benefit arts practitioners, organisations and the surrounding communities.

**2. Summary of significant accounting policies**

**2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

The financial statements are presented in Singapore Dollars ("SGD" or "\$").

**2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 April 2016. The adoption of these standards did not have any effect on the financial performance or position of the Company.

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

## 2.3 Standards issued but not yet effective

The Company has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Improvements to FRSs (December 2016)	
- Amendments to FRS 112: <i>Classifications of the Scope of the Standard</i>	1 January 2017
- Amendments to FRS 28: <i>Measuring an Associate of Joint Venture at fair value</i>	1 January 2018
- Amendments to FRS 40: <i>Transfers of Investment Property</i>	1 January 2018
Amendments to FRS 102: <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to FRS 104: <i>Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts</i>	1 January 2018
Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
INT FRS 122 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 110 & FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Except for FRS 115, FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS109 and FRS 116 are described below.

#### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Company include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

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

2.3 **Standards issued but not yet effective (cont'd)**

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Company to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees - leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Company is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Company expects the adoption of the new standard will result in increase in total assets and total liabilities, surplus before interest, depreciation and gearing ratio.

2.4 **Functional currency**

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency.

**Transactions and balances**

Transactions in foreign currencies are measured in the functional currency and are recorded on initial recognition in the functional currency 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.

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

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

### 2.5 *Equipment*

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

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	-	5 - 10 years
Office equipment	-	5 years
Electrical fittings, sound and light equipment	-	5 years
Computers	-	3 years

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

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

An item of 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.

### 2.6 *Impairment of non-financial assets*

The Company 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 Company 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 group 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 of continuing operations 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.

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.

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

2.7 *Financial instruments*

(a) **Financial assets**

**Initial recognition and measurement**

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement - Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

**De-recognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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 is recognised in profit or loss.

(b) **Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company 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.



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

2.7 **Financial instruments (cont'd)**

(b) **Financial liabilities (cont'd)**

**De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.8 **Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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

**2.9 Cash and cash equivalents**

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

**2.10 Provisions**

*General*

Provisions are recognised when the Company 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.

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.

**2.11 Grants**

Grants received are from the government and its related agencies.

Government grants are recognised at their fair value where 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 balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Grants received from the National Arts Council for capital expenditure are taken to the deferred capital grants account upon the utilisation of the grants for purchase of equipment, which are capitalised, or to income or expenditure for purchase of equipment which are written off in the year of purchase.

Deferred capital grants are recognised as income over the periods necessary to match the depreciation, amortisation, write-off and/or impairment loss of the equipment purchased with the related grants. Upon the amortisation or disposal of equipment, the balance of the related deferred capital grants is recognised as income to match the carrying amount of the equipment disposed of.

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

2.12 *Employee benefits*

(a) **Defined contribution plans**

The Company makes contributions to the Central Provident Fund ("CPF") 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 entitlement**

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.13 *Leases*

(a) **As lessee**

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

(b) **As lessor**

Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.14. Contingent rents are recognised as revenue in the period in which they are earned.

2.14 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) **Rental income**

Rental income arising from sub-letting of lease buildings is accounted for on a straight-line basis over the lease terms on ongoing leases.

(b) **Venue hire**

Venue hire is recognised when the event has been completed.

(c) **Programming events income**

Programming events income are recognised as earned when the show/event has been completed.

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

**2.14 Revenue (cont'd)**

**(d) Cash sponsorships, contributions and donations**

Cash sponsorships, contributions and donations are recognised on a receipt basis, except for those made for specified purposes, which are recognised to match the specified expenditure when incurred.

**(e) Management fee income**

Management fee income is recognised when the service is rendered.

**(f) Interest Income**

Interest income is recognised using the effective interest method.

**2.15 Taxes**

The Company has been registered as a charity under the Charities Act. According to Section 13(1)(zm) of the Singapore Income Tax Act, the income of the Company will be exempted from tax.

**2.16 Unearned revenue**

Revenue billed in advance to customers which does not qualify for recognition as revenue under the Company's revenue recognition policy is reflected as unearned revenue. Cultural matching fund, sponsorships, contributions and donations that have not been applied for approved use are also recognised as unearned revenue until applied.

**2.17 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 events not wholly within the control of the Company; 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;
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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 Company.

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

**3. Significant accounting judgments and estimates**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Arts House Ltd

Notes to the financial statements  
For the financial year ended 31 March 2017

4. Equipment

	Furniture and fittings \$	Office equipment \$	Electrical fittings, sound and light equipment \$	Computers \$	Art works \$	Total \$
<b>Cost</b>						
At 1 April 2015	714,207	35,534	180,827	173,500	5,000	1,109,068
Additions	3,918	26,400	298,417	71,187	–	399,922
Write off	(209,092)	(4,370)	(94,847)	(930)	(5,000)	(314,239)
At 31 March 2016 and at 1 April 2016	509,033	57,564	384,397	243,757	–	1,194,751
Additions	187,668	–	72,297	67,557	–	327,522
Write off	(162,154)	–	(27,034)	(47,829)	–	(237,017)
At 31 March 2017	534,547	57,564	429,660	263,485	–	1,285,256
<b>Accumulated depreciation</b>						
At 1 April 2015	528,560	22,393	164,080	138,152	–	853,185
Charge for the financial year	43,366	9,817	73,085	44,047	–	170,315
Write off	(193,270)	(4,370)	(94,847)	(930)	–	(293,417)
At 31 March 2016 and at 1 April 2016	378,656	27,840	142,318	181,269	–	730,083
Charge for the financial year	68,822	8,465	76,132	59,346	–	212,765
Write off	(155,994)	–	(27,034)	(47,829)	–	(230,857)
At 31 March 2017	291,484	36,305	191,416	192,786	–	711,991
<b>Net carrying amount</b>						
At 31 March 2017	243,063	21,259	238,244	70,699	–	573,265
At 31 March 2016	130,377	29,724	242,079	62,488	–	464,668

Arts House Ltd

Notes to the financial statements  
For the financial year ended 31 March 2017

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5. Trade and other receivables

	2017	2016
	\$	\$
Trade receivables	182,568	494,581
Deposits	102,539	110,478
Other receivables	120,365	216,530
Total trade and other receivables	405,472	821,589
Add: Cash and cash equivalents (Note 6)	10,547,616	8,947,202
Total loans and receivables	10,953,088	9,768,791

Trade receivables are non-interest bearing and are generally on 14 to 30 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables that are past due but not impaired

The Company has trade receivables amounting to \$127,017 (2016: \$147,176) respectively that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	2017	2016
	\$	\$
Trade receivables past due:		
Less than 30 days	97,237	69,488
31 to 60 days	8,642	27,795
61 to 90 days	6,500	18,882
More than 91 days	14,638	31,011
	127,017	147,176

Notes to the financial statements  
For the financial year ended 31 March 2017

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5. Trade and other receivables (cont'd)

Trade receivables that are impaired

The Company's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	<b>Individually impaired</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
Trade receivable at nominal amounts	6,668	49,789
Less: Allowance for impairment	(6,668)	(30,868)
	-	18,921
Movement in allowance accounts		
At 1 April	30,868	20,362
Charge for the financial year (Note 13)	6,668	30,354
Reversal during the financial year (Note 13)	(29,493)	(522)
Written off	(1,375)	(19,326)
	6,668	30,868
At 31 March	6,668	30,868

Trade and other receivables that are impaired

The bad debts written off directly to profit or loss for the Company's trade and other receivables are as follows:

	<b>Individually impaired</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
Bad debts written off directly to profit or loss:		
- trade	2,429	39
	2,429	39



Arts House Ltd

Notes to the financial statements  
For the financial year ended 31 March 2017

6. Cash and cash equivalents

	2017 \$	2016 \$
Cash at banks and on hand	8,547,616	8,384,267
Short-term deposits	2,000,000	562,935
Total cash and cash equivalents	<u>10,547,616</u>	<u>8,947,202</u>

Short-term deposits are placed for varying periods of between one month and one year, depending on the immediate cash requirements of the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits is 0.05% to 0.63% (2016: 0.05% to 0.15%) per annum.

7. Trade and other payables

	2017 \$	2016 \$
Trade payables	949,758	324,832
Accrued operating expenses	915,377	1,341,403
Other payables	73,219	66,992
GST payables	58,110	64,304
Rental deposits	494,291	434,894
Security deposits	112,290	104,510
Total trade and other payables	<u>2,603,045</u>	<u>2,336,935</u>
Less: GST payables	(58,110)	(64,304)
Total financial liabilities carried at amortised cost	<u>2,544,935</u>	<u>2,272,631</u>

Trade payables are non-interest bearing and are normally settled on 30 days' term. Other payables are non-interest bearing and have an average term of between three to six months.

Trade payables denominated in foreign currencies as at 31 December are as follows:

	2017 \$	2016 \$
Japanese Yen	22,063	-
United States dollars	12,395	-
Euro	5,852	-
	<u>40,310</u>	<u>-</u>

Notes to the financial statements  
For the financial year ended 31 March 2017

8. Unearned revenue

Unearned revenue arises from events revenue received in advance as well as sponsorship monies for future events. Included in unearned revenue are tax deductible cash donations amounting to \$ NIL (2016: \$161,000) where tax deductible receipts have already been issued but will only be matched against sponsored events after the year-end.

9. Deferred capital grant

	2017 \$	2016 \$
<b>Cost:</b>		
At 1 April	698,000	98,000
Received during the financial year	–	120,000
Transferred from grant received in advance	–	480,000
At 31 March	698,000	698,000
<b>Accumulated amortisation:</b>		
At 1 April	390,667	19,600
Amortisation during the financial year	69,483	371,067
At 31 March	460,150	390,667
<b>Net carrying amount:</b>		
Current	69,483	69,483
Non-current	168,367	237,850
	237,850	307,333

Deferred capital grant relates to grant received from the National Arts Council for the renovation works and replacement of theatre, lighting, audio, visual and communication systems at The Arts House building. The grants are deferred and amortised using straight line method over the useful lives of renovation and equipment which are 5 to 10 years.

10. Grants received in advance

Grants received in advance relate to grants received from the Ministry of Culture, Community and Youth (MCCY) under the “Cultural Matching Fund” (CMF), and programming grant from the National Arts Council. As the expenditure has not been fully incurred as of the end of the reporting period, the grants are not utilised and therefore are recognised as grants received in advance.

Arts House Ltd

Notes to the financial statements  
For the financial year ended 31 March 2017

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11. Other income

	2017 \$	2016 \$
Consultancy income	–	20,000
Employment credit scheme from government	74,236	135,377
Interest income	5,537	444
License Fee income	87,900	84,200
Retail income	–	3,424
Ticketing income	4,085	7,981
Others	11,530	14,477
	<hr/>	<hr/>
	183,288	265,903

12. Staff and related expenses

	2017 \$	2016 \$
Short-term employee benefits:		
- Staff	2,897,007	3,130,183
- Key management personnel	774,134	595,537
Central Provident Fund contributions:		
- Staff	381,448	394,400
- Key management personnel	52,433	40,447
	<hr/>	<hr/>
Total staff and related expenses	4,105,022	4,160,567

13. Other operating expenditure

	2017 \$	2016 \$
Allowance for doubtful debts	6,668	30,354
Reversal of allowance for doubtful debts	(29,493)	(522)
Bad debts written off directly (trade)	2,429	39
GST expense	505,287	464,688
Equipment written off	6,160	20,822
Minor assets expensed off	23,447	183,406
Rental of office	162,800	225,446
Professional fees	240,457	226,823

Notes to the financial statements  
For the financial year ended 31 March 2017

14. Grants

	2017 \$	2016 \$
Operating grants from NAC	8,446,054	8,370,703
Programming grants from NAC	318,542	955,265
Programming grants from MCCY	–	1,184,000
Programming grants supported by Sing France	–	855,040
Market rental subvention	4,331,744	3,279,552
	13,096,340	14,644,560

Grants received are mainly from National Arts Council and are on voluntary basis. Contributions received are to be utilised for the operating needs of the Company. In the opinion of the directors, there are no unfulfilled conditions or contingencies attached to these grants.

Included in operating grants was an amount of \$6,100,000 (2016: \$6,100,000) in relation to the Singapore International Festival of Arts (“SIFA”).

Market rental subvention represents government grants for market rental of buildings under management by the Company.

15. Income tax

No provision has been made for tax as the Company is exempted from tax in accordance with Section 13(1)(zm) of the Singapore Income Tax Act.

16. Commitments

Operating lease commitments

*As lessee*

The Company has operating lease agreements for rental of buildings, office and equipment. Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 March 2017 amounted to \$4,505,296 (2016: \$3,514,560). Future minimum lease payments payable under non-cancellable operating leases as at 31 March are as follows:

	2017 \$	2016 \$
Within one year	1,095,078	1,093,688
More than one year	21,880	17,222
	1,116,958	1,110,910

The Company receives the market rental subvention grant from NAC for the full amount of rental expenses on same lease period.

Notes to the financial statements  
For the financial year ended 31 March 2017

## 16. Commitments (cont'd)

## Operating lease commitments (cont'd)

*As lessor*

The Company have entered into commercial leases to sublet its leased building. These non-cancellable leases have remaining non-cancellable lease terms of between 1 year and 5 years.

Minimum lease receipts recognised as an income in profit or loss for the financial year ended 31 March 2017 amounted to \$3,244,530 (2016: \$2,792,197).

The future minimum lease payments receivable under non-cancellable operating leases as at 31 March are as follows:

	2017 \$	2016 \$
Within one year	1,572,701	778,577
More than one year	1,037,767	571,541
	2,610,468	1,350,118

## 17. Related party transactions

In addition to related party transactions disclosed elsewhere in the financial statements, the following significant related party transactions between the Company and National Arts Council took place based on terms agreed between the parties during the financial year.

## (a) Services rendered and grants received

	2017 \$	2016 \$
<b><u>Income and Grants:</u></b>		
Programming grant to The Arts House	298,722	553,065
Programming grant to Goodman Arts Centre	21,692	24,600
Programming grant to Aliwal Arts Centre	36,800	47,600
Programming grant to SIFA	–	1,185,040
Capital grant to The Arts House	–	120,000
Government grant on market rental subvention	4,331,744	3,279,552
Operating grant to SIFA	6,100,000	6,100,000
Operating grant for venue management	2,346,054	2,270,703
Service charges for National Council Office	590,032	541,680
Service charges top-up for Goodman Arts Centre Arts Tenants	324,548	313,585
	4,331,744	3,279,552
<b><u>Expenses:</u></b>		
Rental of building	4,331,744	3,279,552

## 17. Related party transactions (cont'd)

## (b) Compensation of key management personnel

	2017 \$	2016 \$
Amounts paid to director and other key management personnel of the Company:		
- Short-term employee benefits	774,134	595,537
- Central Provident Fund contributions	52,433	40,447
	826,567	635,984

## 18. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company does not use derivatives and other instruments in its risk management activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Risk management is carried out under policies approved by the board of directors. The board provides guidelines for overall risk management, as well as policies for managing each of the risks as summarised below.

## (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 Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, mainly cash and cash equivalents, the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Credit risk concentration profile

The Company has no significant concentration of credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 5 to the financial statements.

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Surplus funds are placed with reputable banks as funding is obtained from government grants.

*Analysis of financial instruments by remaining contractual maturities*

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

	<b>One year or less</b>	
	<b>2017</b>	<b>2016</b>
	\$	\$
<b>Financial assets:</b>		
Trade and other receivables	405,472	821,589
Cash and cash equivalents	10,547,616	8,947,202
Total undiscounted financial assets	10,953,088	9,768,791
<b>Financial liabilities:</b>		
Trade and other payables (excluding GST payable), representing total undiscounted financial liabilities	2,544,935	2,272,631
Total net undiscounted financial assets	8,408,153	7,496,160

Notes to the financial statements  
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19. General Funds

	2017 \$	2016 \$
Unrestricted Funds (Reserves):		
- General Fund	7,578,026	7,245,313
Total funds	<u>7,578,026</u>	<u>7,245,313</u>
Ratio of reserves to annual operating expenditure	<u>0.3763:1</u>	<u>0.3565:1</u>

The reserves that the Company have set aside provide financial stability and the means for the development of its principal activities.

The board of directors regularly reviews the amount of reserves that are required to ensure that they are adequate to fulfil the Company's continuing obligations.

20. Comparative figures

The Company had made certain reclassification to comparatives in the statement of comprehensive income to conform to the current year presentation. The reclassification provides more relevant information about the financial performance of the Company although there is no impact on the net surplus for the financial year.

	2016		
	As previously reported \$	Reclassifications \$	Reclassified \$
<b>Statement of comprehensive income:</b>			
Venue hire	1,133,750	(34,420)	1,099,330
Sales of tickets	643,590	(643,590)	-
Programming events income	-	670,029	670,029
Carpark	-	135,056	135,056
Other income	392,534	(126,631)	265,903
Interest income	444	(444)	-

21. Authorisation of financial statements

The financial statements of the Company for the financial year ended 31 March 2017 were authorised for issue in accordance with a resolution of the directors on **29 AUG 2017**.