

Company Registration No. 200210647W  
Charity No. 01658

Arts House Ltd.

Annual Financial Statements  
31 March 2019



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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 2019.

#### **Opinion of the Directors**

In the opinion of the Directors,

- (i) the accompanying balance sheet, statement of comprehensive income, statement of changes in accumulated funds and cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 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:

Tan Wee Yan Wilson  
Ang Kah Eng Kelvin  
Eduardo Ramos-Gomez  
Kwok Siew Loong Kenneth  
Lynette Pang Hsu Lyin  
Madeleine Lee Suh Shin  
Maniza Jumabhoy  
Ong Chao Choon  
Ong Han Peng  
Phua Hwee Choo  
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.**

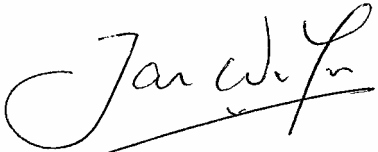
**Directors' statement**

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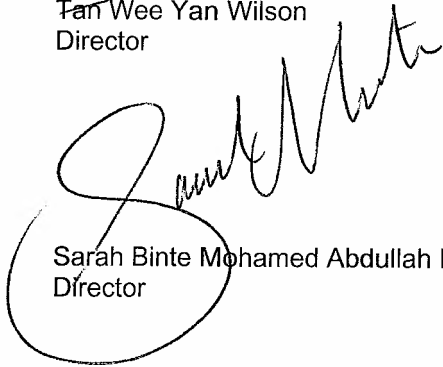
**Auditor**

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:



Tan Wee Yan Wilson  
Director



Sarah Binte Mohamed Abdullah Martin  
Director

Singapore  
5 September 2019

**Arts House Ltd.**

**Independent auditor's report  
For the financial year ended 31 March 2019**

**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 2019, 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 2019 and of the financial performance, changes in accumulated funds 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 2019**

**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 2019**

**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 us 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 11 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

5 September 2019

**Arts House Ltd.****Balance sheet  
As at 31 March 2019**

	<b>Note</b>	<b>FY18/19 \$</b>	<b>FY17/18 \$</b>
<b>Non-current assets</b>			
Fixed assets	4	462,115	547,275
<b>Current assets</b>			
Trade and other receivables	5	1,206,459	687,122
Contract assets	8	157,786	202,565
Prepaid operating expenses		51,084	207,538
Cash and bank balances	6	14,806,023	13,751,155
		16,221,352	14,848,380
<b>Current liabilities</b>			
Trade and other payables	7	4,504,936	5,624,905
Contract liabilities	8	1,301,039	950,598
Deferred capital grant	9	68,003	68,942
Grants and donations received in advance	10	606,717	91,314
		6,480,695	6,735,759
<b>Net current assets</b>		9,740,657	8,112,621
<b>Non-current liability</b>			
Deferred capital grant	9	29,400	98,343
		29,400	98,343
<b>Net assets</b>		10,173,372	8,561,553
<b>Equity</b>			
General funds	21	10,173,372	8,561,553
<b>Accumulated surplus</b>		10,173,372	8,561,553

*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 2019**

	<b>Note</b>	<b>FY18/19 \$</b>	<b>FY17/18 \$</b>
<b>Income</b>			
Venue hire		5,725,937	4,285,907
Management fee income		26,667	46,667
Programming events income		1,047,820	470,511
Carpark		141,951	153,189
	11	6,942,375	4,956,274
Rental income		1,565,630	1,818,121
Service charge		892,057	898,097
Landlord spaces service charge		895,500	788,972
Cultural matching fund		—	864,953
Sponsorships, contributions and donations - tax deductible receipts		51,600	411,802
Sponsorships, contributions and donations - non-tax deductible receipts		509,935	385,331
Other income	12	398,915	226,276
Total income		11,256,012	10,349,826
<b>Expenditure</b>			
Art programming expenses		(4,786,407)	(5,364,191)
Marketing and publicity expenses		(1,096,328)	(1,092,695)
Building rental		(4,335,071)	(4,331,744)
Property maintenance and utilities		(6,378,331)	(4,977,633)
Depreciation of fixed assets	4	(259,138)	(247,889)
Venue hire and tenancy cost		(1,151,249)	(618,224)
Staff and related expenses	13	(9,640,975)	(7,762,638)
Write-back of accruals and payables		—	15,000
Other operating expenditure	14	(1,811,770)	(1,307,408)
Total expenditure		(29,459,269)	(25,687,422)
<b>Deficit before grants</b>		(18,203,257)	(15,337,596)
Grants	15	19,746,134	17,235,164
Amortisation of deferred capital grant	9	68,942	69,483
<b>Surplus after grants</b>		1,611,819	1,967,051
Income tax expenses	16	—	—
<b>Net surplus for the financial year, representing total comprehensive income for the financial year</b>		1,611,819	1,967,051

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

**Arts House Ltd.**

**Statement of changes in accumulated fund  
For the financial year ended 31 March 2019**

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	<b>Note</b>	<b>General funds \$</b>
Opening balance at 1 April 2017		7,578,026
Net surplus for the financial year, representing total comprehensive income for the financial year		1,967,051
Distribution of funds to National Arts Council	17	(983,524)
Closing balance at 31 March 2018		<u>8,561,553</u>
Opening balance at 1 April 2018		8,561,553
Net surplus for the financial year, representing total comprehensive income for the financial year		1,611,819
Closing balance at 31 March 2019		<u>10,173,372</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 2019**

	<b>Note</b>	<b>FY18/19</b> \$	<b>FY17/18</b> \$
<b>Operating activities</b>			
Deficit before grants		(18,203,257)	(15,337,596)
Adjustments:			
Depreciation of fixed assets	4	259,138	247,889
Bad debts written off	14	–	6,300
Allowance for doubtful debts	14	185,637	52,248
Reversal of allowance for doubtful debts	14	(18,078)	–
Fixed assets written off		2,050	7,906
Deferred capital grant written off		(940)	(1,082)
Interest income	12	(121,213)	(14,753)
Operating cash flows before changes in working capital		(17,896,663)	(15,039,088)
Increase in trade and other receivables		(637,086)	(334,273)
Decrease/(increase) in contract assets		44,779	(202,565)
Decrease/(increase) in prepaid operating expenses		156,454	(122,940)
(Decrease)/increase in trade and other payables		(1,119,969)	2,038,336
Increase in contract liabilities		350,441	604,376
<b>Cash flows used in operations, representing net cash flows used in operating activities</b>		<b>(19,102,044)</b>	<b>(13,056,154)</b>
<b>Investing activities</b>			
Purchase of fixed assets		(176,028)	(229,805)
Interest received		71,403	8,828
Increase in investment in long-term deposits (maturity more than 3 months from financial year end)		(2,995,676)	(2,016,345)
<b>Net cash flows used in investing activities</b>		<b>(3,100,301)</b>	<b>(2,237,322)</b>
<b>Financing activity</b>			
Government grants received (Note (i)), representing net cash flows generated from financing activity		20,261,537	16,480,670
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,940,808)</b>	<b>1,187,194</b>
Cash and cash equivalents at 1 April		10,734,810	9,547,616
<b>Cash and cash equivalents at 31 March</b>	<b>6</b>	<b>8,794,002</b>	<b>10,734,810</b>

*Note (i): Include market rental subvention grants received for market rental of buildings under management by the Company amounting to \$4,335,071 (FY17/18: \$4,331,744).*

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

**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 28 Aliwal Street #03-07 Singapore 199918.

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 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

**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
FRS 116 <i>Leases</i>	1 January 2019
Amendments to FRS 109: <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to FRS 28: <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Improvements to FRSs (March 2018)	
FRS 117 <i>Insurance Contracts</i>	1 January 2021
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

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

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

Except for 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 116 is described below.

**FRS 116 Leases**

FRS 116 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions 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. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Company is currently assessing the potential impact of the new standard and plans to adopt the new standard on the required effective date.

**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 of the Company 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.

**2.5 Fixed Assets**

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets 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 fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

**2.5 Fixed Assets (cont'd)**

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

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in 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 are recognised in profit or loss.

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.

**2.7 Financial instruments**

**(a) Financial assets**

Initial recognition and measurement

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

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, 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 Company 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

Subsequent measurement of debt instruments depends on the Company'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:

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

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

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

**(i) Amortised cost**

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 recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

**(ii) Fair value through other comprehensive income (FVOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

**(iii) Fair value through profit or loss**

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income (FVOCI) are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

**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.

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

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

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

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.

De-recognition

A financial liability is derecognised 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 recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit and loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flow will include cash flows from the sale of collateral held or other credit enhancement 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 the timing of a default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on a lifetime ECLs at each reporting date. The Company 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.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.



**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.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Operating grants are recognised in profit or loss when received or when recognition criteria are fulfilled.

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 fixed assets, which are capitalised, or to income or expenditure for purchase of fixed assets 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 fixed assets purchased with the related grants. Upon the amortisation or disposal of fixed assets, the balance of the related deferred capital grants is recognised as income to match the carrying amount of the fixed assets 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. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. 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**

The Company leases buildings from related parties (state-controlled entities (Note 18)) and equipment from third parties.

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**

The Company leases buildings under operating leases to non-related parties.

Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in statement of comprehensive income on a straight-line basis over the lease term.

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 measured based on the consideration to which the Company 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 Company 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 or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

**2.14 Revenue (cont'd)**

**(a) Rental income and service charge**

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

**(b) Landlord spaces service charge**

Landlord spaces service charge is recognised on a straight-line basis over the period where spaces are occupied by the landlords.

**(c) Venue hire**

Venue hire is recognised over time, over the period of hire.

**(d) Programming events income**

Programming events income are recognised at a point in time, when the show/event has been completed.

**(e) 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.

**(f) Management fee income**

Management fee income is recognised over time, over the period which the services are rendered.

**(g) Interest Income**

Interest income is recognised using the effective interest method.

**(h) Carpark Income**

Carpark income is recognised at a point in time, when the carpark facilities is utilised.

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

### 2.16 *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 2019

4. Fixed assets

	Furniture and fittings \$	Office equipment \$	Electrical fittings, sound and light equipment \$	Computers \$	Total \$
<b>Cost</b>					
At 1 April 2017	534,547	57,564	429,660	263,485	1,285,256
Additions	85,997	7,082	60,878	75,848	229,805
Write off	(135,620)	(5,226)	(11,782)	(31,918)	(184,546)
At 31 March 2018 and at 1 April 2018	484,924	59,420	478,756	307,415	1,330,515
Additions	41,926	—	25,466	108,636	176,028
Write off	(72,041)	(10,310)	(13,754)	(36,165)	(132,270)
At 31 March 2019	454,809	49,110	490,468	379,886	1,374,273
<b>Accumulated depreciation</b>					
At 1 April 2017	291,484	36,305	191,416	192,786	711,991
Charge for the financial year	78,828	10,534	86,996	71,531	247,889
Write off	(128,795)	(5,226)	(10,701)	(31,918)	(176,640)
At 31 March 2018 and at 1 April 2018	241,517	41,613	267,711	232,399	783,240
Charge for the financial year	81,141	8,278	91,548	78,171	259,138
Write off	(70,930)	(10,310)	(12,815)	(36,165)	(130,220)
At 31 March 2019	251,728	39,581	346,444	274,405	912,158
<b>Net carrying amount</b>					
At 31 March 2018	243,407	17,807	211,045	75,016	547,275
At 31 March 2019	203,081	9,529	144,024	105,481	462,115

The net write-off during the year amounting to \$2,050 (FY17/18: \$7,906) includes an amount of \$940 (FY17/18: \$1,082) which was funded by Deferred Capital Grant.

**Arts House Ltd.**

**Notes to the financial statements  
For the financial year ended 31 March 2019**

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**5. Trade and other receivables**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	955,855	547,293
Deposits	152,498	128,718
Other receivables	98,106	11,111
Total trade and other receivables	1,206,459	687,122
Add: Cash and bank balances (Note 6)	14,806,023	13,751,155
Total financial assets carried at amortised cost	16,012,482	14,438,277

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 were past due but not impaired

The Company have trade receivables amounting to \$235,826 as at 1 April 2018 that were 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:

	<b>FY17/18</b>
	<b>\$</b>
Trade receivables past due:	
Less than 30 days	214,934
31 to 60 days	14,224
61 to 90 days	3,081
More than 90 days	3,587
	235,826

**Arts House Ltd.**

**Notes to the financial statements  
For the financial year ended 31 March 2019**

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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 FY17/18 \$</b>
Trade receivable at nominal amounts	62,248
Less: Allowance for impairment	(52,248)
	<hr/> 10,000 <hr/>
Movement in allowance accounts	
At 1 April	6,668
Charge for the financial year (Note 14)	52,248
Reversal during the financial year (Note 14)	—
Written off	(6,668)
	<hr/> 52,248 <hr/>
At 31 March	<hr/> 52,248 <hr/>

Expected credit losses

The movement in allowance for expected credit losses of trade receivables and other receivables computed based on lifetime ECL are as follows:

Movement in allowance accounts:

	<b>FY18/19 \$</b>
At 1 April	52,248
Charge for the financial year (Note 14)	185,637
Reversal during the financial year (Note 14)	(18,078)
	<hr/> 219,807 <hr/>
At 31 March	<hr/> 219,807 <hr/>

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

	<b>Individually impaired FY18/19 \$</b>	<b>FY17/18 \$</b>
Bad debts written off directly to profit or loss:		
- trade	—	6,300
	<hr/>	<hr/>

**Arts House Ltd.**

**Notes to the financial statements  
For the financial year ended 31 March 2019**

**6. Cash and bank balances**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Cash at banks and on hand	2,284,501	9,732,327
Short-term deposits	6,509,501	1,002,483
Total cash and cash equivalents	8,794,002	10,734,810
Long-term deposits	6,012,021	3,016,345
Total cash and bank balances	14,806,023	13,751,155

Short-term deposits are placed for varying periods of between 1 month and 3 months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits is 1.09% to 1.68% (FY17/18: 0.70%) per annum.

Long-term deposits are placed for varying periods of between 4 months and 12 months, depending on the immediate cash requirements of the Company, and earn interest at the respective long-term deposit rates. The weighted average effective interest rate of long-term deposits is 0.80% to 1.78% (FY17/18: 0.35% to 0.87%) per annum.

**7. Trade and other payables**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,252,940	1,322,327
Accrued operating expenses	2,292,097	1,742,661
Amount due to National Arts Council	—	1,667,172
Other payables	31,376	93,279
GST payables	99,898	79,537
Rental deposits	628,866	616,438
Security deposits	199,759	103,491
Total trade and other payables	4,504,936	5,624,905
Less: GST payables	(99,898)	(79,537)
Total financial liabilities carried at amortised cost	4,405,038	5,545,368

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 30 days.

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

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
United States dollars	1,901	60,697
Euro	2,781	38,659



**Notes to the financial statements**  
**For the financial year ended 31 March 2019**

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**8. Contract assets and contract liabilities**

Contract assets primarily relate to unbilled receivables arising from venue hire income earned but has yet to be billed to customers. These are unconditional right to consideration for service completed but not yet billed at reporting date. It is transferred to trade receivables when invoices have been issued.

Contract liabilities primarily relate to the Company's obligation to transfer services to customers for which the Company has received advances from customer for venue hire services that have yet to be provided.

Contract assets are recorded as part of trade receivables and contract liabilities are recorded as unearned revenue before FRS 115 initial application date on 1 April 2018.

**9. Deferred capital grant**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
<b>Cost:</b>		
At 1 April	695,295	698,000
Write off	(4,698)	(2,705)
At 31 March	690,597	695,295
<b>Accumulated amortisation:</b>		
At 1 April	528,010	460,150
Amortisation	68,942	69,483
Write off	(3,758)	(1,623)
At 31 March	593,194	528,010
<b>Net carrying amount:</b>		
Current	68,003	68,942
Non-current	29,400	98,343
	97,403	167,285

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 and donations received in advance**

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

**Arts House Ltd.**

**Notes to the financial statements  
For the financial year ended 31 March 2019**

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**11. Income**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
<b>Timing of transfer of goods or services</b>		
At a point in time	1,189,771	623,700
Over time	5,752,604	4,332,574
	<hr/>	<hr/>
	6,942,375	4,956,274
	<hr/>	<hr/>

**12. Other income**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Employment Credit Scheme from government	137,829	104,827
Interest income	121,213	14,753
License fee income	86,400	86,400
Others	53,473	20,296
	<hr/>	<hr/>
	398,915	226,276
	<hr/>	<hr/>

**13. Staff and related expenses**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits:		
- Staff	7,904,419	6,247,529
- Key management personnel	626,689	602,912
Central Provident Fund contributions:		
- Staff	1,069,328	879,557
- Key management personnel	40,539	32,640
	<hr/>	<hr/>
Total staff and related expenses	9,640,975	7,762,638
	<hr/>	<hr/>

**Arts House Ltd.**

**Notes to the financial statements  
For the financial year ended 31 March 2019**

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**14. Other operating expenditure**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
The following charges/(credits) are included in other operating expenditure:		
Allowance for doubtful debts (Note 5)	185,637	52,248
Reversal of allowance for doubtful debts (Note 5)	(18,078)	–
Bad debts written off directly (trade) (Note 5)	–	6,300
GST expense	598,927	610,634
Fixed assets written off	1,110	6,824
Minor assets expensed off	153,750	79,573
Professional fees	249,649	194,342
Recruitment fees	116,107	11,696

**15. Grants**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Operating grants	15,148,304	12,667,163
Programming grants	262,759	236,257
Market rental subvention	4,335,071	4,331,744
	<u>19,746,134</u>	<u>17,235,164</u>

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. The grants received were subject to terms and conditions. Management is not aware of any non-fulfilment of terms and conditions that will affect the amounts as disclosed.

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

**16. 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.

**17. Distribution of funds to National Arts Council**

Operating surplus amounting to \$nil (FY17/18: \$983,524) is set aside for return to National Arts Council in accordance with the agreed terms between the Company and National Arts Council.

**Notes to the financial statements**  
**For the financial year ended 31 March 2019**

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**18. Commitments**

**Operating lease commitments**

***As lessee***

The Company has operating lease agreements for rental of buildings and equipment. Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 March 2019 amounted to \$4,355,639 (FY17/18: \$4,348,724). Future minimum lease payments payable under non-cancellable operating leases as at 31 March are as follows:

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Within one year	1,091,760	1,105,184
More than one year	26,754	43,012
	<hr/>	<hr/>
	1,118,514	1,148,196
	<hr/>	<hr/>

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

***As lessor***

The Company have entered into commercial leases to sublet its leased buildings. These non-cancellable leases have remaining non-cancellable lease terms of between 1 month and 3 years.

Minimum lease receipts recognised as an income in profit or loss for the financial year ended 31 March 2019 amounted to \$3,353,187 (FY17/18: \$3,505,190).

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

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Within one year	974,793	1,912,999
More than one year	614,437	364,807
	<hr/>	<hr/>
	1,589,230	2,277,806
	<hr/>	<hr/>

**Notes to the financial statements**  
**For the financial year ended 31 March 2019**

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**19. Related party transactions**

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

(a) **Services rendered and grants received**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
<b><u>Income and Grants:</u></b>		
Programming grant to The Arts House	259,759	217,750
Programming grant to Aliwal Arts Centre	3,000	18,507
Government grant on market rental subvention	4,335,071	4,331,744
Operating grant	15,148,304	12,667,163
Service charge	622,649	601,049
Venue hire	182,747	123,110
	<hr/>	<hr/>
<b><u>Expenses:</u></b>		
Rental of building	4,335,071	4,331,744
	<hr/>	<hr/>

(b) **Compensation of key management personnel**

	<b>FY18/19</b>	<b>FY17/18</b>
	<b>\$</b>	<b>\$</b>
Amounts paid to director and other key management personnel of the Company:		
- Short-term employee benefits	626,689	602,912
- Central Provident Fund contributions	40,539	32,640
	<hr/>	<hr/>
	667,228	635,552
	<hr/>	<hr/>

**20. 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.

The following sections provide details regarding the 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 Company's exposure to credit risk arises primarily from its trade receivables. For other financial assets (including cash at banks), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

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

The Company has determined the default event on a financial asset to be when the external or internal information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating; and
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payout. The Company determined that its financial assets are credit-impaired when there is significant difficulty of the debtor. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

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

**(a) Credit risk (cont'd)**

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Company provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Company's historical observed default rates analysed in accordance to 90 days' past due.

The expected credit losses also incorporate forward looking information such as forecast of economic conditions which show the probability of defaults in the relevant industry.

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 5.

Exposure to credit risk

As at the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the balance sheet.

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 and contract assets 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.

**(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 with staggered maturities.

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

(b) Liquidity risk (cont'd)

*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.

	One year or less	
	FY18/19	FY17/18
	\$	\$
<b>Financial assets:</b>		
Trade and other receivables	1,206,459	687,122
Cash and bank balances	14,806,023	13,751,155
Total undiscounted financial assets	16,012,482	14,438,277
<b>Financial liabilities:</b>		
Trade and other payables (excluding GST payable), representing total undiscounted financial liabilities	4,405,038	5,545,368
Total net undiscounted financial assets	11,607,444	8,892,909

21. General Funds

	FY18/19	FY17/18
	\$	\$
Unrestricted Funds (Reserves):		
- General Fund	10,173,372	8,561,553
Total funds	10,173,372	8,561,553
Ratio of reserves to annual operating expenditure	1 : 2.90	1 : 3.00

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.



**Notes to the financial statements**  
**For the financial year ended 31 March 2019**

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**22. 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.

	As previously reported \$	FY17/18	
		Reclassifications \$	Reclassified \$
<b>Statement of comprehensive income:</b>			
Service charge	1,687,069	(788,972)	898,097
Landlord spaces service charge	–	788,972	788,972

**23. Authorisation of financial statements**

The financial statements of the Company for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 5 September 2019.