

DHARMA DRUM (SINGAPORE)
(Unique Entity Number: T04SS0012C)
(Registered under the Societies Act, Cap.311)

(Incorporated in the Republic of Singapore)

ANNUAL REPORT FOR THE YEAR ENDED
31 MAY 2020

LOUISE NEO & COMPANY
Public Accountants and
Chartered Accountants of Singapore
Registration no.: T05PF0864K
1 Fifth Avenue #03-08 Guthrie House Singapore 268802
Tel: 6274 9495 Fax: 6274 9497
E-mail: louiseco@singnet.com.sg

DHARMA DRUM (SINGAPORE)

TABLE OF CONTENTS

| | |
|---|---------|
| Statement by Management Committee Members | 1 |
| Independent Auditor's Report | 2 - 4 |
| Statement of Financial Activities | 5 - 7 |
| Statement of Financial Position | 8 |
| Statement of Changes in Fund | 9 |
| Statement of Cash Flow | 10 |
| Notes to the Financial Statements | 11 - 29 |

DHARMA DRUM (SINGAPORE)
Unique Entity Number: T04SS0012C
(Registered under the Societies Act, Cap.311)

STATEMENT BY MANAGEMENT COMMITTEE MEMBERS

We, the undersigned Management Committee Members, submit this annual report to the members together with the audited financial statements of **Dharma Drum (Singapore)** (the Society) for the financial year ended 31 May 2020.

Management Committee Members

| | |
|--------------------|------------------|
| Gan Swee Hwa | - President |
| Gao Dehui | - Vice President |
| Wong Chin Loon | - Secretary |
| Loh Wei | - Treasurer |
| Sun Hsiu Mei | - Vice Treasurer |
| Siow Kong Soon | - Member |
| Neo Tian Seng | - Member |
| Tay Joo Kiam Karen | - Member |
| Wong Chee Keen | - Member |
| Lee Nyeok Yen | - Member |

Auditors

The auditors, Louise Neo & Company, have expressed willingness to accept the re-appointment.

Statement by Management Committee Members

The Management Committee Members of **Dharma Drum (Singapore)**, do hereby state that in our opinion, the accompanying financial statements set out on pages 5 to 29 are drawn up so as to give a true and fair view of the financial position of the Society as at 31 May 2020 and of the financial activities, statement of changes in funds and cash flows of the Society for the year ended on that date.

At the date of this statement, there are reasonable grounds to believe that the Society will be able to pay its debts as and when they fall due.

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

On behalf of Management Committee



Gan Swee Hwa
President



Loh Wei
Treasurer



Wong Chin Loon
Secretary

Singapore,
30 SEP 2020



LOUISE NEO & COMPANY

Chartered Accountants of Singapore

(Registration No.: T05PF0864K)

1 Fifth Avenue #03-08 Guthrie House Singapore 268802

Tel: 6274 9495 Fax: 6274 9497 Email: louiseco@singnet.com.sg

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DHARMA DRUM (SINGAPORE)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Dharma Drum (Singapore)** (the "Society"), which comprise the statement of financial position as at 31 May 2020, and the statement of financial activities, statement of changes in funds and statement of cash flows for the 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 constitution of the Society, the Charities Act, Cap 37, the Societies Act, Cap 311 and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Society as at 31 May 2020 and of the statement of financial activities, changes in funds and cash flows of the Society for the year ended on that date

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 committee is responsible for the other information. The other information comprises the Statement by Management Committee Members set out on page 1.

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.



LOUISE NEO & COMPANY

Chartered Accountants of Singapore
(Registration No.: T05PF0864K)

1 Fifth Avenue #03-08 Guthrie House Singapore 268802
Tel: 6274 9495 Fax: 6274 9497 Email: louseco@singnet.com.sg

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DHARMA DRUM (SINGAPORE)

Responsibility of Management Committee 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 Constitution of the Society, the Charity Act, Cap 37, the Societies Act, Cap 311, Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 Society'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 Society or to cease operations, or has no realistic alternative but to do so.

The management committee's responsibilities include overseeing the Society's financial reporting process.

Auditor's Responsibility 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 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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



LOUISE NEO & COMPANY

Chartered Accountants of Singapore

(Registration No.: T05PF0864K)

1 Fifth Avenue #03-08 Guthrie House Singapore 268802

Tel: 6274 9495 Fax: 6274 9497 Email: louiseco@singnet.com.sg

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DHARMA DRUM (SINGAPORE)

Auditor's Responsibility for the Audit of the Financial Statements (Continued)

- 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 Society'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 Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management committee 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 society have been kept properly in accordance with the provisions of the Act.

LOUISE NEO & COMPANY
Public Accountants and
Chartered Accountants

Singapore,

30 SEP 2020

DHARMA DRUM (SINGAPORE)**STATEMENT TO THE FINANCIAL ACTIVITIES
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Income | | |
| Income from generated funds | | |
| Voluntary Income - Unrestricted | 231,227 | 208,171 |
| Voluntary Income - Restricted | 4,800 | 208,450 |
| Other Income | 18,287 | 12,955 |
| | 254,314 | 429,576 |
| Income from charitable activities | 211,471 | 333,173 |
| Total Income | 465,785 | 762,749 |
| Expenditures | | |
| Costs of generating funds | | |
| Opening inventories | 5,812 | 19,275 |
| Purchases | 15,931 | 7,376 |
| Inventory written off | - | (15,389) |
| Closing inventories | (9,176) | (5,812) |
| Costs of goods sold | 12,567 | 5,450 |
| Charitable expenses (Page 6) | 52,159 | 80,454 |
| Governance costs (Page 6 & 7) | 364,733 | 370,972 |
| Other expenditures (Page 7) | 6,482 | 937 |
| Finance cost (Page 7) | 16,999 | - |
| | 452,940 | 457,813 |
| Total expenditure | (452,940) | (457,813) |
| Net Income | 12,845 | 304,936 |
| Gross transfer from accumulated funds to building funds | (8,064) | (208,450) |
| Net movement in accumulated funds | 4,781 | 96,486 |

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

DHARMA DRUM (SINGAPORE)

**STATEMENT TO THE FINANCIAL ACTIVITIES (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

| <u>Expenditure</u> | 2020 \$ | 2019 \$ |
|---|-------------------|-------------------|
| Charitable expenses | | |
| Chinese New Year blessing expenses | 3,621 | 2,358 |
| Donation and gift | 1,300 | 400 |
| Expenses - Da bei chan | - | 875 |
| Expenses - Dharma class and talk | 5,678 | - |
| Expenses - Di zhang fa hui | - | 143 |
| Expenses - Chao Jing | 532 | 412 |
| Expenses - Chang Qing Class | 280 | - |
| Expenses - Fang Zhang's (Abbott) visit | 6,694 | 16,024 |
| Expenses - Shuilu Fahui | 366 | 149 |
| Expenses - Fa Hua San Mei | 5,482 | - |
| Expenses - FO 2 | - | 5,581 |
| Expenses - FO 3 | - | 2,508 |
| Expenses - Kuai Le Xue Fo Ren | 2,557 | - |
| Expenses - Chan 3 | - | 1,938 |
| Expenses - Workshop/ Seminar | 365 | 3,390 |
| Expenses - Fu Tian Class | - | 7,852 |
| Expenses - Shui Chan | 2,218 | 11,873 |
| Expenses - Cooking | 19,189 | 14,207 |
| Expenses - Rong Dong | 3,509 | 10,277 |
| Expenses - Yufo | 368 | 1,210 |
| Expenses - Nianfo Chan 3 | - | 1,257 |
| | 52,159 | 80,454 |
| Governance costs | | |
| Audit fee | 3,600 | 3,600 |
| Advertising and marketing related expenses | 2,620 | - |
| Offering to Buddha | 2,570 | 861 |
| CPF contribution | 9,965 | 5,716 |
| Depreciation of property, plant and equipment | 141,386 | 47,528 |
| Electricity and water | 8,176 | 16,237 |
| Entertainment | 1,342 | - |
| Insurance | 628 | 348 |
| Licence fee | 375 | - |
| Laundry services | 1,026 | - |
| Medical expenses | - | 50 |
| Periodicals | 109 | - |
| Printing and stationery | 2,932 | 4,645 |
| <i>Balance c/f</i> | 174,729 | 78,985 |

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

DHARMA DRUM (SINGAPORE)**STATEMENT TO THE FINANCIAL ACTIVITIES (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020****Governance costs (Continued)**

| | | |
|---------------------------------------|----------------|----------------|
| <i>Balance b/f</i> | 174,729 | 78,985 |
| Refreshment | 457 | 3,074 |
| Rental | 25,744 | 150,050 |
| Maintenance and small equipments | 15,014 | 21,517 |
| Condolence and Wreath | - | 200 |
| Salary and bonus | 127,600 | 83,332 |
| Staff amenities | - | 1,917 |
| Software and website related expenses | 4,666 | - |
| Telephone | 4,509 | 5,717 |
| Travelling | 9,201 | 10,528 |
| Valuation fee | 963 | - |
| Warehouse and relocation | - | 263 |
| Work pass expenses | 1,850 | - |
| Inventory Write-off | - | 15,389 |
| | 364,733 | 370,972 |

Other expenditures

| | | |
|------------------|--------------|------------|
| Bank charges | 509 | 529 |
| NETS charges | 424 | 309 |
| General expenses | 5,549 | 99 |
| | 6,482 | 937 |

Finance cost

| | | |
|----------------|---------------|----------|
| Lease interest | 16,999 | - |
| | 16,999 | - |

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

DHARMA DRUM (SINGAPORE)**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2020**

| | Note | 2020 \$ | 2019 \$ |
|---------------------------------------|-------------|--------------------------|--------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | <u>336,765</u> | <u>94,303</u> |
| Current assets | | | |
| Inventories | 5 | 9,176 | 5,812 |
| Other receivables | 6 | 20,150 | 21,950 |
| Cash at hand and bank balances | 7 | <u>2,877,188</u> | <u>2,810,848</u> |
| | | <u>2,906,514</u> | <u>2,838,610</u> |
| TOTAL ASSETS | | <u><u>3,243,279</u></u> | <u><u>2,932,913</u></u> |
| RESERVES AND LIABILITIES | | | |
| Reserves | | | |
| Accumulated funds | | 1,076,832 | 1,089,203 |
| Building funds | 8 | <u>1,843,730</u> | <u>1,835,666</u> |
| | | <u>2,920,562</u> | <u>2,924,869</u> |
| Non-current liabilities | | | |
| Lease liabilities | 9 | <u>205,262</u> | <u>-</u> |
| Current liabilities | | | |
| Other payables | 10 | 16,357 | 8,044 |
| Lease liabilities | 9 | <u>101,098</u> | <u>-</u> |
| | | <u>117,455</u> | <u>8,044</u> |
| Total liabilities | | <u><u>322,717</u></u> | <u><u>8,044</u></u> |
| TOTAL RESERVES AND LIABILITIES | | <u><u>3,243,279</u></u> | <u><u>2,932,913</u></u> |

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

DHARMA DRUM (SINGAPORE)**STATEMENT OF CHANGES IN FUNDS
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

| | Unrestricted Accumulated Fund \$ | Restricted Building Fund \$ | Total \$ |
|----------------------------------|---|--|-------------------------|
| At 1 June 2018 | 992,717 | 1,627,216 | 2,619,933 |
| Surplus for the year | 96,486 | 208,450 | 304,936 |
| At 31 May 2019 | <u>1,089,203</u> | <u>1,835,666</u> | <u>2,924,869</u> |
| At 1 June 2019 | 1,089,203 | 1,835,666 | 2,924,869 |
| Effect of adopting FRS116 Leases | <u>(17,152)</u> | <u>-</u> | <u>(17,152)</u> |
| At 1 June 2019 (restated) | 1,072,051 | 1,835,666 | 2,907,717 |
| Surplus for the year | 4,781 | 8,064 | 12,845 |
| At 31 May 2020 | <u><u>1,076,832</u></u> | <u><u>1,843,730</u></u> | <u><u>2,920,562</u></u> |

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

DHARMA DRUM (SINGAPORE)**STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

| | Note | 2020 \$ | 2019 \$ |
|---|------|------------------|------------------|
| Cash Flows from Operating Activities: | | | |
| Net surplus for the financial year | | 12,845 | 304,936 |
| <u>Adjustments for:</u> | | | |
| Depreciation of property, plant and equipment | 4 | 141,386 | 47,528 |
| Interest expense | | 16,999 | - |
| Operating surplus before working capital changes | | 171,230 | 352,464 |
| <u>Changes in working capital:</u> | | | |
| Inventories | | (3,364) | 13,463 |
| Other receivables | | 1,800 | 14,691 |
| Other payables | | 8,313 | (7,330) |
| Cash flows generated from operating activities | | <u>177,979</u> | <u>373,288</u> |
| Cash flows from investing activity | | | |
| Purchase of plant and equipment | 4 | <u>(9,339)</u> | <u>(141,455)</u> |
| Net cash flows used in investing activity | | <u>(9,339)</u> | <u>(141,455)</u> |
| Cash flows from financing activities | | | |
| Payment of principal portion of lease liabilities | | (85,301) | - |
| Interest paid | | <u>(16,999)</u> | - |
| Net cash flows used in financing activities | | <u>(102,300)</u> | - |
| Net increase in cash and cash equivalents | | 66,340 | 231,833 |
| Cash and cash equivalents at beginning of year | | 2,810,848 | 2,579,015 |
| Cash and cash equivalents at end of year | 7 | <u>2,877,188</u> | <u>2,810,848</u> |

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

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

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

1 GENERAL

Dharma Drum (Singapore) ('the Society') is registered under the Societies Act and domiciled in Singapore.

The registered address is located at 146B Paya Lebar Road #06-01 Ace Building Singapore 409017.

The principal activities of the Society are to promote the practice of Zen meditation and promote cultural, ethical and education activities. There have been no significant changes in the nature of these activities during the financial year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Society have been drawn up in accordance with Financial Reporting Standards in Singapore (FRSs). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollar (\$), which is the Society's functional currency.

2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Society has adopted all the new and amended standards which are relevant to the Society and are effective for annual financial periods beginning on or after 1 June 2019. Except for the adoption of FRS 116 Leases described below, the adoption of these standards did not have any material effect on the financial performance or position of the Society.

FRS 116 Leases

FRS 116 supersedes FRS17 Leases, INT FRS 104 Determining whether an Arrangement contains Lease, INT FRS 15 Operating Leases-Incentives and INT FRS 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

The Society adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 June 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Society elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 June 2019. Instead, the Society applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

Upon adoption of FRS 116, the Society applied a single recognition and measurement approach for all leases except for short-term leases and leases of low value assets. The accounting policy beginning on and after 1 June 2019 is disclosed in Note 2.14. The standard provides specific transition requirements and practical expedients, which have been applied by the Society.

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. Summary of significant accounting policies (Continued)

2.2 Adoption of new and revised standards (Continued)

FRS 116 Leases (Continued)

(a) Leases previously classified as finance leases

The Society did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under FRS 17). The requirements of FRS 116 were applied to these leases from 1 June 2019.

(b) Leases previously accounting for as operating leases

The Society recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for the leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Society also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 June 2019:

- right-of-use assets of \$374,509 were recognised and presented within property, plant and equipment;
- additional lease liability of \$391,661 were recognised;
- the net effect of these adjustments of \$17,152 had been adjusted to accumulated fund. Comparative information is not restated.

2.3 Standard issues but not yet effective

The Society has not adopted the following standards applicable to the Society that have been issued but not yet effective:

| Description | Effective from |
|---|----------------|
| Amendments to References to the Conceptual Framework in FRS Standards | 1 June 2020 |
| Amendments to FRS 1 and FRS 8 <i>Definition of Material</i> | 1 June 2020 |

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

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. Summary of significant accounting policies (Continued)

2.4 Foreign currency transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Society 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 reporting date. 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 reporting period are recognised in profit or loss.

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

| | <u>Useful lives</u> |
|-------------------------------|-----------------------|
| Leasehold building | Over the lease period |
| Renovation | 3 years |
| Furniture and fittings | 3 years |
| Computer and office equipment | 3 years |
| Dharma equipment | 3 years |

The residual value, useful lives and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized 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 derecognized.

2.6 Impairment of non-financial assets

The Society assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, (or where applicable, when an annual impairment testing for an asset is required), the Society 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.

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2 Summary of significant accounting policies (Continued)

2.6 Impairment of non-financial assets (Continued)

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

Trade receivables are measured at the amount of consideration to which the Society expects to be entitled in exchange for transferring promised goods or services to the 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

Investment in debt instruments

Subsequent measurement of debt instruments depends on the Society business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Society only has debt instruments at 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 the amortisation process.

Investment in equity instruments

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

Derecognition

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

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Society becomes a party to the contractual provisions of the financial instrument. The Society 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 FVPL, directly attributable transaction costs.

Subsequent measurement

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

Derecognition

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

2.8 Impairment of financial assets

The Society recognises an allowance for expected credit losses (ECL) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flow due to accordance with the contract and all the cash flows that the Society expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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

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

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. Summary of significant accounting policies (Continued)

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and fixed deposits and are subject to an insignificant risk of changes in value.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.11 Provisions

General

Provisions are recognised when the Society 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.

2.12 Employee benefits

(a) Defined contribution plans

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

(b) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expenses as the related service is provided. A liability is recognised for the amount expected to be paid if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

None of its staff receives more than \$100,000 in annual remuneration each.

2.13 Income recognition

Revenue is measured based on the fair value of the consideration to which the Society receives from the general public. These donations can be categorized as either building fund donations which are restricted in nature or general fund donations which is unrestricted in nature.

Revenue is recognised when the Society 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.

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. Summary of significant accounting policies (Continued)

2.13 Income recognition (Continued)

(a) Donations from the public

The Society receives donations from their followers.

Revenue is recognised when donations are collected from the general public. Activities that the Society hosts also contributes revenue by donations, and taken into account on a cash basis.

(b) Membership subscription

Revenue is recognised when subscriptions are due and payable.

(c) Sale of books

Revenue from sale of books is recognised when the Society deliver the books to the customer.

2.14 Leases

These accounting policies are applied on and after the initial application date of FRS 116, 1 June 2019:

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

As lessee

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

Right-of-use assets

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

If ownership of the leased asset transfers to the Society at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.6.

The Society's right-of-use assets are presented within property, plant and equipment (Note 4).

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. Summary of significant accounting policies (Continued)

2.14 Leases (Continued)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

These accounting policies are applied before the initial application date of FRS 116, 1 June 2019:

As lessee

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

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.

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

2. Summary of significant accounting policies (Continued)

2.15 Income tax

No provision for taxation has been made as the society's income is exempted from tax under Section 13(1)(ZM) of the Singapore Income Tax Act.

2.16 Funds

Accumulated fund (Unrestricted Fund)

Income and expenditure relating to the main activities of the Society are accounted for through the accumulated fund in the statement of comprehensive income.

Building fund (Restricted Fund)

Income and expenditure relating to funds set up for contributions received and expenditures incurred for specific purpose such as building fund, are accounted for through the restricted funds in the statement of comprehensive income.

The assets and liabilities of these funds are accounted for separately.

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

Determination of functional currency

In determining the functional currency of the Society, judgment is used by the Society to determine the currency of the primary economic environment in which the Society operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

3.2 Key sources of estimation uncertainty

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

Inventory valuation method

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value an allowance is recorded against the inventory balances for any such declines. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value. The carrying amount of the Society's inventories as at 31 May 2020 was \$9,176 (2019: \$5,812) (Note 5).

DHARMA DRUM (SINGAPORE)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

4. Plant and equipment

| 2020 | Leasehold buildings | Computer and office equipment | Renovation | Furniture and Fittings | Dharma Equipment | Total |
|----------------------------------|----------------------------|--------------------------------------|-------------------|-------------------------------|-------------------------|--------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| <u>At cost:</u> | | | | | | |
| At 01.06.19 | - | 14,976 | 101,867 | 19,005 | 15,872 | 151,720 |
| Effect of adopting FRS 116 | 374,509 | - | - | - | - | 374,509 |
| At 01.06.19 (restate) | 374,509 | 14,976 | 101,867 | 19,005 | 15,872 | 526,229 |
| Additions | - | - | 9,339 | - | - | 9,339 |
| Written off | - | (3,777) | - | - | - | (3,777) |
| At 31.05.20 | 374,509 | 11,199 | 111,206 | 19,005 | 15,872 | 531,791 |
| <u>Accumulated depreciation:</u> | | | | | | |
| At 01.06.19 | - | 11,835 | 33,956 | 6,335 | 5,291 | 57,417 |
| Depreciation for the year | 91,547 | 1,570 | 36,644 | 6,335 | 5,290 | 141,386 |
| Written off | - | (3,777) | - | - | - | (3,777) |
| At 31.05.20 | 91,547 | 9,628 | 70,600 | 12,670 | 10,581 | 195,026 |
| <u>Net book value:</u> | | | | | | |
| At 31.05.20 | 282,962 | 1,571 | 40,606 | 6,335 | 5,291 | 336,765 |

DHARMA DRUM (SINGAPORE)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

4. Plant and equipment (Continued)

| | 2019 | Computer and office equipment \$ | Renovation \$ | Furniture and Fittings \$ | Dharma Equipment \$ | Total \$ |
|----------------------------------|--------|--|------------------|---------------------------------|---------------------------|-------------|
| <u>At cost:</u> | | | | | | |
| At 01.06.18 | 10,265 | | - | - | - | 10,265 |
| Additions | 4,711 | | 101,867 | 19,005 | 15,872 | 141,455 |
| At 31.05.19 | 14,976 | | 101,867 | 19,005 | 15,872 | 151,720 |
| <u>Accumulated depreciation:</u> | | | | | | |
| At 01.06.18 | 9,889 | | - | - | - | 9,889 |
| Depreciation for the year | 1,946 | | 33,956 | 6,335 | 5,291 | 47,528 |
| At 31.05.19 | 11,835 | | 33,956 | 6,335 | 5,291 | 57,417 |
| <u>Net book value:</u> | | | | | | |
| At 31.05.19 | 3,141 | | 67,911 | 12,670 | 10,581 | 94,303 |

5. Inventories

Statement of financial position

Inventories

| | 2020 | 2019 |
|--|-------|-------|
| | \$ | \$ |
| | 9,176 | 5,812 |

Statement of financial activities

Inventories recognised as an expense in cost of sales

| | | |
|--|--------|-------|
| | 12,567 | 5,450 |
|--|--------|-------|

DHARMA DRUM (SINGAPORE)**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020****6. Other receivables**

| | 2020 | 2019 |
|---------|---------------|---------------|
| | \$ | \$ |
| Deposit | <u>20,150</u> | <u>21,950</u> |

7. Cash and cash equivalents

| | 2020 | 2019 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| Cash at bank balances | 2,851,330 | 2,809,634 |
| Cash at hand | 858 | 1,214 |
| Pledged deposit | <u>25,000</u> | <u>-</u> |
| | <u>2,877,188</u> | <u>2,810,848</u> |

Pledged deposit to bank to secure bank Corporate Card facilities.

8. Building fund

The building fund is set up to collect donations to facilitate the acquisition of a premise for the various activities run by the Society.

9. Lease liabilities

| | 2020 | 2019 |
|---------------------|----------------|-------------|
| | \$ | \$ |
| Current: | | |
| - Lease liabilities | <u>101,098</u> | <u>-</u> |
| Non-current: | | |
| - Lease liabilities | <u>205,262</u> | <u>-</u> |
| | <u>306,360</u> | <u>-</u> |

A reconciliation of liabilities arising from financing activities is as follows:

| | 01.06.2019 | Cash flows | Non-cash changes | | 31.05.2020 |
|-------------|-------------------|-------------------|-------------------------|--------------|-------------------|
| | \$ | \$ | Accretion of | Other | \$ |
| | | | interests | \$ | |
| | | | \$ | \$ | |
| Current | 85,301 | (102,300) | 16,999 | 101,098 | 101,098 |
| Non-current | 306,360 | - | - | (101,098) | 205,262 |
| | <u>391,661</u> | <u>(102,300)</u> | <u>16,999</u> | <u>-</u> | <u>306,360</u> |

DHARMA DRUM (SINGAPORE)**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020****10. Other payables**

| | 2020 | 2019 |
|----------------|---------------|--------------|
| | \$ | \$ |
| Other payables | <u>16,357</u> | <u>8,044</u> |

Other payables relate to non-trade payables to third parties. They are non-interest bearing and have an average term of 3 months.

11. LeasesSociety as a lessee

The Society has lease contracts for buildings. The Society's obligations under these leases are secured by the lessor's title to the leased assets.

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

| | Leasehold Building | Total |
|----------------|-----------------------|-----------------|
| | \$ | \$ |
| At 1 June 2019 | 374,509 | 374,509 |
| Depreciation | <u>(91,547)</u> | <u>(91,547)</u> |
| At 31 May 2020 | <u>282,962</u> | <u>282,962</u> |

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are disclosed in Note 9 and the maturity analysis of lease liabilities is disclosed in Note 14.

(c) Amounts recognised in profit or loss

| | Total |
|---|----------------|
| | \$ |
| Depreciation of right-of-use assets | 91,547 |
| Interest expense on lease liabilities | 16,999 |
| Lease expense not capitalised in lease liabilities: | |
| - Expense relating to short-term leases | <u>25,744</u> |
| Total amount recognised in profit or loss | <u>134,290</u> |

(d) Total cash outflow

The Society had total cash outflows for leases of \$102,300 in 2020.

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

12. Operating lease commitments

The Society leases office premises under non-cancellable operating lease agreements from non related party. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

| | 2019 \$ |
|-------------------------|---------------|
| Not later than one year | 93,000 |
| Two to five years | - |
| | <u>93,000</u> |

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 May 2019 amounted to \$150,050.

13. Fair value of assets and liabilities

Assets and liabilities not measured at fair value

Cash and cash equivalents

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

Other receivables and payables

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

14. Financial risk management

The Society's activities expose it to a variety of financial risks from its operation. The key financial risks include credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk).

The Management Committee reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the society's policy that no trading in derivatives for speculative purposes shall be undertaken.

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

14. Financial risk management (Continued)

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

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

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Society. The Society's exposure to credit risk arises primarily from other receivables. For other financial assets (including investment securities and cash), the Society minimizes credit risk by dealing exclusively with high credit rating counterparties.

The Society has adopted a policy of only dealing with creditworthy counterparties. The Society performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

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

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

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

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

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

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

DHARMA DRUM (SINGAPORE)**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020****14. Financial risk management (Continued)****(a) Credit risk (Continued)**

The Society categorises receivables for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Society's current credit risk grading framework comprises the following categories:

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

The table below details the credit quality of the Society's financial assets, as well maximum exposure to credit risk by credit risk rating categories:

| <u>Society</u> | Note | Category | 12-month or lifetime ECL | Gross carrying amount \$ | Loss allowance \$ | Net carrying amount \$ |
|--------------------|------|----------|--------------------------|-----------------------------|----------------------|---------------------------|
| 31 May 2020 | | | | | | |
| Other receivables | 6 | I | 12 - month ECL | 20,150 | - | 20,150 |
| | | | | | <u>-</u> | |
| 31 May 2019 | | | | | | |
| Other receivables | 6 | I | 12 - month ECL | 21,950 | - | 21,950 |
| | | | | | <u>-</u> | |

Other receivables

The Society assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Society measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

DHARMA DRUM (SINGAPORE)

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MAY 2020**

14. Financial risk management (Continued)

(b) Liquidity risk

Liquidity risk refers to the risk that the Society will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Society's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Society's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities, if any. The Society's operations are financed mainly through funds generated from operations. The management committee is satisfied that funds are available to finance the operations of the Society.

Analysis of financial instruments by remaining contractual maturities

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

| | Carrying amount \$ | 2020 | | One to five years |
|---|--------------------------|---------------------------------|---------------------------------|---------------------------|
| | | Contractual cash flows \$ | One year or less \$ | |
| <u>Financial assets</u> | | | | |
| Other receivables | 20,150 | 20,150 | 20,150 | - |
| Cash and cash equivalents | 2,877,188 | 2,877,188 | 2,877,188 | - |
| Total undiscounted financial assets | 2,897,338 | 2,897,338 | 2,897,338 | - |
| <u>Financial liabilities</u> | | | | |
| Other payables | 16,357 | 16,357 | 16,357 | - |
| Lease liabilities | 306,360 | 330,600 | 114,800 | 215,800 |
| Total undiscounted financial liabilities | 322,717 | 346,957 | 131,157 | 215,800 |
| Total net undiscounted financial assets / (liabilities) | 2,574,621 | 2,550,381 | 2,766,181 | (215,800) |
| | | 2019 | | |
| | | Carrying amount \$ | Contractual cash flows \$ | One year or less \$ |
| <u>Financial assets</u> | | | | |
| Other receivables | | 21,950 | 21,950 | 21,950 |
| Cash and cash equivalents | | 2,810,848 | 2,810,848 | 2,810,848 |
| Total undiscounted financial assets | | 2,832,798 | 2,832,798 | 2,832,798 |
| <u>Financial liability</u> | | | | |
| Other payables | | 8,044 | 8,044 | 8,044 |
| Total undiscounted financial liability | | 8,044 | 8,044 | 8,044 |
| Total net undiscounted financial assets | | 2,824,754 | 2,824,754 | 2,824,754 |

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

14. Financial risk management (Continued)

(c) Market risk

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

(i) Interest rate risk

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

The Society does not expect any significant effect on the Society's profit and or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

(ii) Foreign currency risk

The Society's operational activities are carried out in Singapore dollars, which is the functional currency. All transactions are paid mainly in local currency. Exposure to any risk arising from movements in foreign currencies exchange rates is minimal.

15. Financial instruments by category

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

| | 2020 | 2019 |
|---|------------------|------------------|
| | \$ | \$ |
| Financial assets measured at amortised cost | | |
| Other receivables | 20,150 | 21,950 |
| Cash and cash equivalents | 2,877,188 | 2,810,848 |
| Total financial assets measured at amortised cost | <u>2,897,338</u> | <u>2,832,798</u> |
| Financial liabilities measured at amortised cost | | |
| Other payables | 16,357 | 8,044 |
| Lease liabilities | 306,360 | - |
| Total financial liabilities measured at amortised cost | <u>322,717</u> | <u>8,044</u> |

DHARMA DRUM (SINGAPORE)

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE FINANCIAL YEAR ENDED 31 MAY 2020

16. Capital management

The Society's objective when managing its accumulated fund is to safeguard the Society's ability to continue as a going concern, so that it can continue to provide services for the benefit of its members and other stakeholders.

The Society monitors its accumulated fund on a prudent basis and it does not utilise any external debt from financial institutions. The capital structure of the Society consists of cash at hand and bank balances and accumulated funds.

There was no change in the Society's approach to capital management during the year

| | 2020 \$ | 2019 \$ |
|--------------------------------|------------------|------------------|
| Cash at hand and bank balances | <u>2,877,188</u> | <u>2,810,848</u> |
| Accumulated funds | <u>1,076,832</u> | <u>1,089,203</u> |

17. Events occurring after the reporting period

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19") in early 2020, COVID-19 was declared a pandemic by the World Health Organisation. The spread of COVID-19 has severely impacted many local economies around the globe. As at the date of the financial statements, there is no material adverse effect on the financial statements for the financial year ended 31 May 2020 as a result of the COVID-19 outbreak. The Society will continue to monitor the development of COVID-19 outbreak and its related impact on the Society's operations and financials.

18. Authorisation of financial statements for issue

The financial statements of the Society for the financial year ended 31 May 2020 were authorised for issue in accordance with a resolution of the members by the Management Committee on the date stated on Statement by Management Committee Members.