

HEALTHSERVE LTD.

Unique Entity Number: 200615440H

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

LO HOCK LING & CO

Chartered Accountants Singapore

盧鶴齡會計公司



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HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore and Limited by Guarantee)

(Unique Entity Number: 200615440H)

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Healthserve Ltd. (the "Company") for the financial year ended 31 December 2018.

In the opinion of the directors,

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the company as at 31 December 2018 and the financial performance, changes in funds and cash flows of the Company for the financial year covered by the financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Goh Wei Leong
Saw Seang Kuan (Su XiangGuang)
Chan Kum Kit
Chan Chia Lin
Chong Peng Choon Calvin
Jeremy Lim Fung Yen
Susan Kong Yim Pui

Arrangements to enable directors to acquire benefits

Neither during nor at the end of the financial year was the Company a party to any arrangement the object of which was to enable the directors of the Company to acquire benefits through the acquisition of shares in or debentures of any other body corporate.

Directors' interests

As the Company is a public company limited by guarantee and has no share capital, matters relating to the directors' interests in shares, debentures, and share options of the Company are not applicable.

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore and Limited by Guarantee)

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DIRECTORS' STATEMENT

Auditors

The Auditors, Messrs Lo Hock Ling & Co., have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,



Director



Director

Singapore, 13 May 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Healthserve Ltd. (the "Company") set out on pages 6 to 26, which comprise the statement of financial activities as at 31 December 2018, and the statement of financial position (balance sheet), 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 Companies Act, Chapter 50 (the "Act"), the Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") 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 December 2018 and of the financial performance, changes in funds and cash flows of the Company 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 Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' Statement set out on pages 1 to 2, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the 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 Companies Act, the Charities Act and Regulations 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.

Continued

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.
- 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 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act and the Charities Act and Regulations.

Continued

Report on Other Legal and Regulatory Requirements (Continued)

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

- (a) the Company has not used the donation moneys in accordance with its objectives as required under regulation 11 of the Charities (Institutions of a Public Character) Regulations; and
- (b) the Company has not complied with the requirements of regulation 15 of the Charities (Institutions of a Public Character) Regulations.

Singapore, 13 May 2019



LO HOCK LING & CO.
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS SINGAPORE

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Financial Activities for the year ended 31 December 2018

		2018			2017		
		Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
Notes		\$	\$	\$	\$	\$	\$
<u>INCOMING RESOURCES FROM GENERATED FUNDS</u>							
<u>Voluntary income</u>							
Donations received		772,026	-	772,026	676,607	-	676,607
Food program		26,589	-	26,589	43,396	-	43,396
Migrant/Jubilee fund	9	-	3,500	3,500	-	43,643	43,643
Medical fund	10	-	2,650	2,650	-	75,580	75,580
Government grants	12	3,756	39,919	43,675	454,242	58,829	513,071
		802,371	46,069	848,440	1,174,245	178,052	1,352,297
<u>Income from fund-raising activities</u>							
Gala and other events		375,979	-	375,979	628,591	-	628,591
<u>Income from charitable activities</u>							
Clinic services		60,146	-	60,146	51,380	-	51,380
Medical student selective programme		27,060	-	27,060	36,000	-	36,000
		87,206	-	87,206	87,380	-	87,380
<u>Other incoming resources</u>							
Other income	3	146,995	-	146,995	147,154	-	147,154
		1,412,551	46,069	1,458,620	2,037,370	178,052	2,215,422
<u>TOTAL INCOMING RESOURCES</u>							

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Financial Activities for the year ended 31 December 2018 (continued)

	Note	2018			2017		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		Funds	Funds		Funds	Funds	
RESOURCES EXPENDED		\$	\$	\$	\$	\$	\$
Cost of generating voluntary income and charitable activities							
Depreciation		79,568	-	79,568	140,125	-	140,125
Food program		57,239	-	57,239	78,722	-	78,722
Hospitality		964	-	964	1,208	-	1,208
License fees and insurance		5,717	-	5,717	-	6,477	6,477
Medical expenses		76,968	26,157	103,125	-	53,688	53,688
Migrant social assistance		67,680	11,865	79,545	-	122,599	122,599
Promotion and publicity		23,990	-	23,990	3,487	-	3,487
Rental of clinic		22,464	-	22,464	-	21,824	21,824
Rental of migrant centres		64,032	-	64,032	-	63,712	63,712
Rental of shelter		18,000	-	18,000	-	18,000	18,000
Research and advocacy		-	-	-	1,586	-	1,586
Staff costs	4	562,157	39,919	602,076	388,987	112,671	501,658
Stamp fees		-	-	-	601	-	601
Telephone and internet		6,038	-	6,038	-	6,287	6,287
Transport		2,102	-	2,102	460	-	460
Utilities		9,984	-	9,984	-	8,751	8,751
Vehicle expenses		17,077	-	17,077	27,093	-	27,093
Volunteer events		2,506	-	2,506	3,032	-	3,032
		1,016,486	77,941	1,094,427	645,301	414,009	1,059,310
Fund-raising expenses							
Other fund-raising expenses		29,865	-	29,865	54,335	-	54,335
Staff costs	4	19,135	-	19,135	21,157	-	21,157
		49,000	-	49,000	75,492	-	75,492

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Financial Activities for the year ended 31 December 2018 (continued)

	Notes	2018			2017		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		Funds	Funds		Funds	Funds	
<u>RESOURCES EXPENDED (continued)</u>		\$	\$	\$	\$	\$	\$
Other operating and administrative expenses							
Bank charges		462	-	462	1,224	-	1,224
Depreciation		19,892	-	19,892	35,031	-	35,031
Equipment expenses		966	-	966	677	-	677
Insurance		2,887	-	2,887	4,941	-	4,941
Loss on disposal of property, plant and equipment		8,825	-	8,825	-	-	-
Maintenance and repairs		2,995	-	2,995	3,018	-	3,018
Miscellaneous expenses		7,481	-	7,481	987	-	987
Professional fees		5,300	-	5,300	6,261	-	6,261
Postage and freight charges		416	-	416	651	-	651
Printing and stationery		2,639	-	2,639	2,127	-	2,127
Rental		22,464	-	22,464	21,824	-	21,824
Staff costs	4	170,498	-	170,498	117,331	-	117,331
Telephone and internet		2,366	-	2,366	2,970	-	2,970
Utilities		6,878	-	6,878	6,060	-	6,060
		254,069	-	254,069	203,102	-	203,102
TOTAL RESOURCES EXPENDED		1,319,555	77,941	1,397,496	923,895	414,009	1,337,904
NET MOVEMENT IN FUNDS		92,996	(31,872)	61,124	1,113,475	(235,957)	877,518

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Financial Position as at 31 December 2018

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		\$	\$
<u>ASSETS</u>			
<u>Non-Current Asset</u>			
Property, plant and equipment	6	<u>84,879</u>	<u>180,497</u>
		<u>84,879</u>	<u>180,497</u>
<u>Current Assets</u>			
Other receivables	7	81,055	79,840
Fixed deposits with a financial institution	8	3,032,520	1,516,256
Cash and cash equivalents		<u>1,098,001</u>	<u>2,512,743</u>
		<u>4,211,576</u>	<u>4,108,839</u>
Total Assets		<u>4,296,455</u>	<u>4,289,336</u>
<u>FUNDS AND LIABILITIES</u>			
<u>Funds</u>			
Unrestricted fund - General fund		4,175,662	4,082,666
Restricted fund - Migrant fund	9	-	8,365
Restricted fund - Medical fund	10	<u>-</u>	<u>23,507</u>
Total Funds		<u>4,175,662</u>	<u>4,114,538</u>
<u>Non-Current Liability</u>			
Deferred capital donations and grants	11	<u>-</u>	<u>56,476</u>
		<u>-</u>	<u>56,476</u>
<u>Current Liabilities</u>			
Deferred capital donations and grants	11	54,862	76,633
Other payables	13	<u>65,931</u>	<u>41,689</u>
		<u>120,793</u>	<u>118,322</u>
Total Liabilities		<u>120,793</u>	<u>174,798</u>
Total Funds and Liabilities		<u>4,296,455</u>	<u>4,289,336</u>

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Changes in Funds for the year ended 31 December 2018

	Unrestricted <u>fund</u>	← <u>Restricted funds</u> →		
	<u>General fund</u>	<u>Migrant fund</u>	<u>Medical fund</u>	<u>Total funds</u>
	\$	\$	\$	\$
Balance as at 1 January 2017	2,969,191	179,267	88,562	3,237,020
Total comprehensive income for the year	1,113,475	(170,902)	(65,055)	877,518
Balance as at 31 December 2017	4,082,666	8,365	23,507	4,114,538
Total comprehensive income for the year	92,996	(8,365)	(23,507)	61,124
Balance as at 31 December 2018	4,175,662	-	-	4,175,662

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Cash Flows for the year ended 31 December 2018

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Surplus before tax		61,124	877,518
Adjustments for:			
Depreciation on property, plant and equipment	6	99,460	175,156
Loss on disposal of property, plant and equipment		8,825	-
Amortisation of deferred capital donations and grants	3	(78,247)	(113,661)
Fixed deposits interest income	3	(35,925)	(11,615)
		<u>(5,887)</u>	<u>49,880</u>
Operating surplus before working fund changes		55,237	927,398
Decrease/(increase) in receivables		34,379	(39,450)
Increase in payables		24,242	32,502
Grants received in advance		-	133,258
Changes in working capital		<u>58,621</u>	<u>126,310</u>
Net cash from operating activities		113,858	1,053,708
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Fixed deposits interest received		18,128	11,615
Proceeds from disposal of property, plant and equipment		10,686	-
Purchase of property, plant and equipment	6	(23,353)	(201,082)
Increase in fixed deposits with maturities over 3 months		(1,534,061)	(1,011,615)
Net cash used in investing activities		<u>(1,528,600)</u>	<u>(1,201,082)</u>
Net decrease increase in cash and cash equivalents		(1,414,742)	(147,374)
Cash and cash equivalents at beginning of the year		<u>2,512,743</u>	<u>2,660,117</u>
Cash and cash equivalents at end of the year	14	<u>1,098,001</u>	<u>2,512,743</u>

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2018

The following notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Healthserve Ltd. (the "Company") is incorporated in Singapore as a public company, limited by guarantee. Its registered office is located at 1 Lorong 23 Geylang #01-07 Building 4, Singapore 388352.

The Company became an approved charity on 25 May 2011 and an Institution of Public Character ("IPC") with effect from 15 July 2011. The renewed IPC status is for a period of three years with effect from 1 November 2018.

The principal activities of the Company is to educate, promote and organise healthcare services for the alleviation of ill-health ignorance and suffering.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Company presents its financial statements in Singapore dollars ("S\$"), which is also its functional currency.

These financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and comply with Charities Act Cap. 37 and the Singapore Financial Reporting Standards ("FRS").

During the financial year, the Company adopted all the applicable new/revised FRSs which are relevant to the Company and are effective for financial periods beginning on or after 1 January 2018.

2.1.1 Adoption of FRSs effective in 2018

On 1 January 2018, the Company adopted the new or amended FRSs that are mandatory for application for the current financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS, as disclosed below.

Adoption of FRS 109 Financial Instruments

The Company has adopted the new Standard retrospectively from 1 January 2018, in line with the transition provisions permitted under the Standard. Comparatives for financial year 2017 are not restated and there was no significant difference between the carrying amounts at 31 December 2017 and 1 January 2018 that are required to be recognised in the opening fund balances. The accounting policies for financial instruments under FRS 109 are disclosed in note 2.9.

The effects on adoption of FRS 109 are described below:

There was no significant change to the measurement basis arising from the new classification and measurement model under FRS 109.

Cash and cash equivalents and receivables, previously classified as "loans and receivables" under FRS 39 and measured on amortised cost basis, continue to be accounted for using the amortised cost model under FRS 109.

Receivables are assessed for impairment on a forward-looking basis under the expected credit loss impairment model of FRS 109, whereas previously, impairment under FRS 39 was recognised only when there is objective evidence of incurred losses. The adoption of FRS 109 did not result in additional impairment allowances recognised as at 1 January 2018.

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant Accounting Estimates and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(A) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciation on Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2.8. Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the year are disclosed in note 6.

(B) *Critical judgments made in applying accounting policies*

In the process of applying the Company's accounting policies there are no significant items in the financial statements which require the exercise of critical judgement on the part of the management.

2.3 FRS issued but not yet effective

The Company has not applied any new FRS that has been issued but is not yet effective. The directors plan to adopt these FRSs in the first financial year commencing on or after their respective effective dates.

The following is the only new FRS issued but is not yet effective that is relevant to the Company's financial statements:

<u>New FRS relevant to the Company's financial statements:</u>	<u>Effective for annual period beginning on or after</u>
FRS 116 Leases	1 January 2019

The nature of the impending changes in accounting policy on adoption of the above new FRS is described below.

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 FRS issued but not yet effective (continued)

FRS 116 Leases

FRS 116, which replaces *FRS 17 Leases* and the related Interpretations when it becomes effective, requires lessees to recognise most leases on the balance sheet to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees - short-term leases and leases of 'low value' assets.

Lessor accounting requirements under FRS 116 are substantially the same as the current FRS 17. A lessor continues to classify its leases as either operating leases or finance leases, and to account for those two types of leases differently.

Potential impact on financial statements

The Company will apply this Standard retrospectively in accordance with the requirements of the Standard on its effective date on 1 January 2019.

Based on preliminary assessment of the Company's existing operating lease arrangements as a lessee, the management expects most of the operating leases to be recognised as right-of-use (ROU) assets with corresponding lease liabilities under the new standard.

2.4 Revenue Recognition

(i) Donation Income

Provided there is evidence of entitlement as expressed in writing, donations are recognised in the Statement of Financial Activities ("SoFA") in the period of receipt or when they become receivable.

Donation-in-kind are recognised when the fair value of the assets received can be reasonably ascertained.

(ii) Interest Income

Interest income is recognised on a time-proportion basis, using the effective interest method, unless collectability is in doubt.

(iii) Service Income

Consultation fees are recognised in SoFA when services are rendered and invoiced.

2.5 Government Grants

A grant is recognised when there is reasonable assurance that the conditions attached to the grant are met and that the grant will be received.

(i) Grants Related to Assets

Grants related to assets are recognised on the balance sheet as deferred income ("deferred capital grant") in the period of receipt or when there is certainty that the grant will be received, and subsequently recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Government Grants (continued)

(ii) Grants Related to Income

Grants related to income are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

(iii) Outright Grants

Grants that are intended as compensation for expenses, or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised as income of the period in which they become receivable.

2.6 Employee Benefits

(i) Defined Contribution Plans

The Company makes contributions to the state provident fund (Central Provident Fund). Such contributions are recognised as compensation expenses in the same period as the employment that gave rise to the contributions.

(ii) Short-term Compensated Absences

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

2.7 Leases

Operating Leases

Leases whereby the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases.

When the Company is the lessee, operating lease payments are recognised as an expense in the SoFA on a straight line basis over the lease term.

2.8 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Any estimated costs of dismantling and removing the property, plant and equipment and reinstating the site to its original condition (reinstatement costs) are capitalised as part of the cost of the property, plant and equipment.

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Property, Plant and Equipment (continued)

Depreciation is calculated on the straight line basis so as to write off the cost, less the residual value, of the assets over their estimated useful lives. The annual rates of depreciation are as follows:

Renovations	3 - 5 years
Computers and equipment	3 years
Furniture and fittings	3 years
Motor vehicle	2 - 5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each financial year-end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in the SoFA in the year the asset is derecognised.

2.9 Financial Assets

The accounting for financial assets from 1 January 2018 under FRS 109 is as follows:

Financial assets are classified into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The basis of classification depends on the branch's business model and the contractual cash flow characteristics of the financial assets.

At initial recognition

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 assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Receivables that do not have a significant financing component are measured at their transaction price at initial recognition.

At subsequent measurement

There are three prescribed subsequent measurement categories – at amortised cost, FVOCI and FVPL, depending on the Company's business model in managing the financial assets and the cash flow characteristics of the assets.

The Company's financial assets, comprising mainly of receivables and cash and cash equivalents, are measured at amortised cost subsequent to initial recognition as these represent contractual cash flows which represent solely payments of principal and interest. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest rate method.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Receivables

Receivables that do not have a significant financing component are measured at their transaction price at initial recognition, and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses, as explained in note 2.12.

2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and bank deposits which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

2.12 Impairment of Financial Assets

The Company assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost, and recognises a loss allowance accordingly.

At each reporting date, the debt instruments are assessed to determine whether there is significant increase in credit risk on the debt instruments since initial recognition. If there is a significant increase in credit risk since initial recognition, lifetime expected credit losses will be calculated and recognised in the loss allowance. If credit risk on the debt instrument has not increased significantly since initial recognition, the loss allowance is measured based on 12-month expected credit losses. Adjustments to the loss allowance are recognised in profit or loss as an impairment gain or loss.

Prior to 1 January 2018, an impairment loss is only recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment loss is measured as the difference between the carrying value of the receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

2.13 Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less cost of disposal and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

2.14 Funds

General fund

Income and expenditure are accounted for under the general fund in the income and expenditure unless they relate to funds for specific purposes. The use of these reserves is subject to the approval of the Board.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Funds (continued)

Restricted fund

This fund is created from donations and sponsorships from individuals and external bodies for specific purposes. The income and expenditure relating to the restricted fund are accounted for under the restricted fund's income and expenditure.

2.15 Financial Liabilities

Financial liabilities include other payables for operating expenditure and payables to related parties.

Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument.

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

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, including derivatives, which are measured at fair value. Financial liabilities with a short duration are not discounted.

A financial liability is derecognised when the contractual obligation is discharged or cancelled or expires. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.17 Related Parties

A related party is defined as follows:

(A) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary Company and fellow subsidiary Company is related to each other).

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Related Parties (continued)

- (B) An entity is related to the Company if any of the following conditions applies: (continued)
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

3. OTHER INCOME

	<u>2018</u>	<u>2017</u>
	\$	\$
Amortisation of deferred capital donations and grants (note 11)	78,247	113,661
Fixed deposits interest income	35,925	11,615
Special employment credit	2,223	4,405
Temporary employment credit	1,205	3,385
Wage credit scheme	7,255	8,840
Sundry income	22,140	5,248
	<u>146,995</u>	<u>147,154</u>

4. STAFF COSTS

	<u>2018</u>	<u>2017</u>
	\$	\$
Salaries and related costs	653,444	535,725
Employer's contribution to Central Provident Fund	91,493	70,944
Other short-term benefits		
- Allowances	5,000	15,140
- Insurance	15,140	-
- Training	13,713	12,065
- Others	12,919	6,272
	<u>46,772</u>	<u>33,477</u>
	<u>791,709</u>	<u>640,146</u>

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4. STAFF COSTS (continued)

Staff costs were charged to:

	<u>2018</u>	<u>2017</u>
	\$	\$
- Cost of generating voluntary income and charitable activities	602,076	501,658
- Fund-raising expenses	19,135	21,157
- Other operating and administrative expenses	<u>170,498</u>	<u>117,331</u>
	<u>791,709</u>	<u>640,146</u>

The annual remuneration of the top three highest paid staff classified by remuneration bands are as follows:

	<u>Number of staff</u>	
	<u>2018</u>	<u>2017</u>
Annual remuneration		
\$100,001 to \$200,000	<u>1</u>	<u>-</u>

5. KEY MANAGEMENT PERSONNEL COMPENSATION

The Company is governed by the board of directors. All directors are volunteers and received no monetary remuneration for their contribution.

The total key management personnel compensation included in staff costs (note 5) are as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Key management personnel compensation		
- Salaries and bonus	91,438	72,844
- Employer's contributions to Central Provident Fund	13,675	11,356
- Other benefits	<u>-</u>	<u>800</u>
	<u>105,113</u>	<u>85,000</u>

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6. PROPERTY, PLANT AND EQUIPMENT

	<u>Renovation</u>	<u>Computers and equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost</u>	\$	\$	\$	\$	\$
At 1 January 2017	28,150	159,797	31,065	156,007	375,019
Additions	48,175	149,077	3,830	-	201,082
At 31 December 2017 and 1 January 2018	76,325	308,874	34,895	156,007	576,101
Additions	-	20,079	3,274	-	23,353
Disposals	-	-	-	(103,507)	(103,507)
At 31 December 2018	76,325	328,953	38,169	52,500	495,947
<u>Accumulated depreciation</u>					
At 1 January 2017	17,486	100,462	22,558	79,942	220,448
Charge for the year	25,442	100,073	9,065	40,576	175,156
At 31 December 2017 and 1 January 2018	42,928	200,535	31,623	120,518	395,604
Charge for the year	17,339	65,339	3,087	13,695	99,460
Disposals	-	-	-	(83,996)	(83,996)
At 31 December 2018	60,267	265,874	34,710	50,217	411,068
<u>Carrying amount</u>					
At 31 December 2018	16,058	63,079	3,459	2,283	84,879
At 31 December 2017	33,397	108,339	3,272	35,489	180,497

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7. OTHER RECEIVABLES

	<u>2018</u>	<u>2017</u>
	\$	\$
Interest receivables from fixed deposits	17,797	-
Prepayments	4,753	2,082
Refundable deposits	29,330	29,330
Other receivables	29,175	48,428
	<u>81,055</u>	<u>79,840</u>

8. FIXED DEPOSITS WITH A FINANCIAL INSTITUTIONS

The fixed deposits have original maturities of more than 3 months but not more than one year and earn interest at rates ranging from 1.20% to 1.73% (2017: 0.69% to 1.90%) per annum.

9. MIGRANT FUND - RESTRICTED FUND

The Migrant fund was set up to help the migrants to cater for their needs during emergencies. The fund is also used for food supplies, transport and migrant events.

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance at beginning of the year	8,365	179,267
Donations	<u>3,500</u>	<u>43,643</u>
	11,865	222,910
Less: Expenses		
Migrant expenses		
- emergency	11,865	19,183
- events	-	17,302
- groceries and meals	-	891
- MRT	-	37,485
- centres	-	7,301
- others	-	40,437
Rental	-	81,712
Telephone and internet	-	4,051
Utilities	-	6,183
	<u>11,865</u>	<u>214,545</u>
Balance at end of the year	<u>-</u>	<u>8,365</u>

In the prior year, included in the donations received was an amount of \$10,000 restricted to provide financial support to a migrant worker who suffered serious injuries due to a workplace accident.

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10. MEDICAL FUND - RESTRICTED FUND

This fund was set up to provide all medical services, clinic, dental and all direct expenses.

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance at beginning of the year	23,507	88,562
Donations	<u>2,650</u>	<u>75,580</u>
	26,157	164,142
Less: Expenses		
License fees and registration	-	6,477
Medical expenses	26,157	53,688
Rental of clinic	-	21,824
Staff costs	-	53,842
Telephone and internet	-	2,236
Utilities	-	2,568
	<u>26,157</u>	<u>140,635</u>
Balance at end of the year	<u>-</u>	<u>23,507</u>

11. DEFERRED CAPITAL DONATIONS AND GRANTS

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance at beginning of the year	133,109	113,512
Amount transferred from Care & Share matching grant (note 12)	-	133,258
Amortisation of deferred capital donations and grants (note 3)	<u>(78,247)</u>	<u>(113,661)</u>
	<u>54,862</u>	<u>133,109</u>
Classified as:		
Current	54,862	56,476
Non-current	<u>-</u>	<u>76,633</u>
	<u>54,862</u>	<u>133,109</u>

The account refers to donations and grants received for capital items.

12. GOVERNMENT GRANTS

	<u>2018</u>	<u>2017</u>
	\$	\$
<u>Unrestricted fund</u>		
- Share as One grant	3,756	-
- Care & Share matching grant	<u>-</u>	<u>454,242</u>
	3,756	454,242
<u>Restricted fund</u>		
- Volunteer manager funding scheme	<u>39,919</u>	<u>58,829</u>
	<u>43,675</u>	<u>513,071</u>

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12. GOVERNMENT GRANTS (continued)

(i) Care & Share matching grant

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance at beginning of year	-	-
Grant received during the year	219,983	587,500
Amount transferred to Statement of Financial Activities	(219,983)	(454,242)
Amount transferred to deferred capital donations and grants (note 11)	-	(133,258)
Balance at end of year	-	-

The Care & Share is a national fund-raising and volunteerism movement that aims to show care and concern for the needy and recognise the contributions made by voluntary welfare organisations. Eligible donations raised by participating social service organisations will be matched dollar-for-dollar by the Government. The matched grant will contribute towards the building of capabilities and capacities of the social service sector, and supporting social services to meet rising needs.

- (ii) The Share as One grant is a programme under Community Chest that provides holistic and comprehensive support to a wide range of social service organisations. Approved social service organisations may use the grant to organise meaningful volunteer activities for corporate and to build up volunteer management capabilities to provide better opportunities and experiences for corporate volunteers.
- (iii) Funding income from volunteer manager funding scheme is restricted to be used for the hiring of a volunteer manager for the project.

There is no unutilised balance as at financial year-end.

13. PAYABLES

	<u>2018</u>	<u>2017</u>
	\$	\$
Accrued operating expenses	65,931	41,689

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances as shown in the statement of financial position.

15. OPERATING LEASE COMMITMENTS

The Company leases office space from non-related parties under non-cancellable operating leases.

As at the balance sheet date, future minimum lease payments under non-cancellable operating leases where the Company is the lessee are as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Operating lease payments due:		
within 1 year	56,160	107,760
after 1 year but not later than 5 years	-	36,960
	56,160	144,720

The above operating lease commitments are based on known rental rates as at the date of this report and do not include any revision in rates which may be determined by the lessor.

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16. TAXATION

The Company is registered under the Charities Act Cap. 37 and its income is exempt from income tax.

During the financial year, the Company issued tax-exempt receipts for donations collection amounting to \$681,989 (2017: \$1,224,523).

17. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk, liquidity risk and interest rate risk. The management reviews and agrees on policies for managing each of these risks and they are summarised below:

(i) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the Company as and when they fall due.

The Company's main financial assets consist of receivables, fixed deposits and cash and cash equivalents. Cash and bank deposits are placed with financial institutions which are regulated.

As at the balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

As at the balance sheet date, there were no material receivables that are subject to expected credit losses.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

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

All financial liabilities of the Company are repayable on demand or mature within one year.

(iii) Interest rate risk

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

The Company does not have any interest-bearing financial liabilities. Its only exposure to changes in interest rates relates primarily to interest-bearing bank deposits. The Company monitors movements in interest rate to ensure deposits are placed with financial institutions offering optimal rates of return.

The interest rates and terms of maturity of financial assets of the Company are disclosed in note 8.

The sensitivity analysis for changes in interest rate is not disclosed as the effect is considered not significant.

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18. FUND MANAGEMENT

The Company's funds are managed so as to maintain adequate working funds for the development of its principal activities over the longer term through significant support mainly in the form of donations and grants. No changes were made in objectives, policies or processes since the previous financial year.

19. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of receivables, cash and cash equivalents and payables classified as current assets and current liabilities approximate their fair values due to their short term nature.

20. FINANCIAL INSTRUMENTS BY CATEGORY

The aggregate carrying amounts of financial instruments by category, as specified in FRS 109, as at 31 December 2018 are as follows:

	<u>2018</u>
	\$
Financial assets at amortised cost	4,206,823
Financial liabilities at amortised cost	65,931

The aggregate carrying amounts of financial instruments by category, as specified in FRS 39, as at 31 December 2017 are as follows:

	<u>2017</u>
	\$
Loans and receivables	4,106,757
Financial liabilities at amortised cost	41,689

21. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue in accordance with a directors' resolution dated 13 May 2019.

