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Thye Hua Kwan Nursing Home Limited
(A Company limited by guarantee and not having a share capital)

Registration Number: 201323219Z
(Registered under the Singapore Companies Act, Cap 50)

Annual Report
Year ended 31 March 2020

Directors' statement

We are pleased to submit this annual report to the member of the Company, together with the audited financial statements for the financial year ended 31 March 2020.

In our opinion:

(a) the financial statements set out on pages FS1 to FS32 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2020 and the financial performance, changes in funds and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Lee Kim Siang	
Goh Tok Mong	
Zulkifli Baharudin	
Ching Chiat Kwong	
Cheah Sheau Lan	
Chang Long Jong	
Eu Yee Ming Richard	
Ong Ser Huan	
Koh Juay Meng	(Appointed on 2 September 2019)
Ng Kok Kiang Lawrence	(Appointed on 15 January 2020)

Directors' interests

As the Company is limited by guarantee and has no share capital, no director who held office at the end of the financial year had interests in the capital of the Company either at the beginning of the financial year, date of appointment if later, or at the end of the financial year.

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, no director who held office at the end of the financial year (including those held by their spouses and infant children) had interests in shares or debentures of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

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

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lee Kim Siang
Director

Ng Kok Kiang Lawrence
Director

8 September 2020

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Independent auditors' report

Member of the Company
Thye Hua Kwan Nursing Home Limited

Report on the financial statements

We have audited the financial statements of Thye Hua Kwan Nursing Home Limited (the Company), which comprise the statement of financial position as at 31 March 2020, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS32.

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 Singapore Charities Act and relevant regulations, Chapter 37 ('the Charities Act and Regulations') and Singapore Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 March 2020 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 '*Auditors' 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 contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Directors' statement prior to the date of this auditors' report.

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

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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.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 controls.

- 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 auditors' 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 auditors' 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 controls that we identify during our audit.

Report on other legal and regulatory requirements

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

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

(a) the use of donation moneys was not in accordance with the objectives of the Company as required under Regulation 11 of the Charities (Institutions of a Public Character) Regulations; and

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

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
8 September 2020

Statement of financial position
As at 31 March 2020

	Note	2020 $	2019 $
Non-current assets			
Property, plant and equipment	4	1,849,484	1,805,178
Right-of-use assets	5	3,215,912	–
		5,065,396	1,805,178
Current assets			
Trade and other receivables	6	1,670,008	1,730,013
Cash and cash equivalents	7	12,250,856	8,387,189
		13,920,864	10,117,202
Total assets		18,986,260	11,922,380
Funds			
Accumulated funds		11,082,822	7,354,215
Total funds		11,082,822	7,354,215
Non-current liabilities			
Deferred capital grants	8	1,183,074	1,257,700
Lease liabilities	9	2,675,469	–
		3,858,543	1,257,700
Current liabilities			
Trade and other payables	11	1,338,975	2,262,346
Deferred capital grants	8	504,471	427,857
Deferred income	10	1,622,630	620,262
Lease liabilities	9	578,819	–
		4,044,895	3,310,465
Total liabilities		7,903,438	4,568,165
Total funds and liabilities		18,986,260	11,922,380
Member Guarantee			
1 member (2019: 1) of $100 each		100	100

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

Statement of comprehensive income
Year ended 31 March 2020

	Note	2020 $	2019 $
Incoming resources:			
Incoming resources from generated funds:			
- Government grants	12	9,913,976	8,997,860
- Donation income	13	1,439,555	2,998,078
- Other income	14	638,645	523,674
Incoming resources from charitable activities	15	2,921,529	2,747,313
Total incoming resources		14,913,705	15,266,925
Resources expended:			
Cost of generating donation income	16	(321,233)	(763,850)
Cost of conducting charitable activities	17	(10,745,799)	(10,676,645)
Governance costs	18	(39,851)	(35,033)
Finance costs	9	(78,215)	–
Total resources expended		(11,185,098)	(11,475,528)
Surplus for the year, representing total comprehensive income	19	3,728,607	3,791,397

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

Statement of changes in funds
Year ended 31 March 2020

	Accumulated funds (Unrestricted) $
At 1 April 2018	3,562,818
Total comprehensive income for the year	
Surplus for the year	3,791,397
Total comprehensive income for the year	3,791,397
At 31 March 2019	7,354,215
At 1 April 2019	7,354,215
Total comprehensive income for the year	
Surplus for the year	3,728,607
Total comprehensive income for the year	3,728,607
At 31 March 2020	11,082,822

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

Statement of cash flows
Year ended 31 March 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Surplus for the year		3,728,607	3,791,397
Adjustments for:			
Depreciation of property, plant and equipment	4	508,683	459,642
Depreciation of right-of-use assets	5	600,726	–
Amortisation of deferred capital grants	8	(473,587)	(424,611)
Loss on disposal of fixed asset	17	4,352	2,554
Impairment losses on trade and other receivables	17	7,194	9,519
Bad debts written off	17	7,726	13,394
Interest income	14	(82,841)	(18,914)
Interest expense	9	78,215	–
		4,379,075	3,832,981
Changes in working capital:			
Trade and other receivables		99,361	171,129
Trade and other payables		978,997	(526,932)
Net cash from operating activities		5,457,433	3,477,178
Cash flows from investing activities			
Purchase of property, plant and equipment		(557,341)	(459,257)
Government grants received for purchase of property, plant and equipment		475,575	449,347
Interest received		28,565	18,914
Net cash (used in)/from investing activities		(53,201)	9,004
Cash flows from financing activities			
Repayment of amounts due to a related charity (non-trade)		(900,000)	(400,000)
Repayment of lease liabilities		(562,350)	–
Interest paid		(78,215)	–
Net cash used in financing activities	9	(1,540,565)	(400,000)
Net increase in cash and cash equivalents		3,863,667	3,086,182
Cash and cash equivalents at beginning of the year		8,387,189	5,301,007
Cash and cash equivalents at end of the year	7	12,250,856	8,387,189

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 8 September 2020.

1 Domicile and activities

Thye Hua Kwan Nursing Home Limited (the 'Company') is incorporated in Singapore as a company limited by guarantee. The address of the Company's registered office is 48 Hougang Avenue 8, Singapore 538793.

The principal activities of the Company are those relating to the carrying on of the business of providing nursing and personal care facilities including residential care services for the elderly.

The Company is a welfare arm of Thye Hua Kwan Moral Society (THKMS) since its establishment on 28 August 2013. The Company commenced operations in October 2016.

2 Basis of preparation

2.1 Statement of compliance

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

This is the first set of the Company's annual financial statements in which FRS 116 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with FRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.5 Changes in accounting policies

New standards and amendments

The Company has applied the following FRS, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 April 2019:

- FRS 116 *Leases*
- *Plan Amendment, Curtailment or Settlement* (Amendments to FRS 19)

Other than FRS 116, the application of these FRSs and amendments to standards do not have a material effect on the financial statements

FRS 116 *Leases*

The Company applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

On transition to FRS 116, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied FRS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under FRS 17 and INT FRS 104 were not reassessed for whether there is a lease under FRS 116. Therefore, the definition of a lease under FRS 116 was applied only to contracts entered into or changed on or after 1 April 2019.

As a lessee

As a lessee, the Company leases mainly property for its nursing home and senior care centre premises. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under FRS 116, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of premises the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under FRS 17

Previously, the Company classified property leases as operating leases under FRS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 April 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying FRS 116 to leases previously classified as operating leases under FRS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on financial statements

*Impact on transition**

On transition to FRS 116, the Company recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below.

	1 April 2019 $
Right-of-use assets – property, plant and equipment	3,816,638
Lease liabilities	(3,816,638)

* For the impact of FRS 116 on profit or loss for the period, see Note 21. For the details of accounting policies under FRS 116 and FRS 17, see Note 3.9.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 2.23%.

	1 April 2019 **$**
Operating lease commitments at 31 March 2019 as disclosed under FRS 17 in the Company's financial statements	2,307,891
Discounted using the incremental borrowing rate at 1 April 2019	1,945,317
Extension options reasonably certain to be exercised	1,871,321
Lease liabilities recognised at 1 April 2019	3,816,638

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of comprehensive income.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in statement of comprehensive income as incurred.

Low value assets costing less than $500 individually are written off in the period of outlay.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in surplus or deficit on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

Computers	3 years
Medical, rehabilitation, facilities, kitchen and laundry equipment	5 years
Office equipment	5 years
Motor vehicles	5 years
Renovations	5 years
Hospital beds	10 years
Furniture and fittings	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.2 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in income and expenditure account. These financial liabilities comprised trade and other payables.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of twelve months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

3.3 Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised costs.

Loss allowances of the Company are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset remains outstanding for more that the reasonable range of past due days, taking into consideration historical payment track record, current macroeconomics situation as general industry trend.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impairment financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one of more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer; or
- a breach of contract such as a default or remains outstanding for more than the reasonable range of past due days.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in deficit or surplus. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in surplus or deficit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists for all assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of comprehensive income in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company 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.

3.5 Government grants

Government grants are accounted for on an accrual basis in the statement of financial position when there is a reasonable assurance that the Company has complied with all the terms and conditions attached to the grant and there is reasonable certainty that the grant will be received.

Grants related to assets

Grants which are designated for the purchase of property, plant and equipment are taken to deferred capital grants. The deferred capital grant is amortised over the useful life of the property, plant and equipment by crediting to surplus or deficit an amount so as to match the related depreciation expense.

Grants related to income

Grants that compensate the Company for expenses incurred are recognised as income in surplus or deficit in the same periods in which the expenses are incurred.

Land rental subsidy

Land rental subsidy from government is recognised when there is a reasonable assurance that the grant will be received and the Company will comply with attached conditions.

3.6 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax that reflects current market assessments of the time value of money and the risks specific to the liability.

3.7 Incoming resources

Rendering of services

Income from rendering of services are recognised when services are rendered. Income excludes goods and services taxes or other sales taxes.

Donation income

Provided there is evidence of entitlement, as expressed in writing, donations income are recognised in statement of comprehensive income in the period of receipt.

Interest income

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

3.8 Funds structure

Unrestricted funds are available for use at the discretion of the management in furtherance of the general objectives of the Company.

Restricted funds are subjected to restrictions on their expenditure imposed by the donor or through the terms of an appeal.

3.9 Leases

The Company has applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 and INT FRS 104. The details of accounting policies under FRS 17 and INT FRS 104 are disclosed separately.

Policy applicable from 1 April 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 April 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Leases - Policy applicable before 1 April 2019

For contracts entered into before 1 April 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:
- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

(i) As a lessee

In the comparative period, as a lessee the Company classified leases that did not transferred substantially all of the risks and rewards of ownership as operating leases. Assets held under operating leases were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3.10 Tax

As a registered charity under the Singapore Charities Act, Cap. 37, the Company is exempted from income tax under Section 13 of the Income Tax Act, Chapter 134.

3.11 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 April 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRS, interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)
- FRS 117 *Insurance Contracts*

4 Property, plant and equipment

	Computers $	Medical, rehabilitation, facilities, kitchen and laundry equipment $	Office equipment $	Hospital beds $	Renovations $	Furniture and fittings $	Motor vehicles $	Total $
Cost								
At 1 April 2018	213,833	1,039,989	79,021	683,127	50,153	306,807	–	2,372,930
Additions	–	359,499	2,015	–	21,340	5,605	70,798	459,257
Disposal	(720)	–	(650)	–	(2,461)	–	–	(3,831)
At 31 March 2019	213,113	1,399,488	80,386	683,127	69,032	312,412	70,798	2,828,356
Additions	92,005	324,435	–	–	22,639	17,406	100,856	557,341
Disposal	–	(7,893)	–	–	–	–	–	(7,893)
At 31 March 2020	305,118	1,716,030	80,386	683,127	91,671	329,818	171,654	3,377,804
Accumulated depreciation								
At 1 April 2018	102,185	282,006	20,515	110,084	12,769	37,254	–	564,813
Depreciation charge for the year	70,343	247,963	15,992	68,313	13,171	30,881	12,979	459,642
Disposal	(320)	–	(260)	–	(697)	–	–	(1,277)
At 31 March 2019	172,208	529,969	36,247	178,397	25,243	68,135	12,979	1,023,178
Depreciation charge for the year	38,475	321,552	16,077	68,313	15,844	32,581	15,841	508,683
Disposal	–	(3,541)	–	–	–	–	–	(3,541)
At 31 March 2020	210,683	847,980	52,324	246,710	41,087	100,716	28,820	1,528,320
Carrying amounts								
At 1 April 2018	111,648	757,983	58,506	573,043	37,384	269,553	–	1,808,117
At 31 March 2019	40,905	869,519	44,139	504,730	43,789	244,277	57,819	1,805,178
At 31 March 2020	94,435	868,050	28,062	436,417	50,584	229,102	142,834	1,849,484

5 Right-of-use assets

	Leasehold properties $
Cost	
At 1 April 2019	–
Recognition of right-of-use assets on initial application of FRS 116	3,816,638
Adjusted balance at 1 April 2019 and at 31 March 2020	3,816,638
Accumulated depreciation	
At 1 April 2019	–
Depreciation charge for the year	600,726
At 31 March 2020	600,726
Carrying amounts	
At 1 April 2019 (adjusted)	3,816,638
At 31 March 2020	3,215,912

6 Trade and other receivables

	2020 $	2019 $
Trade receivables	611,976	657,901
Amount due from a related party (trade)	6,264	4,968
Government grant receivables	847,273	940,526
Interest receivables	54,276	–
Deposits	259,567	169,904
	1,779,356	1,773,299
Impairment losses	(140,729)	(140,701)
	1,638,627	1,632,598
Prepayments	31,381	97,415
	1,670,008	1,730,013

The Company's exposure to credit risk relating to trade and other receivables is set out in Note 23.

7 Cash and cash equivalents

	2020 $	2019 $
Bank balances and cash on hand	5,942,425	8,387,189
Fixed deposits with financial institutions	6,308,431	–
	12,250,856	8,387,189

Included in the cash and cash equivalents is a balance of $1,385,621 (2019: $615,462) in relation to Community Silver Trust funding for which the use is subject to restrictions imposed by the funding body.

The weighted average effective interest rates per annum relating to bank balances and fixed deposits are 0.30% (2019: 0.40%) and 2.15% (2019: nil). Interest rates on fixed deposits reprice between 6 to 12 months.

8 Deferred capital grants

	2020 $	2019 $
At 1 April	1,685,557	1,660,821
Grants received during the year	475,575	449,347
Amortisation for the year	(473,587)	(424,611)
At 31 March	1,687,545	1,685,557
Non-current	1,183,074	1,257,700
Current	504,471	427,857
	1,687,545	1,685,557

Deferred capital grants represents government grants received in relation to the purchase of IT infrastructure, furniture and equipment, and are amortised over the period necessary to match the depreciation of the property, plant and equipment purchased with the related grants.

9 Lease liabilities

	2020 $
Non-current	2,675,469
Current	578,819
Total lease liabilities	3,254,288

Terms and conditions of outstanding lease liabilities are as follows:

	Effective interest rate	Year of maturity	Face value $	Carrying amount $
Company				
31 March 2020				
Lease liabilities	2.23%	2026	3,449,256	3,254,288

Reconciliation of movements to cash flows arising from financing activities

	Lease liabilities $	Amounts due to a related charity (non-trade) (note 11) $	Total $
Balance as at 1 April 2019	–	1,300,000	1,300,000
Change from financing cash flows			
Repayment of amounts due to a related charity (non-trade)	–	(400,000)	(400,000)
Total changes from financing cash flows	–	(400,000)	(400,000)
Balance as at 31 March 2019	–	900,000	900,000
Balance as at 1 April 2019	–	900,000	900,000
Adjustment on initial application of FRS116	3,816,638	–	3,816,638
Adjusted balance as at 1 April 2019	3,816,638	900,000	4,716,638
Change from financing cash flows			
Repayment of amounts due to a related charity (non-trade)	–	(900,000)	(900,000)
Payment of lease liabilities	(562,350)	–	(562,350)
Interest paid	(78,215)	–	(78,215)
Total changes from financing cash flows	(640,565)	(900,000)	(1,540,565)
Other changes			
Interest expense	78,215	–	78,215
Total other changes	78,215	–	78,215
Balance as at 31 March 2020	3,254,288	–	3,254,288

As at 31 March 2020, the Company has received $513,052 and $172,352 of receivable from Ministry of Health as government grant for leases. The Company has recognised both the entire amount as grant income during the year.

10 Deferred income

		2020 $	2019 $
Community Silver Trust	(a)	1,385,621	614,982
OCBC Fund	(b)	–	5,280
VISA Donation	(c)	7,168	–
Other grants	(d)	229,841	–
		1,622,630	620,262

(a) Community Silver Trust (CST) matching grant

	2020 $	2019 $
At 1 April	614,982	907,865
Grant received	1,656,625	104,883
Grant utilised for qualifying expenses	(713,492)	(122,500)
Grant utilised to purchase plant and equipment and transferred to deferred capital grant during the year	(172,494)	(275,266)
At 31 March	1,385,621	614,982

The Community Silver Trust is a scheme whereby the Agency for Integrated Care (AIC) will provide a matching grant of one dollar for every donation dollar raised by eligible organisations. The objectives are to encourage more donations and provide additional resources for the service providers in the Intermediate and Long Term Care (ILTC) Sector and to enhance capabilities and provide value-added services to achieve affordable and higher quality care.

The CST matching grant has to be utilised by 31 March 2021 to 31 March 2023 and the Agency for Integrated Care (AIC) has the right to clawback the balance amounts in the event the grant is not used before the stipulated deadline.

(b) OCBC Fund

OCBC Fund relates to a donation by OCBC Bank to build an exercise corner. The fund was fully utilised during the year.

(c) VISA Donation

VISA donation relates to a donation from VISA Worldwide Pte Ltd for certain patient related programmes not completed as at year-end.

(d) Other grants

$229,841 of other grants under Job Support Scheme which will be recognised in surplus or deficit as 'government grant' during the months in which the Company recognises as salary costs for which the grant is intended to compensate.

11 Trade and other payables

	2020 $	2019 $
Trade payables	187,591	182,457
Amounts due to related charities (trade)	24,642	142,551
Amounts due to a related party (trade)	158,013	141,413
Amounts due to a related charity (non-trade)	–	900,000
Accrued operating expenses	681,291	572,793
Other payables	251,953	281,193
Goods and services tax payables	35,485	41,939
	1,338,975	2,262,346

Transactions with related charities are unsecured and at arm's length.

The non-trade amounts due to a related charity were unsecured, interest-free and fully repaid during the year.

12 Government grants

	2020 $	2019 $
Patient subvention income grant	8,451,353	7,495,232
Rental subvention grant	685,403	677,400
Replacement ratio manpower funding	–	154,225
Salary adjustment exercise manpower funding	7,678	499,478
CST matching grant (Note 10)	713,492	122,500
Others	56,050	49,025
	9,913,976	8,997,860

13 Donation income

	2020 $	2019 $
Non-tax deductible donations	150,669	109,770
Tax deductible donations	1,288,886	2,888,308
	1,439,555	2,998,078

Total gross donations (including donations received from fund raising events) received qualified for tax deductions for the year amounted to $1,288,886 (2019: $2,888,308).

Included in the donation income is an amount of $590,639 (2019: $2,198,484) received from fund raising activities organised by THKMS. Tax exempt receipts were issued directly by the Company to the donors.

14 Other income

	2020 $	2019 $
Amortisation of deferred capital grants	473,587	424,611
Wage credit and employment credit scheme	65,516	59,689
Interest income	82,841	18,914
Others	16,701	20,460
	638,645	523,674

15 Incoming resources from charitable activities

	2020 $	2019 $
Patient and related income	2,921,529	2,747,313

Patient and related services relate to provision of medical service and items to patients. Revenue is recognised upon medical services and items are provided to patients. Payment is due when invoice is issued and payable within 30 days.

16 Cost of generating donation income

	2020 $	2019 $
Fund raising costs	321,233	763,850

The Company incurred fund raising expenses of $153,236 (2019: $619,107) paid or payable to THKMS for tax deductible donations raised for the Company.

17 Cost of conducting charitable activities

	2020 $	2019 $
Staff costs	5,795,267	6,042,782
Depreciation of property, plant and equipment	508,683	459,642
Depreciation of right-of-use assets	600,726	–
Patient related services and supplies	2,015,386	1,781,362
Upkeep costs	1,026,057	978,829
Rental expenses	–	677,400
Utilities expenses	350,100	342,038
Minor assets and equipment	27,202	29,664
Impairment losses on trade and other receivables	7,194	9,519
Bad debts written off	7,726	13,394
Loss on disposal of fixed assets	4,352	2,554
Other expenses	403,106	339,461
	10,745,799	10,676,645

18 Governance costs

	2020 $	2019 $
Legal and professional fees	39,851	35,033

19 Surplus for the year

The following items have been included in arriving at surplus for the year:

	2020 $	2019 $
Staff costs:		
- Wages and salaries	(4,383,377)	(4,536,928)
- Contribution to defined contribution plans	(382,115)	(422,702)
- Foreign worker levies	(647,901)	(664,716)
- Other short-term benefits	(381,874)	(418,436)
	(5,795,267)	(6,042,782)

20 Related parties

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling activities of the Company. The Board of Directors, Chief Executive Officer and senior management are considered as key management personnel of the Company.

Key management personnel compensation comprised:

	2020 $	2019 $
Short-term employee benefits	422,385	450,588
Post-employment benefits	30,183	47,346
	452,568	497,934

The annual remuneration of the Company's three highest paid staff who each received remuneration exceeding $70,000, in the following bands in the year were as follows:

	2020	2019
Number of employees in bands:		
$200,001 to $300,000	1	–
$100,001 to $200,000	2	3

The Company also received Board services from the Board of Directors and no remuneration is paid for their Board services.

Other related party transactions

During the year, other than disclosed elsewhere in the financial statements, there were the following transactions with related parties carried out on terms agreed between the parties:

	Note	2020 $	2019 $
Service fees paid to THKMS	16	153,236	619,107
Purchase of services from related charities		417,524	318,521
Purchase of food from a related company		839,109	893,765
Recharge of utilities to a related company		(59,269)	(56,028)
Service fee charge to a related company		(1,680)	–
Purchase of goods and professional services from THKMS		5,741	5,000

The annual remuneration of the Company's close family member of key management personnel who each received remuneration exceeding $50,000, in the following bands in the year were as follow:

	2020	2019
Number of employees in bands:		
$200,001 to $300,000	1	–
$100,001 to $200,000	–	1

21 Leases

The Company leases properties for its nursing home and senior care centre premises. The leases typically run for a period of 3 years, with an option to renew the lease after that date for a further 3 years depending on the renewal of the service agreement with the Ministry of Health. Lease payments are usually non-negotiable.

Previously, these property leases were classified as operating leases under FRS 17.

Information about leases for which the Company is a lessee is presented in note 9 and below.

Amounts recognised in profit or loss

	$
2020 – Leases under FRS 116	
Interest on lease liabilities	78,215

	$
2019 – Operating leases under FRS 17	
Lease expense	677,400

Amounts recognised in statement of cash flows

	2020
	$
Total cash outflow for leases	640,564

22 Income taxes

The Company is an approved charity organisation under the Charities Act, Chapter 37 and an Institution of a Public Character under the Income Tax Act, Chapter 134. No provision for taxation has been made in the financial statements as the Company is a registered charity with income tax exemption.

23 Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the Company's risk management policies. Management reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from patients.

The carrying amounts of financial assets represent the Company's maximum exposure to credit risk, before taking into account any collateral held. The Company does not hold any collateral in respect of its financial assets.

Trade receivables

The Company's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to the trade receivables is limited due to the Company's varied customers. The Company's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Company's trade receivables.

The Company has a credit policy in place which establishes credit limit for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on customers requiring credit over certain amount. The credit quality of customers is assessed after taking into account their financial position and past experience with the customers.

Exposure to credit risk

The exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date was:

	2020	**2019**
	$	**$**
Corporate	320,107	174,872
Government grants	847,273	940,526
Individuals	611,976	657,901
	1,779,356	1,773,299

Concentration of credit risk relating to trade receivables is limited due to the Company's many varied patients.

The Company evaluates whether there is any objective evidence that trade receivables are impaired, and determines the amount of impairment loss as a result of the inability of the patients to make required payments. The Company determines the estimates based on the ageing of the trade receivables balance and credit-worthiness. If the financial condition of the patients were to deteriorate, actual write-offs would be higher than estimated.

Impairment losses

The ageing of trade and other receivables (excluding prepayments) at the reporting date was:

	Gross 2020 $	Impairment losses 2020 $	Gross 2019 $	Impairment losses 2019 $
No credit terms	1,161,116	–	1,110,430	–
Not past due	237,737	(7,812)	250,166	(6,516)
Past due 0 – 30 days	126,362	(7,673)	133,495	(6,184)
Past due 31 – 90 days	118,194	(14,293)	114,129	(18,880)
Past due more than 90 days	135,947	(110,951)	165,079	(109,121)
	1,779,356	(140,729)	1,773,299	(140,701)

Allowance for impairment losses are made based on the historical trend of incurred losses. The Company has also assessed its trade receivables from patients based on the lifetime expected credit loss and all necessary allowance for impairment losses has been provided.

The Company believe that the amounts not impaired and are past due are still collectible, based on historical payment behaviour and extensive analyses of customer credit risk.

Movements in allowance for impairment in respect of trade receivables from patients:

	2020 $	2019 $
At 1 April	140,701	131,286
Allowance for impairment loss on trade receivables	7,194	9,519
Write-off against provision	(7,166)	(104)
At 31 March	140,729	140,701

Cash and cash equivalents

The Company held cash and cash equivalents with bank and financial institution counterparties, which are rated A- to AA- based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuation in cash flows. The Company receives donations from the public and fund raising activities organised by THKMS and subvention income from the government.

The contractual maturities of financial liabilities, including estimated interest payments are as follows:

			Cash flows			
	Note	**Carrying amount $**	**Contractual cash flows $**	**Within 1 year $**	**Within 1 to 5 years $**	**More than 5 years $**
2020						
Lease liabilities	9	3,254,288	(3,449,256)	(644,304)	(2,577,216)	(227,736)
Trade and other payables^	11	1,303,490	(1,303,490)	(1,303,490)	–	–
		4,557,778	(4,752,746)	(1,947,794)	(2,577,216)	(227,736)
2019						
Trade and other payables^	11	2,220,407	(2,220,407)	(2,220,407)	–	–

^ Excludes goods and services tax payables

Market risk

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

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 has no significant exposure to interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial assets and liabilities of the Company are primarily denominated in Singapore dollars. The Company has no significant exposure to foreign currency risk.

Reserve Management

The Company's reserve management objectives are to maintain strong and healthy capital ratios in order to support its operations.

The Company aims to maintain sufficient level of accumulated funds to meet three years of its budgeted operating expenditure. The Company regularly reviews and manages its reserves to ensure optimal capital structure, taking into consideration the future capital requirements of the Company's projected profitability and projected operating cash flows.

Accounting classifications and fair values

The carrying amounts of financial assets and liabilities in the statement of financial position are as follows. Fair value information is not included as the carrying amounts of financial assets and financial liabilities are reasonable approximation of their fair values due to the short period to maturity.

	Note	Amortised cost $	Other financial liabilities $	Total carrying amount $
31 March 2020				
Financial assets not measured at fair value				
Trade and other receivables*	6	1,638,627	–	1,638,627
Cash and cash equivalents	7	12,250,856	–	12,250,856
		13,889,483	–	13,889,483
Financial liability not measured at fair value				
Trade and other payables^	11	–	1,303,490	1,303,490
31 March 2019				
Financial assets not measured at fair value				
Trade and other receivables*	6	1,632,598	–	1,632,598
Cash and cash equivalents	7	8,387,189	–	8,387,189
		10,019,787	–	10,019,787
Financial liability not measured at fair value				
Trade and other payables^	11	–	2,220,407	2,220,407

* Excludes prepayments
^ Excludes goods and services tax payables