KPMG

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

Registration Number: 201323219Z
(Registered under the Singapore Charities Act, Chapter 37)

Annual Report
Year ended 31 March 2018

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 2018.

In our opinion:

(a) the financial statements set out on pages FS1 to FS24 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2018 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
Chan Kin Ming
Ching Chiat Kwong
Cheah Sheau Lan
Zulkifli Baharudin
Chia Mia Chiang
Goh Tok Mong

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 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 at the end of the financial year.

Auditors

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

On behalf of the Board of Directors

Lee Kim Siang
Director

Goh Tok Mong
Director

7 September 2018

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

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 2018, 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 FS24.

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, Chapter 37 ('the Charities Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 March 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 '*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.

KPMG

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.

KPMG

- 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.

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
7 September 2018

Statement of financial position
As at 31 March 2018

	Note	2018 $	2017 $
Non-current asset			
Property, plant and equipment	4	1,808,117	1,966,888
Current assets			
Trade and other receivables	5	1,924,055	1,454,951
Cash and cash equivalents	6	5,301,007	1,714,787
		7,225,062	3,169,738
Total assets		9,033,179	5,136,626
Funds			
Accumulated funds		3,562,818	1,520,892
Total funds		3,562,818	1,520,892
Non-current liability			
Deferred capital grants	7	1,292,535	939,558
Current liability			
Trade and other payables	8	3,809,540	2,676,176
Deferred capital grants	7	368,286	–
		4,177,826	2,676,176
Total liabilities		5,470,361	3,615,734
Total funds and liabilities		9,033,179	5,136,626
Member Guarantee			
1 member (2017: 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 2018

	Note	2018	2017
		$	$
Incoming resources:			
Incoming resources from generated funds:			
- Government grants	10	8,151,549	4,518,670
- Donation income	11	1,740,886	137,699
- Other income	12	515,752	126,729
Incoming resources from charitable activities	13	2,245,334	434,192
Total incoming resources		12,653,521	5,217,290
Resources expended:			
Cost of generating donation income	14	(492,244)	(23,650)
Cost of conducting charitable activities	15	(10,078,086)	(4,758,104)
Governance costs	16	(41,265)	(58,964)
Total resources expended		(10,611,595)	(4,840,718)
Surplus for the year, representing total comprehensive income	17	2,041,926	376,572

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

Statement of changes in funds
Year ended 31 March 2018

	(Unrestricted) Accumulated funds $	Total funds $
At 1 April 2016	1,144,320	1,144,320
Total comprehensive income for the year		
Surplus for the year	376,572	376,572
Total comprehensive income for the year	376,572	376,572
At 31 March 2017	1,520,892	1,520,892
At 1 April 2017	1,520,892	1,520,892
Total comprehensive income for the year		
Surplus for the year	2,041,926	2,041,926
Total comprehensive income for the year	2,041,926	2,041,926
At 31 March 2018	3,562,818	3,562,818

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

Statement of cash flows
Year ended 31 March 2018

	Note	2018	2017
		$	$
Cash flows from operating activities			
Surplus for the year		2,041,926	376,572
Adjustments for:			
Depreciation of property, plant and equipment	4	396,071	167,884
Amortisation of deferred capital grants	7	(439,256)	(95,233)
Interest income	12	(8,094)	(10,731)
		1,990,647	438,492
Changes in working capital:			
Trade and other receivables		(469,104)	(1,425,751)
Trade and other payables		1,133,364	(88,051)
Net cash from/(used in) operating activities		2,654,907	(1,075,310)
Cash flows from investing activities			
Purchase of property, plant and equipment		(237,300)	(2,120,178)
Government grants received for purchase of property, plant and equipment		1,160,519	1,034,791
Interest received		8,094	10,731
Net cash from/(used in) investing activities		931,313	(1,074,656)
Net increase/(decrease) in cash and cash equivalents		3,586,220	(2,149,966)
Cash and cash equivalents at beginning of the year		1,714,787	3,864,753
Cash and cash equivalents at end of the year	6	5,301,007	1,714,787

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 7 September 2018.

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 subsidiary 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).

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.

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

There are no critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements and no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

2.5 Changes in accounting policies

In the current financial year, the Company has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant for its operations and effective for annual period, beginning on 1 April 2017. The adoption of the new and revised FRSs and INT FRSs did not have any significant effect on the financial statements of the Company.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Financial instruments

Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

The Company classifies non-derivative financial assets into loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised costs using effective interest method, less any impairment losses.

Loan and receivables comprise trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Non-derivative financial liabilities

The Company initially recognises financial liabilities on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise trade and other payables.

3.2 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.

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, kitchen and laundry equipment	5 years
Office equipment	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.

3.3 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of comprehensive income.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

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, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its 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 the statement of financial activities. 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.

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 recognised in prior years 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 received are recognised initially as deferred income when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grants. These grants are then recognised in surplus or deficit as government grants income upon utilisation of grants.

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 Lease payments

Payments under operating lease are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.10 New standards and interpretations not yet adopted

A number of new financial reporting standards, amendments to standards and interpretations are effective for annual periods beginning after 1 April 2018, and have not been applied in preparing these financial statements.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 is effective for annual periods beginning on or after 1 April 2018, with early adoption permitted.

The Company expects that FRS 115 will have no material impact on the financial statements in the year of initial adoption.

FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 April 2018, with early adoption permitted. Retrospective application is generally required. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 April 2018. The Company plans to adopt the new standard on the required effective date in financial year ending 31 March 2019 without restating comparative information.

The revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets of FRS 109 that would have an impact on the Company, with effect from annual periods beginning on or after 1 April 2018, are as described below.

The Company has performed a preliminary impact assessment of adopting FRS 109 based on currently available information and the Company does not expect the adoption of FRS 109 to have any significant impact on the financial statements. This assessment may be subject to changes arising from ongoing analysis, until the Company adopts FRS 109 in financial year ending 31 March 2019.

Classification and measurement

The Company does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

Impairment

FRS 109 replaces the 'incurred loss model' with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost or fair value through comprehensive income ("FVOCI"), except for investments in equity instruments, and certain loan commitments and financial guarantee contracts.

Under FRS 109, loss allowances of the Company will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company plans to apply the simplified approach and record lifetime ECL on all trade and other receivables arising from the application of FRS 109.

Trade and other receivables

The estimated ECLs were calculated based on actual credit loss experience over the past two years.

The Company estimated that application of FRS 109's impairment requirements at 1 April 2018 will not result in a significant impact over the impairment recognised under FRS 39.

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA-to AAA, based on Standard and Poor's ratings as at 31 March 2018.

The estimated impairment on cash and cash equivalents was calculated based 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 Company does not expect an increase in impairment on cash and cash equivalents as at 1 April 2018.

The Company is currently finalising the testing of its expected credit loss model and the quantum of the final transition adjustments may be different upon transition.

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 April 2019, with early adoption permitted if FRS 115 is also applied.

The Company has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. There are several existing non-cancellable operating lease agreements in which the Company is a lessee. Overall, the Company expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. Such operating lease commitments on an undiscounted basis amount to approximately $917,076 as at 31 March 2018 (Note 19).

The Company plans to adopt the standard when it becomes effective for the financial year ending 31 March 2020 and expects to apply the standard using the modified retrospective approach. The Company will perform a detailed analysis of the standard, including the transition options and practical expedients in 2019.

4 Property, plant and equipment

	Computers $	Medical, rehabilitation, kitchen and laundry equipment $	Office equipment $	Hospital beds $	Renovations $	Furniture and fittings $	Total $
Cost							
At 1 April 2016	13,946	–	1,506	–	–	–	15,452
Additions	153,826	997,798	63,186	683,127	48,131	174,110	2,120,178
At 31 March 2017	167,772	997,798	64,692	683,127	48,131	174,110	2,135,630
Additions	46,061	42,191	14,329	–	2,022	132,697	237,300
At 31 March 2018	213,833	1,039,989	79,021	683,127	50,153	306,807	2,372,930
Accumulated depreciation							
At 1 April 2016	775	–	83	–	–	–	858
Depreciation charge for the year	34,734	75,371	5,556	41,772	2,843	7,608	167,884
At 31 March 2017	35,509	75,371	5,639	41,772	2,843	7,608	168,742
Depreciation charge for the year	66,676	206,635	14,876	68,312	9,926	29,646	396,071
At 31 March 2018	102,185	282,006	20,515	110,084	12,769	37,254	564,813
Carrying amounts							
At 31 March 2017	132,263	922,427	59,053	641,355	45,288	166,502	1,966,888
At 31 March 2018	111,648	757,983	58,506	573,043	37,384	269,553	1,808,117

5 Trade and other receivables

	2018 $	2017 $
Trade receivables	487,038	208,452
Amount due from a related party (trade)	3,710	–
Government grant receivables	1,208,198	1,050,477
Deposits	238,350	153,279
	1,937,296	1,412,208
Impairment losses	(131,286)	–
Loans and receivables	1,806,010	1,412,208
Prepayments	118,045	42,743
	1,924,055	1,454,951

The Company's primary exposure to credit risk arises through its trade receivables.

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 loans and receivables at the reporting date was:

	Gross 2018 $	Impairment losses 2018 $	Gross 2017 $	Impairment losses 2017 $
No credit terms	1,451,357	–	1,203,756	–
Not past due	205,283	(8,448)	116,349	–
Past due 0 – 30 days	88,146	(11,250)	44,611	–
Past due 31 – 90 days	92,363	(33,321)	46,958	–
Past due more than 90 days	100,147	(78,267)	534	–
	1,937,296	(131,286)	1,412,208	–

The movement in allowance for impairment in respect of loans and receivables during the year was as follows:

	2018 $	2017 $
At 1 April	–	–
Impairment losses on loans and receivables	131,286	–
At 31 March	131,286	–

The Company believes that the unimpaired amounts are still collectible in full, based on historical payment behaviour and extensive analysis of patient credit risk.

Based on the Company's monitoring of patient credit risk, the Company believes that, apart from the above, no impairment allowance is necessary in respect of loans and receivables.

6 Cash and cash equivalents

	2018 $	2017 $
Bank balances and cash on hand	5,301,007	1,714,787

Included in the cash and cash equivalents is a balance of $920,065 (2017: Nil) for which the use is subject to restrictions imposed by the funding body (see Note 9).

7 Deferred capital grants

	2018 $	2017 $
At 1 April	939,558	–
Grants received during the year	1,160,519	1,034,791
Amortisation for the year	(439,256)	(95,233)
At 31 March	1,660,821	939,558
Non-current	1,292,535	939,558
Current	368,286	–
	1,660,821	939,558

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

8 Trade and other payables

	2018 $	2017 $
Trade payables	455,513	297,219
Amounts due to related charities (trade)	209,346	40,236
Amounts due to a related party (trade)	131,365	–
Amounts due to related charities (non-trade)	1,300,000	1,818,437
Accrued operating expenses	522,768	313,159
Other payables	252,768	207,125
GST payables	29,915	–
Deferred income (Note 9)	907,865	–
	3,809,540	2,676,176

Transactions with related charities are unsecured and priced on terms agreed between the parties.

The non-trade amounts due to related charities are unsecured, interest-free and repayable on demand.

9 Community Silver Trust (CST) matching grant

The CST matching grant is represented as follows:

	2018 $	2017 $
Deferred income (Note 8)	907,865	–
At 1 April	–	–
Grant received	1,533,442	–
Grant utilised for qualifying expenses	(613,377)	–
Grant utilised to purchase plant and equipment	(12,200)	–
At 31 March	907,865	–

The Community Silver Trust is a scheme whereby the government 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 March 2021 and 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.

10 Government grants

	2018 $	2017 $
Pre-operation grant	–	2,655,400
Patient subvention income grant	5,206,016	920,514
Rental subvention grant	689,354	436,409
Replacement ratio manpower funding	356,707	89,154
Salary adjustment exercise manpower funding	913,433	–
CST matching grant (Note 9)	613,377	–
Capital expenditure grant	358,183	417,193
Others	14,479	–
	8,151,549	4,518,670

The purposes of the pre-operation and capital expenditure grants were to fund operating expenses, and the purchase of plant and machinery, when the Company commenced operations. The grant is given by the Ministry of Health.

The purpose of salary adjustment exercise manpower funding was to fund a salary adjustment exercise introduced for healthcare professionals in the ILTC sector. The funding will cease on 1 July 2018. The grant is given by the Ministry of Health.

The purpose of replacement ratio manpower funding was to fund workforce development as well as to promote the safety and quality of patient care. The funding will ceased with effect from 1 July 2018. The grant is given by the Ministry of Health.

11 Donation income

	2018 $	2017 $
Non-tax deductible donations	403,061	6,922
Tax deductible donations	1,337,825	130,777
	1,740,886	137,699

Total gross donations (including donations received from fund raising events) received qualified for tax deductions for the year amounted to $1,337,825 (2017: $130,777).

Included in the donation income is an amount of $1,226,411 (2017: $94,601) received from fund raising activities organised by THKMS. Tax exempt receipts were issued directly by the Company to the donors.

12 Other income

	2018 $	2017 $
Amortisation of deferred capital grants	439,256	95,233
Wage credit and employment credit scheme	63,318	–
Interest income	8,094	10,731
Others	5,084	20,765
	515,752	126,729

13 Incoming resources from charitable activities

	2018 $	2017 $
Patient and related income	2,245,334	434,192

14 Cost of generating donation income

	2018	2017
	$	$
Fund raising costs	492,244	23,650

The Company incurred fund raising expenses of $332,503 (2017: $23,650) paid or payable to THKMS for donations raised for the Company.

The total donations collected from and the total expenses incurred on public fund-raising appeals in the financial year have been audited and the Company had met the 30/70 fund-raising rule for the financial year that total expenses incurred on public fund-raising appeals in the financial year did not exceed 30% of total donations collected through the public appeals in the same period.

15 Cost of conducting charitable activities

	2018	2017
	$	$
Staff costs	5,705,155	2,444,263
Depreciation of property, plant and equipment	396,071	167,883
Patient related services and supplies	1,740,361	587,503
Rental expenses	689,354	440,895
Utilities expenses	283,894	118,201
Minor assets and equipment	33,211	673,922
Impairment losses on loans and receivable	131,286	–
Upkeep costs	857,827	131,424
Other expenses	240,927	194,013
	10,078,086	4,758,104

An amount of $689,354 (2017: $436,409) was received from the Ministry of Health as government grants for rental expenses (see Note 10).

16 Governance costs

	2018	2017
	$	$
Legal and professional fees	41,265	58,964

17 Surplus for the year

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

	2018 $	2017 $
Operating lease expenses	(689,354)	(440,895)
Staff costs:		
- Wages and salaries	(4,330,416)	(1,934,886)
- Contribution to defined contribution plans	(428,631)	(218,015)
- Foreign worker levies	(561,392)	(243,763)
- Other short-term benefits	(384,716)	(47,599)

18 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:

	2018 $	2017 $
Short-term employee benefits	406,754	216,721
Post-employment benefits	49,172	25,954
	455,926	242,675

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:

	2018	2017
Number of employees in bands:		
$100,001 to $200,000	1	1
$70,000 to $100,000	2	2

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	2018 $	2017 $
Service fees paid to THKMS	14	332,503	23,650
Purchase of services from related charities		242,330	113,214
Purchase of food from a related party		826,537	30,268
Recharge of utilities to a related party		(54,907)	–

19 Commitments

The company leases properties. The leases are negotiated for an average of 1 to 3 years. The 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. There are no renewal or purchase options.

As at 31 March, the Company had the following commitments for amounts payable under non-cancellable operating leases in respect of land rental with a term of more than one year:

	2018 $	2017 $
Due within 1 year	677,400	657,305
After 1 year but within 5 years	239,676	891,647
	917,076	1,548,952

20 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.

21 Financial instruments

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.

Management has a credit policy in place which establishes credit limits for patients and monitors their balances on an ongoing basis. Credit evaluations are performed on all patients requiring credit over a certain amount. To minimise the risk of bad debts, non-corporate customers are generally requested to place an initial deposit at the time of admission to the hospital.

Whilst management believes that its credit policy is effective in reducing its credit risk exposure to an acceptable level, it has to adhere to its overruling principle of not turning away patients who need medical care regardless of their ability to pay. The Company does not require collateral in respect of trade and other receivables

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At reporting date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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.

At the reporting date, the carrying amounts of financial liabilities reflect the contractual undiscounted cash flows which are expected to mature within the next one year.

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.

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.

	Note	**Loans and receivables** **$**	**Other financial liabilities** **$**	**Total carrying amount** **$**
31 March 2018				
Financial assets not measured at fair value				
Trade and other receivables*	5	1,806,010	–	1,806,010
Cash and cash equivalents	6	5,301,007	–	5,301,007
		7,107,017	–	7,107,017
Financial liability not measured at fair value				
Trade and other payables#	8	–	2,901,675	2,901,675

	Note	Loans and receivables $	Other financial liabilities $	Total carrying amount $
31 March 2017				
Financial assets not measured at fair value				
Trade and other receivables*	5	1,412,208	–	1,412,208
Cash and cash equivalents	6	1,714,787	–	1,714,787
		3,126,995	–	3,126,995
Financial liability not measured at fair value				
Trade and other payables#	8	–	2,676,176	2,676,176

* Excludes prepayments
\# Excludes deferred income