Annual Report 2019/20

THYE HUA KWAN MORAL CHARITIES LIMITED

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Financial Statements

Thye Hua Kwan Moral Charities Limited
(A company limited by guarantee
and not having a share capital)

Registration Number : 201130733N
(Registered under the Singapore Charities Act, Chapter 37)

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 FS40 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 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, the Singapore Charities Act, Chapter 37, 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	
James Koh Cher Siang	
Zulkifli Bin Baharudin	
Goh Tok Mong	
Eu Yee Ming Richard	
Cheah Sheau Lan	
Ng Kok Kiang Lawrence	
Ong Ser Huan	
Chang Long Jong	
Koh Juay Meng	
Ching Chiat Kwong	
Koh Poh Kwang	
Shawn Ching Wei Hung	(Alternate to Ching Chiat Kwong)
Ang Seong Kang Samuel	
Ramasamy Dhinakaran	(Appointed on 10 July 2019)
Ardi Saban Hardjoe	(Appointed on 20 November 2019)
Cheong Kah Meng	(Appointed on 16 May 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 (the Act), 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, 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

Eu Yee Ming Richard
Director

10 September 2020

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

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Independent auditors' report

Member of the Company
Thye Hua Kwan Moral Charities Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Thye Hua Kwan Moral Charities 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS40.

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 and other relevant regulations ('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.

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 during the year:

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

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

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
10 September 2020

Statement of financial position
As at 31 March 2020

	Note	2020 $	2019 $
Assets			
Property, plant and equipment	4	7,707,461	8,386,881
Right-of-use assets	5	4,827,564	–
Investments	6	22,639,485	20,463,251
Non-current assets		35,174,510	28,850,132
Investments	6	9,320,508	12,899,819
Trade and other receivables	7	9,527,977	5,386,986
Cash and cash equivalents	8	77,957,748	67,817,164
Current assets		96,806,233	86,103,969
Total assets		131,980,743	114,954,101
Funds			
Accumulated funds		28,165,940	25,249,379
Fair value reserve	13	(1,635,383)	176,465
Restricted funds	14	80,772,507	73,663,616
Total funds		107,303,064	99,089,460
Liabilities			
Deferred income – Government and other grants	9	3,867,205	3,550,805
Lease liabilities	10	3,324,975	–
Provision for restoration cost	12	531,814	–
Non-current liabilities		7,723,994	3,550,805
Deferred income – Government and other grants	9	9,410,700	7,163,144
Lease liabilities	10	1,525,021	–
Trade and other payables	11	5,879,318	5,150,692
Provision for restoration cost	12	138,646	–
Current liabilities		16,953,685	12,313,836
Total liabilities		24,677,679	15,864,641
Total funds and liabilities		131,980,743	114,954,101
Members 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	15	55,075,726	52,752,287
- Community Silver Trust matching grant	15	1,658,352	1,498,467
- Care & Share matching grant	15	74,077	310,430
- Other grants	15	5,058,876	4,575,936
- Donation income	16	586,223	808,200
- Other income	17	4,492,160	4,751,748
Incoming resources from charitable activities	18	4,941,990	6,213,683
Total incoming resources		71,887,404	70,910,751
Resources expended			
Staff costs	21	(46,567,734)	(43,271,599)
Cost of generating donation income	19	(92,491)	(118,734)
Cost of provision of charitable activities	20	(5,454,042)	(5,036,436)
Administrative expenses		(2,270,642)	(2,288,136)
Other operating expenses		(7,419,718)	(6,206,593)
Finance costs from lease liabilities	24	(57,325)	–
Total resources expended		(61,861,952)	(56,921,498)
Surplus for the year	21	10,025,452	13,989,253
Other comprehensive loss			
Net change in fair value through other comprehensive income financial assets		(1,811,848)	(877,306)
Other comprehensive loss for the year		(1,811,848)	(877,306)
Total comprehensive income for the year		8,213,604	13,111,947

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

Statement of changes in funds
Year ended 31 March 2020

	Accumulated Funds (Unrestricted) $	Fair value reserve (Note 13) $	Restricted funds (Note 14) $	Total funds $
At 1 April 2018	22,482,257	1,053,771	62,441,485	85,977,513
Total comprehensive income for the year				
Surplus for the year	2,767,122	–	11,222,131	13,989,253
Other comprehensive loss				
Net change in fair value through other comprehensive income financial assets	–	(877,306)	–	(877,306)
Total comprehensive income/(loss) for the year	2,767,122	(877,306)	11,222,131	13,111,947
At 31 March 2019	25,249,379	176,465	73,663,616	99,089,460
At 1 April 2019	25,249,379	176,465	73,663,616	99,089,460
Total comprehensive income for the year				
Surplus for the year	2,916,561	–	7,108,891	10,025,452
Other comprehensive loss				
Net change in fair value through other comprehensive income financial assets	–	(1,811,848)	–	(1,811,848)
Total comprehensive income/(loss) for the year	2,916,561	(1,811,848)	7,108,891	8,213,604
At 31 March 2020	28,165,940	(1,635,383)	80,772,507	107,303,064

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		10,025,452	13,989,253
Adjustments for:			
Depreciation of:			
- property, plant and equipment	21	3,242,200	3,242,199
- right-of-use assets	21	1,186,596	–
Accretion of deferred capital grants	17	(1,771,559)	(2,180,283)
(Gain)/Loss on disposal of property, plant and equipment	21	(5,500)	8,609
Net change in fair value of financial assets designated as at fair value through profit or loss	21	513,967	(10,186)
Dividend income	17	(693,857)	(384,927)
Interest income	17	(1,265,324)	(1,363,658)
Interest expense	24	57,325	–
		11,289,300	13,301,007
Changes in:			
- trade and other receivables		(4,159,695)	354,655
- trade and other payables		3,417,877	(1,693,920)
Net cash from operating activities		10,547,482	11,961,742
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,892,320)	(3,225,308)
Acquisition of investment, net		(922,738)	(5,965,896)
Dividends received		693,857	384,927
Proceeds from disposal of property, plant and equipment		5,500	–
Interest received		1,284,028	1,319,765
Capital grants received		1,646,264	2,579,070
Net cash from/(used in) investing activities		814,591	(4,907,442)
Cash flows from financing activities			
Payment of lease liabilities		(1,164,164)	–
Interest paid		(57,325)	–
Net cash used in financing activities	10	(1,221,489)	–
Net increase in cash and cash equivalents		10,140,584	7,054,300
Cash and cash equivalents at 1 April		67,817,164	60,762,864
Cash and cash equivalents at 31 March	8	77,957,748	67,817,164

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 10 September 2020.

1 Domicile and activities

Thye Hua Kwan Moral Charities Limited (the 'Company') is incorporated in Singapore as a company limited by guarantee. The address of the Company's registered office is 1 North Bridge Road, #03-33, High Street Centre, Singapore 179094.

The Company was registered as a charity under the Singapore Charities Act, Chapter 37 on 8 November 2011. The Company is an approved Institution of a Public Character in accordance with Section 37 of the Income Tax Act.

The principal activities of the Company are those relating to the carrying on of the business of charitable and other supporting activities aimed at humanitarian work. The Company is a not-for-profit entity whose mission is:

- To help all people and to give relief to anyone in hardship, disaster or need, with due respect to be given to their race, colour, language, creed or religion.

- To promote good family life and interpersonal relationships.

The Company is a welfare arm of Thye Hua Kwan Moral Society (THKMS) since its establishment on 13 October 2011.

On 1 April 2012, THKMS restructured its nine institutions of public character (IPCs) and five senior activity centre (SACs) agencies, and injected the assets and liabilities of these IPCs and SACs into the Company.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with 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

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

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, 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.

There were no significant assumptions or estimation uncertainties that have a significant risk of resulting in a material adjustment to the financial statements within the next financial year.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2.5 Changes in accounting policies

New standards and amendments

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

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

Other than FRS 116, the application of these amendments to standards and interpretations does 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 amount of right-of-use ("ROU") assets recognised is equal to the lease liabilities as 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 these 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 many assets including leasehold properties for its centre premises and IT equipment. 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 ROU assets and lease liabilities for some of these leases – i.e. these leases are on-balance sheet.

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

On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rates applicable to the leases as at 1 April 2019. ROU 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 ROU assets for impairment on the date of transition and has concluded that there is no indication that the ROU 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 ROU assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise ROU assets and liabilities for leases of low value assets (e.g. certain IT equipment such as printers);
- excluded initial direct costs from the measurement of the ROU asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on financial statements on transition to FRS 116

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

	Note	**1 April 2019 $**
Right-of-use assets	5	2,653,331
Lease liabilities	10	2,653,331

* For the impact of FRS 116 on surplus or deficit for the period, see note 24. For the details of accounting policies under FRS 116 and FRS 17, see note 3.3.

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 2.01%.

	$
Operating lease commitments at 31 March 2019	2,971,978
Discounted using the incremental borrowing rate at 1 April 2019	2,857,109
Recognition exemption for:	
- Leases of low-value assets	(100,662)
- Leases with less than 12 months of lease term at transition	(103,116)
Lease liabilities recognised at 1 April 2019	2,653,331

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. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

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 surplus or deficit.

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 component 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 surplus or deficit as incurred.

Low value assets costing less than $1,000 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.

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:

• Leasehold properties	30 years
• Furniture and fittings	5 years
• Office and computer equipment	3 years
• Motor vehicles	5 to 10 years
• Renovation and improvements	5 years

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

Construction in progress is stated at cost. Expenditure relating to construction in progress are capitalised when incurred. The assets are not depreciated until the construction is completed and are ready for use.

3.2 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments 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 fair value through profit or loss ("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; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

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.

Debt investments at FVOCI

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

Financial assets that are held-for-trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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).

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

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in surplus or deficit.

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 surplus or deficit. Any gain or loss on derecognition is recognised in surplus or deficit.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in surplus or deficit. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to surplus or deficit.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in surplus or deficit unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to surplus or deficit.

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

Financial liabilities (including liabilities designated as at FVTPL) 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 surplus or deficit. Directly attributable transaction costs are recognised in surplus or deficit 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 surplus or deficit. 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 surplus or deficit.

(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 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 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

The Company recognises a ROU asset and a lease liability at the lease commencement date. The ROU 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 ROU 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 ROU asset reflects that the Company will exercise a purchase option. In that case the ROU 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 ROU 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 the lessee's 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, including in-substance 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, or 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 ROU asset, or is recorded in surplus or deficit if the carrying amount of the ROU asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise ROU assets and lease liabilities for leases of low-value assets and short-term leases, including certain IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

Generally, the accounting policies applicable to a lessor in the comparative period were not different from FRS 116.

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

The Company leased leasehold properties and IT equipment under operating leases. Assets held under these leases were not recognised in the Company's statement of financial position. Payments made under operating leases are recognised in surplus or deficit 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.

(ii) As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

3.4 Impairment

(i) Non-derivative financial assets

The Company recognises loss allowances for expected credit losses ("ECLs") on:

- Financial assets measured at amortised costs; and
- Debt investments measured at FVOCI.

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 assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the debtor 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).

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 and debt investments 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 debtor;
- a breach of contract such as default or being more than 90 days past due; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

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.

For debt investments at FVOCI, loss allowances are charged to surplus or deficit and recognised in OCI.

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 CGUs.

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 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.

3.5 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 surplus or deficit 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 or profit-sharing plans 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.

3.6 Incoming resources

Donation income

Donation income is recognised in surplus or deficit when the Company's entitlement to such income is established with certainty and the amount can be measured with sufficient reliability. This normally coincides with the period of receipt.

Programme income

Programme income is recognised when services are rendered.

Interest income

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

3.7 Government and other grants

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

Grants related to assets

Grants which are utilised for the purchase of property, plant and equipment are taken to deferred capital grants. The deferred capital grant is accreted over the useful lives of the property, plant and equipment by crediting to surplus or deficit an amount so as to match the corresponding 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 and other grants income when the Company complied with the conditions associated with the 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.

3.8 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.

3.9 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.

3.10 Interest income and interest expenses

Interest income comprises interest income on funds invested in FVOCI – debt investments and fixed deposits. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Interest expenses comprise of interest expense from lease liabilities.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.11 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.

3.12 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 FRSs, 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

	Leasehold properties $	Furniture and fittings $	Office and computer equipment $	Motor vehicles $	Renovation and improvements $	Renovation in progress $	Total $
Cost							
At 1 April 2018	5,304,038	1,180,410	2,438,067	1,622,285	10,948,749	894,074	22,387,623
Additions	–	466,084	769,553	472,733	711,866	805,072	3,225,308
Disposals	–	(73,881)	(128,073)	(245,963)	(4,100)	–	(452,017)
Reclassification	–	–	–	–	880,574	(880,574)	–
At 31 March 2019	5,304,038	1,572,613	3,079,547	1,849,055	12,537,089	818,572	25,160,914
Additions	670,460	537,629	541,272	–	552,570	260,849	2,562,780
Disposals	–	(3,741)	(117,209)	–	–	–	(120,950)
Reclassification	–	–	–	–	818,572	(818,572)	–
At 31 March 2020	5,974,498	2,106,501	3,503,610	1,849,055	13,908,231	260,849	27,602,744
Accumulated depreciation							
At 1 April 2018	3,656,938	370,751	1,631,223	667,461	7,648,869	–	13,975,242
Depreciation for the year	654,974	232,603	485,148	149,496	1,719,978	–	3,242,199
Disposals	–	(67,392)	(128,073)	(245,757)	(2,186)	–	(443,408)
At 31 March 2019	4,311,912	535,962	1,988,298	571,200	9,366,661	–	16,774,033
Depreciation for the year	713,096	301,375	554,318	149,538	1,523,873	–	3,242,200
Disposals	–	(3,741)	(117,209)	–	–	–	(120,950)
At 31 March 2020	5,025,008	833,596	2,425,407	720,738	10,890,534	–	19,895,283
Carrying amounts							
At 1 April 2018	1,647,100	809,659	806,844	954,824	3,299,880	894,074	8,412,381
At 31 March 2019	992,126	1,036,651	1,091,249	1,277,855	3,170,428	818,572	8,386,881
At 31 March 2020	949,490	1,272,905	1,078,203	1,128,317	3,017,697	260,849	7,707,461

5 Right-of-use assets

	Leasehold properties $	Office and computer equipment $	Total $
Cost			
At 1 April 2019	–	–	–
Recognition of ROU asset on initial application of FRS 116	2,617,482	35,849	2,653,331
Adjusted balance at 1 April 2019	2,617,482	35,849	2,653,331
Additions	3,280,216	80,613	3,360,829
At 31 March 2020	5,897,698	116,462	6,014,160
Accumulated depreciation			
At 1 April 2019	–	–	–
Depreciation for the year	1,171,030	15,566	1,186,596
At 31 March 2020	1,171,030	15,566	1,186,596
Carrying amounts			
At 1 April 2019	–	–	–
At 31 March 2020	4,726,668	100,896	4,827,564

6 Investments

	2020 $	2019 $
Non-current investments		
Debt investments – at FVOCI	11,235,829	12,583,554
Fixed income funds and product – at FVTPL	11,403,656	7,879,697
	22,639,485	20,463,251
Current investments		
Debt investments – at FVOCI	1,625,037	3,501,550
Equity investments – at FVOCI	7,695,471	9,398,269
	9,320,508	12,899,819
Total investments	31,959,993	33,363,070

Debt investments classified as FVOCI bear interest rates of 2.00% to 4.80% (2019: 1.99% to 4.75%) per annum with maturity dates from 2021 to 2027.

The Company's exposure to credit risk, market risk and fair value information related to investments are disclosed in note 26.

7 Trade and other receivables

	2020 $	2019 $
Programme receivables	1,041,901	796,279
Amounts due from related charities (trade)	146,899	299,659
Interest receivables	128,436	147,140
Other receivables	161,263	167,678
Deposits	387,975	323,674
Government and other grants receivables	7,498,629	3,524,919
Prepayments	162,874	127,637
	9,527,977	5,386,986

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

8 Cash and cash equivalents

	2020 $	2019 $
Bank balances and cash on hand	57,457,748	35,817,164
Fixed deposits with financial institutions	20,500,000	32,000,000
	77,957,748	67,817,164

Included in the bank balances are $12,706,089 (2019: $390,155) held by fund managers.

The weighted average effective interest rates per annum relating to bank balances and fixed deposits are 0.41% (2019: 0.40%) and 2.25% (2019: 1.62%) respectively. Interest rates reprice between one month to six months.

9 Deferred income – Government and other grants

Deferred income relates to the grants received by the Company and comprises the following:

		2020 $	2019 $
Deferred capital grants	(a)	5,380,716	5,506,011
Deferred grants			
- Community Silver Trust matching grant	(b)	3,980,096	3,857,483
- Care & Share matching grant	(c)	520,470	949,799
- Other grants	(d)	3,396,623	400,656
		13,277,905	10,713,949
Non-current		3,867,205	3,550,805
Current		9,410,700	7,163,144
		13,277,905	10,713,949

(a) Deferred capital grants

	$
Gross carrying amounts	
At 1 April 2018	14,843,218
Addition during the year	2,579,070
At 31 March 2019	17,422,288
Addition during the year	1,646,264
At 31 March 2020	19,068,552
Accumulated amortisation	
At 1 April 2018	9,735,994
Accretion for the year	2,180,283
At 31 March 2019	11,916,277
Accretion for the year	1,771,559
At 31 March 2020	13,687,836
Net carrying amounts	
At 1 April 2018	5,107,224
At 31 March 2019	5,506,011
At 31 March 2020	5,380,716

Deferred capital grants for purchase of property, plant and equipment are to be accreted over the useful lives to match the corresponding depreciation expense of the property, plant and equipment.

(b) Community Silver Trust matching grant

	2020 $	2019 $
At 1 April	3,857,483	6,230,579
Grant received	2,087,155	–
Unutilised grant returned	(22,157)	–
Grant utilised for qualifying expenses	(834,862)	(714,924)
Grant utilised for Enhancement Projects	(1,107,523)	(1,658,172)
At 31 March	3,980,096	3,857,483

The Agency for Integrated Care (AIC) will provide a matching grant of one dollar for every donation dollar raised for Intermediate and Long-term Care (ILTC) programmes by the Company.

The purpose of the CST matching grant is to enhance the Company's capabilities and provide value-added services in relation to ILTC programmes to achieve higher quality care and affordable step down care. The CST matching grant may be used to fund recurring operating expenses and Enhancement Projects as described below.

Enhancement Projects are programmes or initiatives introduced by certain Operating Units to:

(i) enhance the range of and innovate existing ILTC services;
(ii) improve their organisational capabilities; and
(iii) increase their capacity.

Upon utilising the grant to purchase property, plant and equipment for Enhancement Projects, the grant is transferred to deferred capital grant and is accreted over the useful life of the property, plant and equipment so as to match the corresponding depreciation expense.

The CST matching grant has to be utilised before 31 March 2022 for different projects and AIC has the right to clawback the balance amounts in the event the grants are not used by the stipulated deadline.

(c) Care & Share matching grant

	2020	2019
	$	$
At 1 April	949,799	1,527,310
Grant utilised for qualifying expenses	–	(63,500)
Grant utilised for Enhancement Projects	(429,329)	(514,011)
At 31 March	520,470	949,799

Ministry of Social and Family Development (MSF) will provide a matching grant of one dollar for every donation dollar raised for non-ILTC programmes by the Company before 31 March 2016.

The purpose of the Care & Share matching grant is to develop the Company's capabilities and capacity in the provision of social services and programmes for its beneficiaries.

Enhancement Projects are programmes or initiatives introduced by certain Operating Units to:

(i) enhance the range of and innovate existing non-ILTC services;
(ii) improve their organisational capabilities; and
(iii) increase their capacity.

Upon utilising the grant to purchase property, plant and equipment for Enhancement Projects, the grant is transferred to deferred capital grant and is accreted over the useful life of the property, plant and equipment so as to match the corresponding depreciation expense.

The Care & Share matching grant has to be utilised before 31 March 2022 and MSF has the right to clawback the balance amounts in the event the grants are not used by the stipulated deadline.

(d) Other grants

Other grants include $2,903,986 of deferred income 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.

10 Lease liabilities

	2020
	$
Non-current	3,324,975
Current	1,525,021
Total	4,849,996

Terms and conditions of lease liabilities are as follows:

	Effective interest rate	Year of maturity	Face value $	Carrying amount $
31 March 2020				
Lease liabilities	2.01%	2021 to 2027	4,921,736	4,849,996

Reconciliation of movements to cash flows arising from financing activities

	Lease liabilities $
Balance as at 1 April 2019	2,653,331
Change from financing cash flows	
Interest paid	(57,325)
Payment of lease liabilities	(1,164,164)
Total changes from financing cash flows	(1,221,489)
Other changes	
New leases	3,360,829
Interest expense	57,325
Total other changes	3,418,154
Balance as at 31 March 2020	4,849,996

11 Trade and other payables

	2020 $	2019 $
Amounts due to related charities (trade)	503,639	367,201
Accrued operating expenses	3,804,006	3,475,716
Operating grants received in advance	560,634	218,600
Other payables	1,011,039	1,089,175
	5,879,318	5,150,692

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

12 Provision for restoration cost

	2020 $
At 1 April 2019	–
Provisions made during the year	670,460
At 31 March 2020	670,460
Represented by:	
Non-current	531,814
Current	138,646
	670,460

The provisions are made for the restoration of the leased premises to the original condition. They are due within 1 to 5 years.

13 Fair value reserve

Fair value reserve comprises the cumulative net change in the fair values of financial investments at FVOCI until the investments are derecognised or impaired.

14 Restricted funds

Restricted government grants are funded mainly by Ministry of Social and Family Development, Ministry of Health and Tote Board Social Service Fund. These restricted funds are to be used to benefit specific programmes run by the respective centres.

Included in restricted government grants are the CST and the Care & Share matching grants to be used to fund ILTC programmes and non-ILTC programmes respectively.

15 Government and other grants

The Company is a voluntary welfare organisation. The Company receives grants from the Government and other organisations to run various welfare programmes. Government Ministries do not provide full funding for its programmes, supplementary grants from other organisations, such as Community Chest and SG Enable are sought. Where permissible, grants from the Community Silver Trust and the Care & Share are also sought to cover qualifying operating expenses and to fund Enhancement Projects. Further information of major grants are as following:

(i) Grants from the Government

Ministry of Social and Family Development (MSF) grant

The purpose of the MSF grant, including Care and Share matching grant is to fund early childhood, family, disabilities and social service programmes. Funding covers the individual programmes’ expenditure on manpower and other operating expenses.

Ministry of Health (MOH) grant

The purpose of MOH grants is to fund elderly requiring home care services, including meals, escort services for hospital treatment, home medical, personal hygiene and laundry services.

Agency for Integrated Care (AIC) grant

The purpose of the AIC grant, including Community Silver Trust matching grant is to fund patients requiring continuous medical care at home for certain period after being discharged from hospital and to fund home visits by caring neighbours who monitor the wellbeing of elderly residents.

Tote Board Social Service Fund (Tote Board) grant

The purpose of Tote Board grants is to supplement MSF and MOH funding.

(ii) Grants from other organisations

SG Enable grant

The purpose of SG Enable grants is to provide transportation for people requiring services at specific locations.

Community Chest (Com Chest) grant

The purpose of Com Chest grants is to supplement family services and centre for family harmony.

National Council of Social Service (NCSS) Community S.E.T. grant

The purpose of NCSS Community S.E.T grant is to supplement special education schools, early intervention programmes for infants and children and training and employment programmes.

16 Donation income

	2020 $	2019 $
Donations:		
- Tax deductible	485,378	668,220
- Non-tax deductible	100,845	139,980
	586,223	808,200

Total gross donations (including donations raised from fund-raising events) received which qualified for tax deductions for the year amounted to $485,378 (2019: $668,220).

Included in the donation income is an amount of $365,079 (2019: $526,204) received from fund-raising activities organised by THKMS.

For tax deductible donations, tax exempt receipts were issued directly by the Company to the donors.

17 Other income

	2020 $	2019 $
Accretion of deferred capital grants	1,771,559	2,180,283
Interest income	1,265,324	1,363,658
Dividend income	693,857	384,927
Net gain in fair value of financial investments at FVTPL	–	10,186
Wage credit scheme funded by government	534,814	600,750
Employment credits funded by government	166,467	161,596
Others	60,139	50,348
	4,492,160	4,751,748

18 Incoming resources from charitable activities

	2020 $	2019 $
Elderly and disabled programmes	773,860	761,907
Early intervention programmes for infants and children	881,526	1,668,963
Family service programmes	5,422	6,767
Senior activities programmes	20,499	25,083
Specialised service programmes	168,459	419,824
Therapy service programmes	1,858,094	2,176,723
Social service programmes	48,819	36,917
Disability home programmes	1,167,488	1,109,765
Other programmes	17,823	7,734
	4,941,990	6,213,683

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Nature of goods or services	The Company generates various sources of service revenue from the conduct of programmes during the year.
When income is recognised	Income is recognised when services are rendered.
Significant payment terms	Invoices are issued upon completion of services. Payment is due immediately upon billing for individual customers whereas invoices are payable within 30 days for corporate customers.

19 Cost of generating donation income

	2020 $	2019 $
Fund raising costs	92,491	118,734

In raising the donations, the Company incurred fund-raising expenses of $92,491 (2019: $118,734) to procure donations for the Company.

20 Cost of provision of charitable activities

	2020 $	2019 $
Elderly and disabled programmes	311,235	491,444
Early intervention programmes for infants and children	636,463	560,969
Family service programmes	721,364	460,698
Senior activities programmes	198,513	277,230
Specialised service programmes	73,293	42,083
Therapy service programmes	411,899	325,098
Social service programmes	103,652	136,793
Disability home programmes	2,339,867	2,151,050
Other programme expenses	657,756	591,071
	5,454,042	5,036,436

21 Surplus for the year

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

	2020 $	2019 $
Depreciation of:		
- property, plant and equipment	(3,242,200)	(3,242,199)
- right-of-use assets	(1,186,596)	–
Net change in fair value of financial investments at FVTPL	(513,967)	10,186
Gain/(Loss) on disposal of property, plant and equipment	5,500	(8,609)
Staff costs (see below)	(46,567,734)	(43,271,599)

	2020 $	2019 $
Staff costs:		
- Wages and salaries	37,246,856	35,147,323
- Contribution to defined contribution plans	4,782,101	4,562,116
- Staff training	1,235,578	829,544
- Foreign worker levies	1,547,207	1,555,351
- Other short-term benefits	1,755,992	1,177,265
	46,567,734	43,271,599

The annual remuneration of the Company's staff who each received remuneration exceeding $100,000, in the following bands in the year were as follow:

	2020	2019
Number of employees in bands		
$100,000 to $200,000	30	29
$200,001 to $300,000	1	2
$300,001 to $400,000	–	–

22 Income taxes

The Company is an approved charity organisation under the Singapore 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 Commitments

Capital expenditure which have not been provided for in the financial statements were as follows:

	2020 $	2019 $
Authorised and contracted for:		
- Renovation and improvements	42,473	334,886

24 Leases

Leases as lessee (FRS 116)

The Company leases its properties for its centre premises. The leases typically run for a period of 3 years, with an option to renew the lease after that date depending on the renewal of the funding agreement of the programme. Lease payments are usually non-negotiable.

The Company leases IT equipment with contract terms of 1 to 3 years. Some of these leases are short-term and/or leases of low-value items. The Company has elected not to recognise ROU assets and lease liabilities for these leases.

Information about leases for which the Company is a lessee is presented below.

Amounts recognised in surplus or deficit

	$
2020 – Leases under FRS 116	
Interest on lease liabilities	57,325
Expenses relating to short-term leases	683,386
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	76,473

	$
2019 – Operating leases under FRS 17	
Lease expense	1,799,575

Amounts recognised in statement of cash flows

	2020
	$
Total cash outflow for leases	1,221,489

Extension options

Some property leases contain extension options exercisable by the Company up to 3 years before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $236,524.

25 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, Chief Operating Officer, and Divisional Directors of Headquarter are considered as key management personnel of the Company.

Key management personnel compensation comprised:

	2020	2019
	$	$
Short-term employee benefits	700,371	611,083
Contribution to defined contribution plan	44,331	43,861

The Company receives services from the Board of Directors and no remuneration is paid for their 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:

	2020 $	2019 $
Programme income from related charities	641,527	580,528
Donation income received from related charities	365,079	526,204
Service fees paid to related charities	(92,491)	(121,671)
Purchase of goods from related charity	(1,407,661)	(1,273,375)
Purchase of goods from related company	(493,671)	(277,195)
Rental of premises	(370,700)	(450,900)
Compensation paid to close family members of key management personnel of the Company	(452,520)	(409,749)

The annual remuneration of the Company's close family members 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		
$50,000 to $150,000	1	1
$150,001 to $250,000	–	–
$250,001 to $350,000	1	1

26 Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks arising from 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 customers.

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

There were no impairment losses on financial assets recognised in income and expenditure during both years.

Trade and other receivables

The Company's primary exposure to credit risk arises through its trade and other receivables. Concentration of credit risk relating to the trade and other receivables is limited due to the Company's varied customers. The Company's historical experience in the collection of trade and others receivable is healthy. Due to these factors, management believes that no additional credit risk is inherent in the Company's trade and other receivables.

Exposure to credit risk is monitored on an ongoing basis. Management believes that its credit risk exposure is at an acceptable level as the Company's trade and other receivables are substantially receivables from the Government. The Company does not require collateral in respect of its trade and other receivables.

Exposure to credit risk

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

	Carrying amount	
	2020	**2019**
	$	**$**
Government and other grant agencies	7,498,629	3,524,919
Individuals	554,315	387,492
Corporate	648,849	576,465
Related charities	146,899	299,659
	8,848,692	4,788,535

Based on the Company's monitoring of credit risk, the Company believes that no impairment allowance is necessary.

Debt investments

The Company limits its exposure to credit risk on investments held by investing only in liquid debt securities and fixed income funds and product, and only with counterparties that have high credit ratings. Management actively monitors its counterparties' credit ratings and given that the Company only has investments in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

12-month and lifetime probabilities of default are based on historical default rates extracted from financial databases and credit rating agencies. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The exposure to credit risk for debt investments at FVOCI and fixed income funds and product at FVTPL at the reporting date by geographic region was as follows:

	Net carrying amount	
	2020	**2019**
	$	**$**
Singapore	23,246,522	22,942,301
Canada	1,018,000	–
Great Britain	–	1,022,500
	24,264,522	23,964,801

The exposure to credit risk for debt investments and fixed income funds and product at the reporting date by industries was as follows:

	Net carrying amount	
	2020	**2019**
	$	**$**
Financial Services	14,807,503	12,411,986
Real Estate Investment Trust	5,334,163	7,038,140
Offshore & Marine Property	2,014,500	2,001,000
Aviation	1,481,815	1,513,075
Communications	245,815	–
Consultancy	128,369	–
Healthcare	252,357	–
Government	–	1,000,600
	24,264,522	23,964,801

No impairment loss was recognised. The Company has no collateral in respect of these investments.

Cash and cash equivalents

The Company held cash and cash equivalents of $77,957,748 at 31 March 2020 (2019: $67,817,164). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- 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.

The Company uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt investments.

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 Thye Hua Kwan Moral Society 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	10	4,849,996	4,921,736	1,593,894	3,141,117	186,725
Trade and other payables^	11	5,318,684	5,318,684	5,318,684	–	–
		10,168,680	10,240,420	6,912,578	3,141,117	186,725
2019						
Trade and other payables^	11	4,932,092	4,932,092	4,932,092	–	–

^ *Excluding operating grants received in advance*

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange 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's exposure to changes in interest rates relates primarily to interest-earning financial assets. Interest rate risk is managed by the Company on an ongoing basis.

Exposure to interest rate risk

At the reporting date, the interest rate profiles of the Company's interest-earning financial instruments are as follows:

	Nominal amount	
	2020	**2019**
	$	**$**
Fixed rate instruments		
Debt investments	12,860,868	16,085,104
Fixed deposits with financial institutions	20,500,000	32,000,000
	33,360,868	48,085,104

The Company is not exposed to any variable rate financial instruments and a change in interest rate at the reporting date would not affect surplus or deficit.

Foreign currency risk

The financial assets and liabilities of the Company are primarily denominated in Singapore dollars. The Company has no significant exposure to foreign currency risk.

Equity price risk

All of the Company's quoted equity investments are listed on the Singapore Exchange Limited.

The Company is exposed to equity price changes arising from equity investments designated as at FVOCI. An increase in the underlying equity prices of the investments at the reporting date by 10% for the Company would have increased other comprehensive income by $769,547 (2019: $939,827). Similarly, a decrease in the underlying equity prices by 10% for the Company would have an equal but opposite effect.

This analysis assumes that all other variables remain constant.

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 financial liabilities which are not measured at fair value, as shown in the statement of financial position, are as follows. It does not include fair value information of financial assets and financial liabilities not measured at fair value if the carrying amounts are reasonable approximate of fair values. Further, for the current year the fair value disclosure of lease liabilities is also not required.

	Note	Designated as at FVTPL $	Amortised cost $	Designated as at FVOCI $	Other financial liabilities $	Total carrying amount $	Fair value (Level 1) $
At 31 March 2020							
Financial assets measured at fair value							
Investments	6	11,403,656	–	20,556,337	–	31,959,993	31,959,993
Financial assets not measured at fair value							
Trade and other receivables*	7	–	9,365,103	–	–	9,365,103	
Cash and cash equivalents	8	–	77,957,748	–	–	77,957,748	
		–	87,322,851	–	–	87,322,851	
Financial liabilities not measured at fair value							
Trade and other payables**	11	–	–	–	5,318,684	5,318,684	

* *Excludes prepayments*
** *Excludes operating grants received in advance*

	Note	Designated as at FVTPL $	Amortised cost $	Designated as at FVOCI $	Other financial liabilities $	Total carrying amount $	Fair value (Level 1) $
At 31 March 2019							
Financial assets measured at fair value							
Investments	6	7,879,697	–	25,483,373	–	33,363,070	33,363,070
Financial assets not measured at fair value							
Trade and other receivables*	7	–	5,259,349	–	–	5,259,349	
Cash and cash equivalents	8	–	67,817,164	–	–	67,817,164	
		–	73,076,513	–	–	73,076,513	
Financial liabilities not measured at fair value							
Trade and other payables**	11	–	–	–	4,932,092	4,932,092	

* *Excludes prepayments*
** *Excludes operating grants received in advance*

Determination of fair values

Equity investments

The fair values of equity investments managed by fund manager classified as FVOCI have been determined by reference to the quoted bid prices of the underlying equity securities at the reporting date.

Debt investments and fixed income funds and product

The fair values of debt investments classified as FVOCI, and fixed income funds and product classified as FVTPL have been determined by reference to the bid prices of the underlying quoted debt securities at the reporting date.

Other financial assets and liabilities

As the reporting date, the carrying amounts of other financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) approximate their fair values because of the short period to maturity.

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