

**HUG COMMUNITY SERVICES LIMITED**

Company Registration No. 201430532E

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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## **HUG COMMUNITY SERVICES LIMITED**

(A public company limited by guarantee and not having share capital)

### **DIRECTORS' STATEMENT**

The directors are pleased to present their statement to the members together with the audited financial statements of the Company for the financial year ended 31 December 2021.

#### **1. OPINION OF THE DIRECTORS**

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and the financial performance, changes in accumulated funds and cash flows of the Company for the year then ended; 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.

#### **2. DIRECTORS**

The directors of the Company at the date of this statement are:-

Grace Yeo

Jeffrey Mak

Kor Wan Wen, Melissa (Appointed on 25th March 2022)

Lee Wee Teck (Appointed on 14th March 2022)

Tan Luang Keng (Appointed on 14th March 2022)

Tan Tang Mui (Appointed on 14th March 2022)

#### **3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS**

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 any other body corporate.

#### **4. OTHER MATTERS**

As the Company is limited by guarantee and does not have a share capital, matters relating to the issue of shares or share options are not applicable.

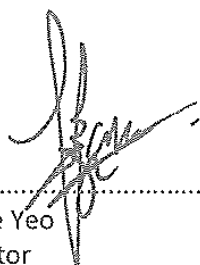
5. **AUDITOR**

Casa Assurance PAC has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors



.....  
Jeffrey Mak  
Director



.....  
Grace Yeo  
Director

Singapore,

**INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF  
HUG COMMUNITY SERVICES LIMITED**

(A public company limited by guarantee and not having share capital)

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of HUG Community Services Limited (the “Company”), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in accumulated fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Charities Act, Chapter 37 and other relevant regulations (the “Charities Act and Regulations”), the Companies Act 1967 (the 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 December 2021 and of the financial performance, changes in accumulated fund and cash flows of the Company for the year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Other Matter*

The financial statements for the reporting year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on the financial statements on 12 July 2021.

*Other Information*

Management is responsible for the other information. The other information comprises the Directors’ Statement but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not 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 Charities Act and Regulations, the 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.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

*Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)*

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required 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 that causes us to believe that during the financial year:

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

**Casa Assurance PAC**  
Public Accountants and  
Chartered Accountants

Singapore,

**HUG COMMUNITY SERVICES LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

	Note	2021 S\$	2020 S\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	4	35,949	8,634
Right-of-use assets	5	68,273	30,786
		104,222	39,420
<b>Current assets</b>			
Trade and other receivables	6	1,324	3,951
Cash and cash equivalents	7	180,323	145
		181,647	4,096
<b>TOTAL ASSETS</b>		285,869	43,516
<b>Represented by Accumulated funds</b>		207,376	6,721
<b>Non-Current Liability</b>			
Lease liabilities	8	44,313	16,922
<b>Current Liabilities</b>			
Other payables	9	5,836	5,646
Lease liabilities	8	28,344	14,227
		34,180	19,873
<b>TOTAL FUND</b>		285,869	43,516

The annexed notes form an integral part of and should be read in conjunction with these financial statements.



**HUG COMMUNITY SERVICES LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	2021 S\$	2020 S\$
Revenue	10	348,309	11,352
Other income	11	5,375	6,003
		<u>353,684</u>	<u>17,355</u>
<b>Less: Expenditure</b>			
Audit fee		2,770	-
Accounting fee		2,410	-
Bank charges		205	506
Community Service Expenses		13,456	428
Computer and IT expenses		2,581	-
Consultancy fee		1,070	-
CPF contribution		5,434	-
Depreciation of plant and equipment		11,356	1,981
Depreciation of right of use asset		26,889	6,640
Directors' incentive		29,500	-
Entertainment and refreshment		871	3,570
Gift		327	-
Interest on lease liabilities		2,774	838
Late payment interest		12	-
Maintenance		200	1,055
Operation expenses		2,163	2,638
Printing and stationery		2,180	1,027
Professional fee		-	3,120
Rental expenses		-	1,070
Salary		31,859	-
Skill development levy		38	-
Staff allowance		1,000	-
Staff welfare		1,848	-
Subscription		-	593
Sundry expenses		340	300
Training programme expense		1,621	1,469
Telecommunication		7,128	3,349
Transport expenses		4,008	3,476
Utilities		989	881
		<u>153,029</u>	<u>32,941</u>
<b>Surplus/(Deficit) for the financial year</b>		200,655	(15,586)
Income tax expense	12	-	-
<b>Net surplus/(deficit) and total comprehensive income/(loss) for the financial year</b>		<u>200,655</u>	<u>(15,586)</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**HUG COMMUNITY SERVICES LIMITED**

**STATEMENT OF CHANGES IN ACCUMULATED FUND  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	<b>S\$</b>
At 1 January 2020	22,307
Net deficit and total comprehensive loss for the financial year	(15,586)
<b>At 31 December 2020</b>	<hr/> 6,721
Net surplus and total comprehensive income for the financial year	200,655
<b>At 31 December 2021</b>	<hr/> <hr/> 207,376

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**HUG COMMUNITY SERVICES LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Note	2021 S\$	2020 S\$
<b>Cash flows from operating activities:</b>			
Surplus/(Deficit) for the financial year		200,655	(15,586)
Adjustment			
Depreciation of plant and equipment		11,356	1,981
Depreciation of right-of-use assets		26,889	6,640
Interest expenses		2,774	838
Operating cash flows before working capital changes		241,674	(6,127)
Changes in working capital :			
Trade and other receivables		2,627	(3,656)
Other payables		190	4,496
<b>Net cash generated from/(used in) operating activities</b>		<b>244,491</b>	<b>(5,287)</b>
<b>Cash flow from investing activity</b>			
Purchase of plant and equipment		(38,671)	(4,998)
<b>Net cash flows used in investing activity</b>		<b>(38,671)</b>	<b>(4,998)</b>
<b>Cash flows from financing activities:</b>			
Payment of principal portion of lease liabilities		(22,868)	(6,277)
Interest paid		(2,774)	(838)
<b>Net cash used in financing activities</b>		<b>(25,642)</b>	<b>(7,115)</b>
Net increase/(decrease) in cash and cash equivalents		180,178	(17,400)
Cash and cash equivalents at beginning of financial year		145	17,545
<b>Cash and cash equivalents at end of the financial year</b>	<b>7</b>	<b>180,323</b>	<b>145</b>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**HUG COMMUNITY SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS (CONT'D)**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	<b>Lease liabilities S\$</b>
At 1 January 2021	31,149
Principal and interest payments	(25,642)
<u>Non-cash changes:</u>	
Additions	64,376
Interest expense	2,774
At 31 December 2021	72,657
At 1 January 2020	-
Principal and interest payments	(7,115)
<u>Non-cash changes:</u>	
Additions	37,426
Interest expense	838
At 31 December 2020	31,149

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

# HUG COMMUNITY SERVICES LIMITED

## Notes to the Financial Statements

For the financial year ended 31 December 2021

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

### 1. Corporate information

The Company is incorporated and domiciled in the Republic of Singapore with the registered office at 200 Toa Payoh North #01-1033, Singapore 310200. The Company was registered as a charity on 1 December 2017.

The principal activities of the Company is to provide social services without accommodation for children, youth and families.

The Company is an approved Institution of a Public Character.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The financial statements of the Company have been drawn up in accordance with the Charities Act, Chapter 37 and other relevant regulations, the Companies Act 1967 and Singapore Financial Reporting Standards (“FRS”). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars, which is the Company’s functional currency. All financial information presented in Singapore Dollars has been rounded to the nearest dollars, unless otherwise indicated.

#### 2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial statements.

#### 2.3 Standards issued but not yet effective

The standards that have been issued but are not yet effective are as follows:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to FRS 16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to FRS 1 and FRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to FRS 8: Definition of Accounting Estimates	1 January 2023
Amendments to FRS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Standards issued but not yet effective (cont'd)

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

### 2.4 Functional and foreign currencies

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

### 2.5 Plant and equipment

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

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

	<u>Useful lives</u>
Computer equipment	3 years
Equipment	3 years
Furniture and fitting	3 years
Renovation	3 years

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

### 2.6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, (or, where applicable, when an annual impairment testing for an asset is required), the Company makes an estimate of the asset's recoverable amount.

## 2. Summary of significant accounting policies (cont'd)

### 2.6 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### 2.7 Financial instruments

#### (i) Financial assets

##### **Initial recognition and measurement**

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

##### **Subsequent measurement**

##### Investments in debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income (FVOCI) and FVPL. The Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

## 2. Summary of significant accounting policies (cont'd)

### 2.7 Financial instruments (cont'd)

#### (i) Financial assets (cont'd)

##### **Derecognition**

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

#### (ii) Financial liabilities

##### **Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at FVPL, directly attributable transaction costs.

##### **Subsequent measurement**

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

##### **Derecognition**

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

### 2.8 Impairment of financial assets

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

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



## 2. Summary of significant accounting policies (cont'd)

### 2.9 Cash and cash equivalents

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

### 2.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### 2.11 Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

#### Rendering of services

Revenue from rendering of services is recognised at a point in time when the counselling services are rendered and billed.

#### Donation income

Donation income are recognised upon receipt.

### 2.12 Employee benefits

#### Defined contribution plans

As required by law, the Company makes contributions to the state pension scheme, the Central Provident Fund (CPF) Scheme which is a defined contribution pension scheme. Contributions to CPF are recognised as expense in the period in which the related service is performed.

#### Short-term employee benefits

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

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Lease

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

#### **As lessee**

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

#### **(i) Right-of-use assets**

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

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

The Company's right-of-use assets are presented in Note 5.

#### **(ii) Lease liabilities**

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

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

The Company's lease liabilities are disclosed in Note 8.

## 2. Summary of significant accounting policies (cont'd)

### 2.13 Lease (cont'd)

#### (ii) As lessee (cont'd)

##### Short-term leases and leases of low-value assets

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

## 3. Significant accounting judgements and estimates

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

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Key sources of estimation uncertainty**

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

#### Impairment of plant and equipment

The Company assesses at each reporting period whether there is an indication that its plant and equipment may be impaired. The assessment requires an estimation of the recoverable amount of the plant and equipment. This requires the Company to make an estimate of expected cash flows from operating the plant and equipment and to choose a suitable discount rate in order to calculate the present value of those cash flows. The recoverable amount is most sensitive to the discount rates and the forecasted annual growth rates used during the discounted cash flow period.

The carrying values of the Company's plant and equipment as at 31 December 2021 were S\$35,949 (2020: S\$8,634) respectively.

4. **Plant and equipment**

	<u>Computer equipment</u> \$	<u>Equipment</u> \$	<u>Furniture and fittings</u> \$	<u>Renovation</u> \$	<u>Total</u> \$
<b><u>Cost</u></b>					
At 1 January 2020	6,624	-	-	-	6,624
Additions	3,349	650	999	-	4,998
At 31 December 2020	9,973	650	999	-	11,622
Additions	2,955	4,934	11,767	19,015	38,671
At 31 December 2021	12,928	5,584	12,766	19,015	50,293
<b><u>Accumulated depreciation</u></b>					
At 1 January 2020	1,007	-	-	-	1,007
Charge for the year	1,604	132	245	-	1,981
At 31 December 2020	2,611	132	245	-	2,988
Charge for the year	3,598	1,170	2,258	4,330	11,356
At 31 December 2021	6,209	1,302	2,503	4,330	14,344
<b><u>Net book value</u></b>					
At 31 December 2020	7,362	518	754	-	8,634
At 31 December 2021	6,719	4,282	10,263	14,685	35,949

5. **Right-of-use assets**

	<u>Leased premises</u> S\$	<u>Leased equipment</u> S\$	<u>Total</u> S\$
<b><u>Cost</u></b>			
At 1 January 2020	-	-	-
Additions	37,426	-	37,426
At 31 December 2020	37,426	-	37,426
Additions	-	64,376	64,376
At 31 December 2021	37,426	64,376	101,802
<b><u>Accumulated depreciation</u></b>			
At 1 January 2020	-	-	-
Charge for the year	6,640	-	6,640
At 31 December 2020	6,640	-	6,640
Charge for the year	14,777	12,112	26,889
At 31 December 2021	21,417	12,112	33,529
<b><u>Carrying amount</u></b>			
At 31 December 2020	30,786	-	30,786
At 31 December 2021	16,009	52,264	68,273

6. **Trade and other receivables**

	<b>2021</b> <b>S\$</b>	<b>2020</b> <b>S\$</b>
Trade receivables		
- Third parties	30	100
Amount due from director	-	2,557
Deposits	1,294	1,294
	<u>1,324</u>	<u>3,951</u>

The amount due from director is non-trade, interest-free, unsecured and recoverable on demand.

7. **Cash and cash equivalents**

	<b>2021</b> <b>S\$</b>	<b>2020</b> <b>S\$</b>
Bank balances	<u>180,323</u>	<u>145</u>

8. **Lease liabilities**

The Company has lease contracts for premises and equipment. The Company's obligations under these leases are secured by the lessor's title to the leased assets.

The Company is restricted from assigning and subleasing the leased assets.

	<b>2021</b> <b>S\$</b>	<b>2020</b> <b>S\$</b>
Presented in statement of financial position:		
Current	28,344	14,227
Non-current	44,313	16,922
	<u>72,657</u>	<u>31,149</u>

Amounts recognised in profit or loss

	<b>2021</b> <b>S\$</b>	<b>2020</b> <b>S\$</b>
Depreciation of right-of-use assets	26,889	6,640
Interest expense on lease liabilities	2,774	838
Total amounts recognised in profit or loss	<u>29,663</u>	<u>7,478</u>

Total cash outflow

The Company had total cash outflows for leases of S\$25,642 (2020: S\$7,115) for the year ended 31 December 2021.

9. **Other payables**

	<b>2021</b> <b>S\$</b>	<b>2020</b> <b>S\$</b>
Accruals	5,685	5,646
Amount due to director	151	-
	<u>5,836</u>	<u>5,646</u>

The amount due to director is non-trade, interest-free, unsecured and repayable on demand.

10. **Revenue**

**Disaggregation of income**

	<b>2021</b> <b>S\$</b>	<b>2020</b> <b>S\$</b>
<u>At a point in time</u>		
Tax-deductible donations	312,650	11,352
Non-tax deductible donations	31,219	-
Services rendered	4,440	-
	<u>348,309</u>	<u>11,352</u>

11. **Other income**

	<b>2021</b> <b>S\$</b>	<b>2020</b> <b>S\$</b>
Grant from Notional Council of Social Services	-	6,001
Government grant	2,785	-
Miscellaneous income	2,590	2
	<u>5,375</u>	<u>6,003</u>

12. **Income tax expense**

There is no tax charge for the year as the Company qualifies for the tax exemption as a charity under the Income Tax Act from 1 December 2017.

13. **Financial risk management**

The Company's activities expose it to credit risk, liquidity risk and market risk. The Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance.

### 13. Financial risk management (cont'd)

The management has certain practices for the management of financial risks. However, these are not documented in formal written documents. The following guidelines are followed:

- (i) Minimise interest rate, currency, credit and market risks for all kinds of transactions.
- (ii) All financial risk management activities are carried out and monitored by senior management staff.
- (iii) All financial risk management activities are carried out following the good market practices.

#### Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation.

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised on the statement of financial position.

#### Liquidity Risk

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Company's objective is to maintain a balance between continuing of funding and flexibility through the use of standby credit facilities. The Company finances its working capital requirements through a combination of funds generated from operations. The directors are satisfied that the funds are available to finance the operations of the Company.

#### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at the end of the reporting year based on contractual undiscounted payments.

	<b>One year or less S\$</b>	<b>One to five years S\$</b>	<b>Total S\$</b>
<b>2021</b>			
<u>Financial liabilities</u>			
Other payables	5,836	-	5,836
Lease liabilities	30,970	49,555	80,525
	36,806	49,555	86,361
<b>2020</b>			
<u>Financial liabilities</u>			
Other payables	5,646	-	5,646
Lease liabilities	15,523	17,310	32,833
	21,169	17,310	38,479

### 13. Financial risk management (cont'd)

#### Market risk

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

(i) Interest rate risk

The interest rate risk exposure mainly arises from changes in floating interest rate. The Company is not exposed to significant interest rate risk as it does not have any significant interest-bearing assets or liabilities. Accordingly, sensitivity analysis is not disclosed.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has no significant exposure to foreign currency risk for the financial year ended 31 December 2021 as most of its transactions, financial assets and liabilities are denominated in Singapore Dollars, which is the Company's functional currency.

### 14. Fair value of assets and liabilities

#### Fair value measurements

##### Assets and liabilities not measured at fair value

*Cash and cash equivalents and other receivables and payables*

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

*Lease liabilities*

The carrying amounts of these liabilities approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

Categories of financial asset and financial liabilities:

	2021 S\$	2020 S\$
<b>Financial assets measured at amortised cost :</b>		
Trade and other receivables	1,324	3,951
Cash and cash equivalents	180,323	145
	<u>181,647</u>	<u>4,096</u>
<b>Financial liabilities measured at amortised cost :</b>		
Other payables	5,836	5,646
Lease liabilities	72,657	31,149
	<u>78,493</u>	<u>36,795</u>



15. **Capital management**

The Company's objectives when managing its funds are to safeguard and maintain adequate working capital to continue as a going concern. The directors consider the accumulated fund as the capital of the Company and no changes were made to the Company's fund management objectives during the financial years ended 31 December 2021 and 31 December 2020.

16. **Authorisation of financial statements for issue**

The financial statements of the Company for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the board of directors on