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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Healthserve Ltd. (the "Company") set out on pages 6 to 26, which comprise the statement of financial activities as at 31 December 2017, and the statement of financial position (balance sheet), statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act"), the Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of the financial performance, changes in funds and cash flows of the Company for the year ended on that date.

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Directors for the Financial Statements

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
HEALTHSERVE LTD.**

Continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
HEALTHSERVE LTD.

Continued

Report on Other Legal and Regulatory Requirements (Continued)

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

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

Singapore, 14 May 2018

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Financial Activities for the year ended 31 December 2017

	2017			2016			
	Notes	Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
		\$	\$	\$	\$	\$	\$
<u>INCOMING RESOURCES FROM GENERATED FUNDS</u>							
<u>Voluntary income</u>							
Donations received		676,607	-	676,607	714,456	-	714,456
Food program		43,396	-	43,396	46,539	-	46,539
Migrant/Jubilee fund	9	-	43,643	43,643	-	113,428	113,428
Medical fund	10	-	75,580	75,580	-	40,000	40,000
Government grants	12	454,242	58,829	513,071	438,249	-	438,249
		<u>1,174,245</u>	<u>178,052</u>	<u>1,352,297</u>	<u>1,199,244</u>	<u>153,428</u>	<u>1,352,672</u>
<u>Income from fund-raising activities</u>							
Gala and other dinners		628,591	-	628,591	208,843	-	208,843
<u>Income from charitable activities</u>							
Clinic services		51,380	-	51,380	36,990	-	36,990
Medical student select programme		36,000	-	36,000	45,600	-	45,600
		<u>87,380</u>	<u>-</u>	<u>87,380</u>	<u>82,590</u>	<u>-</u>	<u>82,590</u>
<u>Other incoming resources</u>							
Other income	3	147,154	-	147,154	120,705	-	120,705
TOTAL INCOMING RESOURCES		<u>2,037,370</u>	<u>178,052</u>	<u>2,215,422</u>	<u>1,611,382</u>	<u>153,428</u>	<u>1,764,810</u>

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Financial Activities for the year ended 31 December 2017 (continued)

	Notes	2017			2016		
		Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
		\$	\$	\$	\$	\$	\$
<u>RESOURCES EXPENDED</u>							
<u>Cost of generating voluntary income and charitable activities</u>							
Depreciation		140,125	-	140,125	87,424	-	87,424
Food program		78,722	-	78,722	55,194	-	55,194
Hospitality		1,208	-	1,208	683	-	683
License fees and insurance	10	-	6,477	6,477	-	6,457	6,457
Medical expenses	10	-	53,688	53,688	-	34,045	34,045
Migrant social assistance		-	122,599	122,599	-	88,748	88,748
Promotion and publicity		3,487	-	3,487	15,859	-	15,859
Rental of clinic	10	-	21,824	21,824	-	27,936	27,936
Rental of migrant centres	9	-	63,712	63,712	-	48,112	48,112
Rental of shelter	9	-	18,000	18,000	-	18,000	18,000
Research and advocacy		1,586	-	1,586	9,652	-	9,652
Staff costs	4	388,987	112,671	501,658	446,620	-	446,620
Stamp fees		601	-	601	479	-	479
Telephone and internet		-	6,287	6,287	8,844	-	8,844
Transport		460	-	460	82	-	82
Utilities		-	8,751	8,751	12,161	-	12,161
Vehicle expenses		27,093	-	27,093	20,458	-	20,458
Volunteer events		3,032	-	3,032	-	-	-
		<u>645,301</u>	<u>414,009</u>	<u>1,059,310</u>	<u>657,456</u>	<u>223,298</u>	<u>880,754</u>
<u>Fund-raising expenses</u>							
Giving Dot SG		4,873	-	4,873	5,266	-	5,266
Other fund-raising expenses		49,462	-	49,462	14,498	-	14,498
Staff costs	4	21,157	-	21,157	-	-	-
		<u>75,492</u>	<u>-</u>	<u>75,492</u>	<u>19,764</u>	<u>-</u>	<u>19,764</u>

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Financial Activities for the year ended 31 December 2017 (continued)

	2017			2016			
	<u>Note</u>	<u>Unrestricted Funds</u>	<u>Restricted Funds</u>	<u>Total</u>	<u>Unrestricted Funds</u>	<u>Restricted Funds</u>	<u>Total</u>
		\$	\$	\$	\$	\$	\$
<u>RESOURCES EXPENDED</u> (continued)							
<u>Other operating and administrative expenses</u>							
Bank charges		1,224	-	1,224	323	-	323
Depreciation		35,031	-	35,031	21,856	-	21,856
Equipment expenses		677	-	677	618	-	618
Insurance		4,941	-	4,941	2,989	-	2,989
Maintenance and repairs		3,018	-	3,018	2,168	-	2,168
Miscellaneous expenses		987	-	987	4,239	-	4,239
Professional fees		6,261	-	6,261	6,510	-	6,510
Postage and freight charges		651	-	651	1,116	-	1,116
Printing and stationery		2,127	-	2,127	1,806	-	1,806
Rental		21,824	-	21,824	9,312	-	9,312
Staff costs	4	105,266	-	105,266	99,471	-	99,471
Telephone and internet		2,970	-	2,970	752	-	752
Training/supervision		12,065	-	12,065	3,850	-	3,850
Utilities		6,060	-	6,060	1,372	-	1,372
		<u>203,102</u>	<u>-</u>	<u>203,102</u>	<u>156,382</u>	<u>-</u>	<u>156,382</u>
TOTAL RESOURCES EXPENDED		<u>923,895</u>	<u>414,009</u>	<u>1,337,904</u>	<u>833,602</u>	<u>223,298</u>	<u>1,056,900</u>
NET MOVEMENT IN FUNDS		<u>1,113,475</u>	<u>(235,957)</u>	<u>877,518</u>	<u>777,780</u>	<u>(69,870)</u>	<u>707,910</u>

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Financial Position as at 31 December 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		\$	\$
<u>ASSETS</u>			
<u>Non-Current Asset</u>			
Property, plant and equipment	6	<u>180,497</u>	<u>154,571</u>
		<u>180,497</u>	<u>154,571</u>
<u>Current Assets</u>			
Other receivables	7	79,840	40,390
Fixed deposits with a financial institution	8	1,516,256	504,641
Cash and cash equivalents		<u>2,512,743</u>	<u>2,660,117</u>
		<u>4,108,839</u>	<u>3,205,148</u>
Total Assets		<u><u>4,289,336</u></u>	<u><u>3,359,719</u></u>
<u>FUNDS AND LIABILITIES</u>			
<u>Funds</u>			
Unrestricted fund - General fund		4,082,666	2,969,191
Restricted fund - Migrant fund	9	8,365	179,267
Restricted fund - Medical fund	10	<u>23,507</u>	<u>88,562</u>
Total Funds		<u>4,114,538</u>	<u>3,237,020</u>
<u>Non-Current Liability</u>			
Deferred capital donations and grants	11	<u>56,476</u>	<u>69,242</u>
		<u>56,476</u>	<u>69,242</u>
<u>Current Liabilities</u>			
Deferred capital donations and grants	11	76,633	44,270
Other payables	13	<u>41,689</u>	<u>9,187</u>
		<u>118,322</u>	<u>53,457</u>
Total Liabilities		<u>174,798</u>	<u>122,699</u>
Total Funds and Liabilities		<u><u>4,289,336</u></u>	<u><u>3,359,719</u></u>

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Changes in Funds for the year ended 31 December 2017

	Unrestricted fund		← Restricted funds →	
	General fund	Migrant fund	Medical fund	Total funds
	\$	\$	\$	\$
Balance as at 1 January 2016	2,191,411	220,699	117,000	2,529,110
Total comprehensive income for the year	777,780	(41,432)	(28,438)	707,910
Balance as at 31 December 2016	2,969,191	179,267	88,562	3,237,020
Total comprehensive income for the year	1,113,475	(170,902)	(65,055)	877,518
Balance as at 31 December 2017	4,082,666	8,365	23,507	4,114,538

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

Statement of Cash Flows for the year ended 31 December 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Surplus before tax		877,518	707,910
Adjustments for:			
Depreciation on property, plant and equipment	6	175,156	109,280
Amortisation of deferred capital donations and grants	3	(113,661)	(69,007)
Fixed deposits interest income	3	(11,615)	(8,000)
Gain on disposal of property, plant and equipment		-	(8,008)
		<u>49,880</u>	<u>24,265</u>
Operating surplus before working fund changes		927,398	732,175
Increase in receivables		(39,450)	(4,346)
Increase in payables		32,502	5,388
Grants received in advance		133,258	78,940
Changes in working capital		<u>126,310</u>	<u>79,982</u>
Net cash from operating activities		1,053,708	812,157
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Increase in fixed deposits with maturities over 3 months		(1,011,615)	(504,641)
Fixed deposits interest received		11,615	8,000
Proceeds from disposal of property, plant and equipment		-	11,302
Purchase of property, plant and equipment	6	(201,082)	(89,657)
Net cash used in investing activities		<u>(1,201,082)</u>	<u>(574,996)</u>
Net (decrease)/increase in cash and cash equivalents		(147,374)	237,161
Cash and cash equivalents at beginning of the year		<u>2,660,117</u>	<u>2,422,956</u>
Cash and cash equivalents at end of the year	14	<u><u>2,512,743</u></u>	<u><u>2,660,117</u></u>

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

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017

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

1. CORPORATE INFORMATION

- (a) The company is incorporated in Singapore as a public company, limited by guarantee. Its registered office is located at 1 Lorong 23 Geylang #01-07 Building 4, Singapore 388352.
- (b) The company became an approved charity on 25 May 2011 and an Institution of Public Character ("IPC") with effect from 15 July 2011. Its present IPC status is effective from 1 August 2017 to 31 October 2018.
- (c) The principal activities of the company is to educate, promote and organise healthcare services for the alleviation of ill-health ignorance and suffering.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

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

During the financial year, the company adopted all the applicable new/revised FRSs which are effective on or before 1 January 2017. The adoption of these new/revised FRSs did not have any material effect on the company's financial statements and did not result in substantial changes to the company's accounting policies.

(b) Significant Accounting Estimates and Judgments

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

(A) *Key sources of estimation uncertainty*

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

Depreciation on Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2(h). Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the year are disclosed in note 6.

HEALTHSERVE LTD.

(Incorporated in the Republic of Singapore)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant Accounting Estimates and Judgments (continued)

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

In the process of applying the company's accounting policies, the management has made certain judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Impairment of Non-Financial Assets

The carrying amounts of the company's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated based on the higher of the value in use and the asset's fair value less cost of disposal. Estimating the value in use requires critical judgment on the part of the management to make an estimate of the expected future cash flows from the continuing use of the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) FRS issued but not yet effective

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

The new FRSs issued but are not yet effective that are relevant to the company's financial statements are as follows:

<u>New FRSs relevant to the company's financial statements:</u>	<u>Effective for annual periods beginning on or after</u>
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019

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

FRS 109 Financial Instruments

FRS 109, which replaces *FRS 39 Financial Instruments: Recognition and Measurement* when it becomes effective, introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and general hedge accounting.

FRS 109 establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss, with the irrevocable option at inception to present changes in fair value in other comprehensive income. Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits within equity.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in other comprehensive income.

HEALTHSERVE LTD.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) FRS and INT FRS not yet effective (continued)

FRS 109 Financial Instruments (continued)

FRS 109 relaxes the rules-based hedge effectiveness testing by removing the 80% to 125% bright line threshold for hedge effectiveness testing. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

The impairment requirements in FRS 109 are based on an expected credit loss model, which replaces the FRS 39 incurred loss model. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, contract assets, loan commitments and certain financial guarantee contracts.

Potential impact on the financial statements

The company will apply FRS 109 retrospectively on its effective date on 1 January 2018 when the Standard becomes effective for the company.

The company has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into appropriate categories under FRS 109.

The company does not expect a significant change to the measurement basis arising from the new classification and measurement model under FRS 109.

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

FRS 115 Revenue from Contracts with Customers

FRS 115, which replaces FRS 11 Construction Contracts, FRS 18 Revenue and the related Interpretations when it becomes effective, establishes a five-step model that will apply to revenue arising from contracts.

The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised in accordance with that core principle by applying the following steps:

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to the performance obligations in the contract
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

Revenue is recognised when (or as) a performance obligation is satisfied by the transfer of control of the promised good or service to the customer. Control refers to the ability to direct the use of, and obtain substantially all the remaining benefits from, the good or service.

FRS 115 also includes a cohesive set of disclosure requirements that will provide sufficient information in the financial statements to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) FRS and INT FRS not yet effective (continued)

FRS 116 Leases

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

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

Potential impact on financial statements

FRS 116 requires a lessee to apply this Standard retrospectively in accordance with the requirements of the Standard on its effective date on 1 January 2019 when the Standard becomes effective for the company.

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

(d) Revenue Recognition

(i) Donation Income

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

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

(ii) Interest Income

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

(iii) Service Income

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

(e) Government Grants

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

(i) Grants Related to Assets

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Government Grants (continued)

(ii) Grants Related to Income

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

(iii) Outright Grants

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

(f) Employee Benefits

(i) Defined Contribution Plans

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

(ii) Short-term Compensated Absences

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

(g) Leases

Operating Leases

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

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

(h) Property, Plant and Equipment

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

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, Plant and Equipment (continued)

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

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

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

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

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

(i) Receivables

Financial assets are recognised on the balance sheet when the company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have ceased or expired.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Receivables with a short duration are not discounted.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The amount of the reversal shall be recognised in the SoFA.

(j) Cash and Cash Equivalents

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Funds

General fund

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

Restricted fund

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

(l) Payables

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

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

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

A financial liability is derecognised when the contractual obligation is discharged or cancelled or expires. For financial liabilities other than derivatives, gains and losses are recognised in the SoFA when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the SoFA. Net gains or losses on derivatives include exchange differences.

(m) Provisions

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

(n) Impairment of Non-Financial Assets

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

An impairment loss on a non-revalued asset is recognised in the SoFA. An impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. An impairment loss (except for impairment loss on goodwill) is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. 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 if no impairment loss had been recognised.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Related Parties

A related party is defined as follows:

- (A) A person or a close member of that person's family is related to the company if that person:
 - (i) Has control or joint control over the company;
 - (ii) Has significant influence over the company; or
 - (iii) Is a member of the key management personnel of the company or of a parent of the company.

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

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<u>3. OTHER INCOME</u>		
	<u>2017</u>	<u>2016</u>
	\$	\$
Amortisation of deferred capital donations and grants	113,661	69,007
Fixed deposits interest income	11,615	8,000
Gain on disposal of property, plant and equipment	-	8,008
Other income	5,248	1,680
Special employment credit	4,405	6,307
Temporary employment credit	3,385	3,597
Wage credit scheme	8,840	24,106
	<u>147,154</u>	<u>120,705</u>
<u>4. STAFF COSTS</u>		
	<u>2017</u>	<u>2016</u>
	\$	\$
Salaries and related costs	535,725	466,476
Employer's contributions to Central Provident Fund	70,944	62,323
Other benefits	21,412	17,292
	<u>628,081</u>	<u>546,091</u>
	<u>2017</u>	<u>2016</u>
	\$	\$
Staff costs were charged to:		
- Cost of generating voluntary income and charitable activities	501,658	446,620
- Fund-raising expenses	21,157	-
- Other operating and administrative expenses	105,266	99,471
	<u>628,081</u>	<u>546,091</u>
<u>5. KEY MANAGEMENT PERSONNEL COMPENSATION</u>		
The company is governed by the board of directors. All directors are volunteers and received no monetary remuneration for their contribution.		
The total key management personnel compensation included in staff costs (note 5) are as follows:		
	<u>2017</u>	<u>2016</u>
	\$	\$
Key management personnel compensation		
- Salaries and bonus	72,844	91,450
- Employer's contributions to Central Provident Fund	11,356	15,343
- Other benefits	800	1,220
	<u>85,000</u>	<u>108,013</u>

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6. PROPERTY, PLANT AND EQUIPMENT

	<u>Renovation</u>	<u>Computers and equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$
<u>Cost</u>					
At 1 January 2016	49,535	141,870	32,754	127,207	351,366
Additions	3,840	26,860	2,157	56,800	89,657
Disposals	(25,225)	(8,933)	(3,846)	(28,000)	(66,004)
At 31 December 2016 and 1 January 2017	28,150	159,797	31,065	156,007	375,019
Additions	48,175	149,077	3,830	-	201,082
At 31 December 2017	<u>76,325</u>	<u>308,874</u>	<u>34,895</u>	<u>156,007</u>	<u>576,101</u>
<u>Accumulated depreciation</u>					
At 1 January 2016	33,328	59,013	17,465	64,072	173,878
Charge for the year	9,383	50,382	8,939	40,576	109,280
Disposals	(25,225)	(8,933)	(3,846)	(24,706)	(62,710)
At 31 December 2016 and 1 January 2017	17,486	100,462	22,558	79,942	220,448
Charge for the year	25,442	100,073	9,065	40,576	175,156
At 31 December 2017	<u>42,928</u>	<u>200,535</u>	<u>31,623</u>	<u>120,518</u>	<u>395,604</u>
<u>Carrying amount</u>					
At 31 December 2017	<u>33,397</u>	<u>108,339</u>	<u>3,272</u>	<u>35,489</u>	<u>180,497</u>
At 31 December 2016	<u>10,664</u>	<u>59,335</u>	<u>8,507</u>	<u>76,065</u>	<u>154,571</u>

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7. OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Refundable deposits	29,330	27,620
Prepayments	2,082	1,828
Other receivables	48,428	10,942
	<u>79,840</u>	<u>40,390</u>

8. FIXED DEPOSITS WITH A FINANCIAL INSTITUTIONS

The fixed deposits have original maturities of more than 3 months but not more than one year and earn interest at rates ranging from 0.69% to 1.90% (2016: 1.20% to 1.90%) per annum.

9. MIGRANT FUND - RESTRICTED FUND

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at beginning of the year	179,267	220,699
Donations	43,643	113,428
	222,910	334,127
Less: Expenses		
Migrant expenses		
- emergency	19,183	16,415
- events	17,302	14,137
- groceries and meals	891	-
- MRT	37,485	40,173
- Jubilee	-	2,600
- centres	7,301	12,974
- others	40,437	2,449
Rental	81,712	66,112
Telephone and internet	4,051	-
Utilities	6,183	-
	214,545	154,860
Balance at end of the year	<u>8,365</u>	<u>179,267</u>

Included in the donations received is an amount of \$10,000 (2016: \$12,600) restricted to provide financial support to a migrant worker, Mr Tang Zengshun, who suffered serious injuries due to a workplace accident. The amount was fully utilised during the year.

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10. MEDICAL FUND - RESTRICTED FUND

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at beginning of the year	88,562	117,000
Donations	<u>75,580</u>	<u>40,000</u>
	164,142	157,000
Less: Expenses		
License fees and registration	6,477	6,457
Medical expenses	53,688	34,045
Rental of clinic	21,824	27,936
Staff costs	53,842	-
Telephone and internet	2,236	-
Utilities	2,568	-
	<u>140,635</u>	<u>68,438</u>
Balance at end of the year	<u><u>23,507</u></u>	<u><u>88,562</u></u>

11. DEFERRED CAPITAL DONATIONS AND GRANTS

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at beginning of the year	113,512	103,579
Amount transferred from Care & Share matching grant (note 12)	133,258	78,940
Amortisation of deferred capital donations and grants	<u>(113,661)</u>	<u>(69,007)</u>
	<u>133,109</u>	<u>113,512</u>
Classified as:		
Current	56,476	69,242
Non-current	<u>76,633</u>	<u>44,270</u>
	<u>133,109</u>	<u>113,512</u>

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

12. GOVERNMENT GRANTS

	<u>2017</u>	<u>2016</u>
	\$	\$
Care & Share matching grant	454,242	438,249
Volunteer manager funding scheme	<u>58,829</u>	<u>-</u>
	<u>513,071</u>	<u>438,249</u>

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12. GOVERNMENT GRANTS (continued)

(i) Care & Share matching grant

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at beginning of year	-	-
Grant received during the year	587,500	517,189
Amount transferred to Statement of Financial Activities	(454,242)	(438,249)
Amount transferred to deferred capital donations and grants (note 11)	<u>(133,258)</u>	<u>(78,940)</u>
Balance at end of year	<u>-</u>	<u>-</u>

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

- (ii) Funding income from volunteer manager funding scheme is restricted to be used for the hiring of a volunteer manager for the project.

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

13. PAYABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Accrued operating expenses	<u>41,689</u>	<u>9,187</u>

14. CASH AND CASH EQUIVALENTS

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

15. OPERATING LEASE COMMITMENTS

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

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Operating lease payments due:		
within 1 year	107,760	77,800
after 1 year but not later than 5 years	<u>36,960</u>	<u>47,600</u>
	<u>144,720</u>	<u>125,400</u>

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

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16. TAXATION

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

During the financial year, the company issued tax-exempt receipts for donations collection amounting to \$1,224,523 (2016: \$874,248).

17. FINANCIAL RISK MANAGEMENT

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

(i) Credit risk

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

The company's main financial assets consist of cash and cash equivalents. Bank deposits are placed with financial institutions which are regulated.

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

There are no financial assets that are past due or impaired as at the balance sheet date.

(ii) Liquidity risk

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

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

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

(iii) Interest rate risk

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

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

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

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

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18. FUND MANAGEMENT

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

19. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Financial Instruments by Category

The aggregate carrying amounts of financial instruments classified as loans and receivables and financial liabilities at amortised cost are as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Loans and receivables	4,106,757	3,203,320
Financial liabilities at amortised cost	41,689	9,187

20. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the company for the year ended 31 December 2017 were authorised for issue in accordance with a directors' resolution dated 14 May 2018.

HEALTHSERVE LTD.

CO. REG. NO.: 200615440H

**DIRECTORS' STATEMENT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017