SOCIETY FOR THE AGED SICK

(UEN:S68SS0022J)

FINANCIAL STATEMENTS – 31 March 2012

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FINANCIAL STATEMENTS – 31 March 2012

INDEX

President

Tan Kong Chin

Immediate Past President

Eric Teoh Cheng Eam

Deputy Presidents

Liew Soo Wah

Honorary Treasurer

Dr Mok Kum Fun

Honorary Secretary

Lau Chee Tiun

Honorary Assistant Treasurer

Liew Shew Choi

Committee members

Dr Timothy Teoh
Jennifer Ho
Tan Kay Hui
Chew Loy Cheow
Yeo Chuen Eng

Registered office

130 Hougang Avenue 1
Singapore 538900

Independent Auditor

Robert Yam & Co.,

In our opinion, the accompanying financial statements set out on pages 6 to 27 are properly drawn up in accordance with the books and vouchers of the Society for The Aged Sick and Singapore Financial Reporting Standards, and so as to give a true and fair view of the state of affairs of the Society For The Aged Sick as at 31 March 2012, the results, changes in funds and reserves and cash flows of the Society for the year then ended, and at the date of this statement, there are reasonable grounds to believe that the Society will be able to pay its debts as and when they fall due.

On behalf of the Board

....
Tan Kong Chin
President

....
Dr Mok Kum Fun
Honorary Treasurer

....
Lau Chee Tiun
Honorary Secretary

Singapore: 15 May 2012

ROBERT YAM & CO.,
Chartered Accountants
Certified Public Accountants
Consultants and Business Advisers

Your Ref:

Our Ref:

To the members of Society for the Aged Sick

Report on the Financial Statements

We have audited the accompanying financial statements of Society For The Aged Sick (the "Society") which comprise the balance sheet as at 31 March 2012 and the statement of comprehensive income, the statement of changes in funds and reserves and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Societies Act, Chapter 311 (the "Societies Act"), the Singapore Charities Act, Chapter 37 (the "Charities Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Malaysia, Hong Kong,
Australia & Europe.

ROBERT YAM & CO.,

To the members of Society for the Aged Sick

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Charities Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Society at 31 March 2012 and the results, changes in funds and reserves and cash flows of the Society for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the regulations enacted under the Societies Act to be kept by the Society have been properly kept in accordance with those regulations, and

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

(a) The use of the donation moneys was not in accordance with the objectives of the Society as required under regulation 16 of the Charities (Institution of a Public Character) Regulations; and

(b) The Society has not complied with the requirements of regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.

Robert Yam & Co.,

Public Accountants and
Certified Public Accountants
Singapore

Singapore: 15 May 2012

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Society for the Aged Sick

	Note	2012 S$	2011 S$
ASSETS LESS LIABILITIES			
Non-Current Assets			
Fixed assets	5	8,629,192	5,883,156
Available-for-sale financial assets	6	1,011,250	-
		9,640,442	5,883,156
Current Assets			
Trade receivables	7	67,124	-
Other receivables	8	125,128	166,120
Fixed deposits	12	9,283,128	9,072,900
Cash at bank		2,222,914	3,314,864
Cash in hand		7,000	3,000
		11,705,294	12,556,884
Total assets		21,345,736	18,440,040
Non Current Liability			
Deferred building grants	9	5,292,259	3,143,672
Current Liabilities			
Other payables	10	1,090,297	462,766
Total liabilities		6,382,556	3,606,438
NET ASSETS		14,963,180	14,833,602
FUNDS AND RESERVES			
Accumulated fund		7,354,365	7,302,763
R.K. Booker Memorial fund		63,681	62,576
Computerization fund		143,969	141,472
Compensation fund		4,777,584	4,694,710
POSB Centenary fund		3,000	3,000
Building reserves		2,629,081	2,629,081
Fair value reserve		(8,500)	-
TOTAL FUNDS AND RESERVES		14,963,180	14,833,602

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

Society for the Aged Sick

Statement of Comprehensive Income for the year ended 31 March 2012

	2012 S$	2011 S$
Income		
Government subvention	2,997,147	3,140,867
Unsolicited donations (Note 12)	588,455	284,287
Interest income	105,380	140,665
Residents' maintenance fees	1,262,079	879,099
Miscellaneous	50,473	28,418
Amortization of deferred building grant	314,367	314,367
Donations in kind - distribution	167,394	194,682
Investment interest income	5,772	-
	5,491,067	4,982,385
Less:		
Expenditure on manpower		
Salaries	1,679,159	1,508,732
CPF & SDF	171,121	140,202
Bonus	266,191	263,918
Other staff benefits	124,190	113,447
Recruitment expenses	3,063	3,665
Honorarium	1,600	2,400
Foreign Workers' levy	225,025	194,870
	2,470,349	2,227,234
Replacement & Maintenance expenses		
Land and buildings	52,071	52,796
Furniture & equipment	24,819	27,476
Vehicles	16,862	15,534
	93,752	95,806
Administrative expenses		
Supplies and materials	568,729	572,007
Auditor's remuneration	16,680	3,450
Communication	5,927	5,209
Insurance	8,641	8,641
Miscellaneous	897	3,038
Professional fees and services	(1,530)	5,700
Refuse collection charges	19,320	19,320
Other residents benefits	24,784	42,898
Transport	4,880	4,189
Depreciation of fixed assets	582,592	660,716
Utilities	299,768	270,604
Relocation expense	22,758	-
Bad debt written off	482	-
GST expense	345,087	63,728
Loss on disposal of fixed assets	738,512	4,737
Fee-charitable funds	151,361	-
	2,788,888	1,664,237
Total Expenditure	5,352,989	3,987,277
Surplus for the year	138,078	995,108

	2012	2011
	S$	S$
Other comprehensive income:		
Fair value losses on available-for-sale financial assets	(8,500)	-
Other comprehensive loss for the year	(8,500)	-
Total comprehensive income for the year	**129,578**	**995,108**
Transferred to:		
Accumulated fund	51,602	952,413
Transfer to R.K. Booker Memorial Fund	1,105	545
Transfer to Compensation Fund	82,874	40,917
Transfer to Computerization Fund	2,497	1,233
Fair value reserve	(8,500)	-
	129,578	**995,108**

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

Statement of Changes in Funds and Reserves
for the year ended 31 March 2012

	2012 S$	2011 S$
Accumulated fund		
Beginning of financial year	7,302,763	6,350,350
Total comprehensive income for the year	51,602	952,413
End of financial year	7,354,365	7,302,763
R.K. Booker memorial fund		
Beginning of financial year	62,576	62,331
Interest income	1,105	545
ITE Graduant 2009/2010 award paid	-	(300)
End of financial year	63,681	62,576
Computerization fund		
Beginning of financial year	141,472	140,239
Interest income	2,497	1,233
End of financial year	143,969	141,472
Compensation fund		
Beginning of financial year	4,694,710	4,653,793
Interest income	82,874	40,917
End of financial year	4,777,584	4,694,710
POSB centenary fund		
Beginning and end of financial year	3,000	3,000
Building reserves		
Beginning and end of financial year	2,629,081	2,629,081
Fair value reserve		
Beginning of financial year	-	-
Fair value losses on available-for-sale financial assets	(8,500)	-
End of financial year	(8,500)	-
Total funds, reserves and grants	14,963,180	14,833,602

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

Society for the Aged Sick

Statement of Cash Flows
for the year ended 31 March 2012

	Note	2012 S$	2011 S$
Cash flow from operating activities:			
Surplus for the year		138,078	995,108
Adjustments for:			
Amortization of deferred building grant		(314,367)	(314,367)
Interest income		(105,380)	(140,665)
Investment interest income		(5,772)	-
Depreciation of fixed assets		582,592	660,716
Loss on disposal of fixed assets		738,512	4,737
Donation-in-kind for fixed assets		(1,810)	(8,400)
Operating cash flow before working capital changes		1,031,853	1,197,129
Changes in working capital:			
Trade receivables		(67,124)	-
Other receivables		(58,496)	(4,402)
Other payables		627,531	(3,502)
Increase in funds and reserves		-	(300)
Net cash generated from operating activities		1,533,764	1,188,925
Cash flow from investing activities:			
Government grant received		2,462,954	-
Purchase of debt securities		(1,019,750)	-
Interest income received		210,640	88,121
Purchases of fixed assets (Note A)		(4,065,330)	(30,190)
Net cash (used) in/from investing activities		(2,411,486)	57,931
Net (decrease)/increase in cash and cash equivalents		(877,722)	1,246,856
Cash and cash equivalents at beginning of year		12,390,764	11,143,908
Cash and cash equivalents at end of year	11	11,513,042	12,390,764

Note A:

During the year, the Society acquired fixed assets amounting to S$4,067,140 (2011: S$38,590) out of which S$1,810 (2011: S$8,400) was the estimated fair value of donated fixed assets and the balance of S$4,065,330 (2011: S$30,190) was financed by cash.

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

1. Society information

The Society for the Aged Sick (the "Society") is registered under the Societies Act, Cap. 311 and domiciled in the Republic of Singapore.

The registered office of Society For The Aged Sick is located at 130 Hougang Avenue 1 Singapore 538900.

The Society is registered as a Charity under the Charities Act, Cap 37 on 6 February 1984 and is an approved institution of a public character (IPC No: HEF0041/G).

The principal activity of the Society is the provision of nursing care services for the aged sick.

The financial statements of Society For The Aged Sick for the financial year ended 31 March 2012 were authorized for issue in accordance with a Executive Committee Meeting held on 15 May 2012.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgments in the process of applying the Society's accounting policies. It also requires the use of accounting estimates and assumptions. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in Note 3.

The accounting policies adopted are consistent with those of the previous financial year except in the current financial period, the Society has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 April 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Society.

(b) Fixed assets and depreciation

Fixed assets are initially recognized at cost which, for donated fixed assets, is the reasonable estimate of their fair value at the date of the gift. After initial recognition, fixed assets are subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of fixed assets comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use, any trade discounts and rebates are deducted in arriving at the purchase price.

On disposal of an item of fixed assets, the difference between the net disposal proceeds and its carrying amount is recognized in profit or loss.

2. Significant accounting policies (cont'd)

(b) Fixed assets and depreciation (cont'd)

Subsequent expenditure relating to fixed assets that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the Society and the cost can be measured reliably. Other subsequent expenditure is recognized as an expense during the financial year in which it is incurred.

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

		Useful lives
Leasehold buildings	-	9.5 years
Furniture and equipment	-	3 - 10 years
Motor vehicles	-	5 years

Building under construction is not depreciated as the asset is not yet available for use.

The residual values, estimated useful lives and depreciation method of fixed assets are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognized in profit or loss when the changes arise.

(c) Impairment of non-financial assets

Fixed assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognized as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss for an asset is recognized in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognized as an expense, a reversal of that impairment is also credited to profit or loss.

2. Significant accounting policies (cont'd)

(d) Financial assets

Initial recognition and measurement

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

When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs of liquidity or in response to changes in the market conditions.

After the initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. **Significant accounting policies (cont'd)**

(d) **Financial assets (cont'd)**

Derecognition

A financial asset is derecognized 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 recognized in other comprehensive income is recognized in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Society commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(e) **Impairment of financial assets**

The Society assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(i) **Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Society first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Society considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

2. Significant accounting policies (cont'd)

(e) Impairment of financial assets (cont'd)

(i) Financial assets carried at amortised cost (cont'd)

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 is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are reversed in subsequent periods.

(iii) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include: (i) Significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2. **Significant accounting policies (cont'd)**

(e) **Impairment of financial assets (cont'd)**

(iii) **Available-for-sale financial assets (cont'd)**

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

(f) **Financial liabilities**

Initial recognition and measurement

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

All financial liabilities are recognized initially at fair value and in the case of other financial liabilities, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Society that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognized in profit or loss.

The Society has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

2. **Significant accounting policies (cont'd)**

(f) **Financial liabilities (cont'd)**

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

(g) **Income recognition**

Ordinary members' fees are recognized when due and received. Resident fees are recognized when due. Subsidies from Ministry of Health and donations are recognized in the financial statements as and when received.

(h) **Donations-in-kind**

Incoming donations-in-kind are recognized as follows:

i assets donated and held as stock for distribution are recognized as income when they are distributed with an equivalent amount being included as expenses. Donations-in-kind for distribution include mainly food, medical supplies and cleaning materials. No value is placed on stocks for items as yet undistributed.

ii fixed assets donated for use by the Society are recognized as income and within the relevant fixed asset category of the balance sheet when receivable.

The amount at which donations-in-kind are brought into account is the reasonable estimate of their fair value.

(i) **Functional and presentation currency**

Items included in the financial statements of the Society are measured using the currency of the primary economic environment in which the Society operates ("the functional currency"). The financial statements of the Society are presented in Singapore dollars ("S$"), which is the functional currency of the Society.

2. **Significant accounting policies (cont'd)**

(j) **Employee benefits**

(i) **Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Society pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Society has no further payment obligations once the contributions have been paid.

(ii) **Employee leave entitlement**

Employee entitlements to annual leave are recognized as liability when they accrued to employees. The estimated liability for annual leave is recognized for services rendered by employees up to the balance sheet date.

(k) **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Society for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Society for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

3. **Significant accounting judgments and estimates**

The preparation of the Society's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at each balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

(a) **Judgments made in applying accounting policies**

Apart from those involving estimations, management has not made any high degree of judgment in the process of applying the Society's accounting policies.

(b) **Key sources of assumption uncertainty**

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

3. Significant accounting judgments and estimates (cont'd)

(b) Key sources of assumption uncertainty (cont'd)

(i) Impairment of loan and receivables

The Society assesses at each balance sheet date whether there is any objective evidence that trade debtors are impaired. To determine whether there is objective evidence of impairment, the Society considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

(ii) Useful lives of property, plant and equipment

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Executive estimates the useful lives of these fixed assets to be within 3 to 30 years. The carrying amount of the Society's fixed assets as at 31 March 2012 was S$8,629,192. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets. Consequently future depreciation charges could be revised.

4. Income tax

The Society is exempt from tax under Section 13(1)(zm) of the Income Tax Act, Cap. 134.

5. Fixed assets

	Furniture & equipment S$	Motor vehicles S$	Leasehold buildings S$	Total S$
2012				
Cost				
At 1 April 2011	869,928	177,139	11,151,755	12,198,822
Additions	48,450	-	4,018,690	4,067,140
Disposals	(138,282)	-	(1,519,070)	(1,657,352)
At 31 March 2012	780,096	177,139	13,651,375	14,608,610
Accumulated depreciation				
At 1 April 2011	434,351	139,359	5,741,956	6,315,666
Additions	76,924	9,646	496,022	582,592
Disposals	(135,604)	-	(783,236)	(918,840)
At 31 March 2012	375,671	149,005	5,454,742	5,979,418
Net book value				
At 31 March 2012	404,425	28,134	8,196,633	8,629,192

5. Fixed assets (cont'd)

	Furniture & equipment S$	Motor vehicles S$	Leasehold buildings S$	Total S$
2011				
Cost				
At 1 April 2010	857,440	177,139	11,142,965	12,177,544
Additions	29,800	-	8,790	38,590
Disposals	(17,312)	-	-	(17,312)
At 31 March 2011	869,928	177,139	11,151,755	12,198,822
Accumulated depreciation				
At 1 April 2010	374,028	119,713	5,173,784	5,667,525
Charge for the year	72,898	19,646	568,172	660,716
Disposals	(12,575)	-	-	(12,575)
At 31 March 2011	434,351	139,359	5,741,956	6,315,666
Net book value				
At 31 March 2011	435,577	37,780	5,409,799	5,883,156

Leasehold buildings included S$4,009,180 (2011:S$8,790) which relates to expenditure for a new extension building in the course of construction.

6. Available-for-sale financial assets

	2012 S$	2011 S$
Beginning of financial year	-	-
Additions	1,019,750	-
Fair value loss recognized in other comprehensive income	(8,500)	-
End of financial year	1,011,250	-

Available-for-sale financial assets include the following:

	2012 S$	2011 S$
Debt securities	1,011,250	-

Available-for-sale financial assets comprise debt securities with redemption dates on 27 October 2021 and 12 January 2022, respectively and bear coupon rates of 3.80% - 4.15% per annum (2011: Nil).

7. Trade receivables

	2012 S$	2011 S$
Trade receivables-residents	67,124	-

Trade receivables are non-interest bearing and are generally on 30-90 days' terms. They are recognized at their original invoice amounts which represent their fair values on initial recognition.

7. Trade receivables (cont'd)

Receivables that are past due but not impaired

The age analysis of trade receivables that are past due at the balance sheet date but not impaired is as follows:

	2012 S$	2011 S$
Past due:		
31 to 60 days	16,344	-
61 to 90 days	4,212	-
More than 90 days	7,309	-
	27,865	-

8. Other receivables

	2012 S$	2011 S$
Medifund subsidy receivable	44,476	-
Accrued fixed deposit interest	32,723	132,211
Refundable deposits	31,250	27,920
Other receivables	10,740	1,698
Financial assets (Note 15)	119,189	161,829
Prepayments	5,939	4,291
Non-financial assets	5,939	4,291
Total other receivables	125,128	166,120

Other receivables are unsecured, non-interest bearing and repayable on demand.

9. Deferred building grants

	2012 S$	2011 S$
Capital grants received from Ministry of Health		
Beginning of financial year	6,862,245	6,862,245
Grants received during the year	2,462,954	-
End of financial year	9,325,199	6,862,245
Amortisation of grants		
Beginning of financial year	3,718,573	3,404,206
Amortisation for the year	314,367	314,367
End of financial year	4,032,940	3,718,573
Net balance at end of financial year	5,292,259	3,143,672

9. Deferred building grants (cont'd)

These are capital grants received from the Ministry of Health for the building and extension building of the Society.

Grants received during the financial year amounting to S$2,462,954 (2011: Nil) are in respect of a new extension building which is in course of construction at the balance sheet date.

10. Other payables

	2012 S$	2011 S$
Accruals	77,880	153,540
Residents' maintenance deposits	44,423	47,099
Residents' funds held on behalf	221,056	178,610
Foreign workers' bonus	24,783	25,091
Sundry payables	722,155	58,426
	1,090,297	462,766

Included in sundry payables is an amount of S$609,430 (2011: Nil) due payable in respect of capital expenditure on the Society's leasehold extension building.

Sundry payables are unsecured, non-interest bearing and are short-term.

11. Cash and cash equivalents

	2012 S$	2011 S$
Fixed deposits	9,283,128	9,072,900
Cash at bank	2,222,914	3,314,864
Cash in hand	7,000	3,000
	11,513,042	12,390,764

Fixed deposits placed with financial institutions mature within 11 to 23 months (2011: 24 months) from the financial year end. The interest rates of the fixed deposits at the end of the financial year were 0.10% to 1.30% (2011: 0.82% to 1.43%) per annum.

12. Donations with tax-exempt receipts issued

Included in unsolicited donations are donations for which tax-exempt receipts have issued of S$389,181 (2011: S$193,436).

13. Staff costs and emoluments

	2012 S$	2011 S$
Salaries	1,679,159	1,508,732
Bonus	266,191	263,918
Honorarium	1,600	2,400
CPF contribution	166,216	135,153
Foreign workers' levy	225,025	194,870
Other staff benefits	124,190	113,447
Recruitment expenses	3,063	3,665
SDL	4,905	5,049
	2,470,349	2,227,234
Average number of employees	128	120

Staff costs and emoluments include the following key management personnel compensation:

	2012 S$	2011 S$
Salaries and bonus	204,863	202,777
CPF contribution	24,836	22,165
Ex gratia	10,146	-
Leave pay	3,010	-
	242,855	224,942

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the daily operations of the Society, directly or indirectly.

Number of key management personnel in remuneration bands:

	2012 S$	2011 S$
Below or equal to S$50,000	-	-
Above S$50,000 to below S$100,000	3	3
	3	3

14. Capital commitment

Capital expenditure contracted for at the balance sheet date but not recognized in the financial statements are as follows:

	2012 S$	2011 S$
Capital commitment in respect of fixed assets	6,129,326	-

14. Capital commitment (cont'd)

Capital commitment in respect of fixed assets relates to outstanding capital expenditure for the construction of a new extension building.

15. Categories of financial assets and liabilities

The carrying amounts presented in the balance sheet relate to the following categories of assets and liabilities:

Financial assets	Note	2012 S$	2011 S$
Available-for-sale financial assets:			
Debt securities	6	1,011,250	-
Loan and receivables:			
Trade receivable	7	67,124	-
Other receivables	8	119,189	161,829
Fixed deposits		9,283,128	9,072,900
Cash at bank		2,222,914	3,314,864
Cash in hand		7,000	3,000
		11,699,355	12,552,593
Financial liabilities			
Financial liabilities measured at amortized cost:			
Other payables	10	1,090,297	462,766
		1,090,297	462,766

A description of the accounting policies for each category of financial instruments is disclosed in Note 2(d) (Financial assets) and Note 2(f) (Financial liabilities). A description of the Society's financial risk management objectives and policies for financial instruments is given in Note 16.

16. Financial risk management

The main risk arising from the Society's financial instruments are credit risk, interest rate risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarized below:

(a) Credit risk

Credit risk refers to the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Society's exposure to credit risk arises primarily from trade receivables, other receivables, fixed deposits and cash at bank. For other receivables, the Society deals only with creditworthy counterparties. For other financial assets (including fixed deposits and bank balances), the Society minimizes credit risks by dealing only with counterparties with good credit ratings.

16. Financial risk management (cont'd)

(a) Credit risk (cont'd)

At the balance sheet date, the Society's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognized in the balance sheet.

At the balance sheet date, the Society has no significant concentration of credit risk.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy counterparties.

Fixed deposits and cash at bank that are neither past due nor impaired are deposits with reputable licensed banks in Singapore.

Financial assets that are past due and/or impaired

Information regarding financial assets that are past due is disclosed in Note 7 (Trade receivables).

The Society has Nil (2011: Nil) class of financial assets that is impaired.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Society's financial instruments will fluctuate because of changes in market interest rate. The Society exposure to interest rate risk arises primarily from interest-bearing fixed deposits. The Society's policy is to obtain favorable interest rates that are available. The Society does not have any interest rate hedging policy.

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD interest rate had been 10 (2011: 10) basis points higher/lower with all variables held constant, the Society's surplus would have been S$928 (2011: S$907) higher/lower arising mainly as a result of higher/lower interest income from fixed deposits.

(c) Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting financial obligations due to shortage of funds. The Society manages its liquidity risk by maintaining sufficient level of cash at bank to meet its working capital requirements.

The table below summarizes the maturity profile of the Society's financial liabilities at the balance sheet date based on contractual undiscounted payments.

2012	1 year or less S$	1 to 5 years S$	Over 5 years S$	Total S$
Other payables	1,090,297	-	-	1,090,297
	1,090,297	-	-	1,090,297

16. Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

2011	1 year or less S$	1 to 5 years S$	Over 5 years S$	Total S$
Other payables	462,766	-	-	462,766
	462,766	-	-	462,766

17. Fair values of financial instruments

The following table presents financial instruments measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

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

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

	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
2012				
Financial assets				
Available-for-sale financial assets				
- Debt securities	1,011,250	-	-	1,011,250
As 31 March 2012	1,011,250	-	-	1,011,250
2011				
Financial assets				
Available-for-sale financial assets				
- Debt securities	-	-	-	-
As 31 March 2011	-	-	-	-

The fair value of financial instruments traded in active markets (such as available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Society is the current bid price. These instruments are included in Level 1.

There were no assets or liabilities measured at fair value in Level 3 fair value measurements in the period. There were no transfers between Level 1 and Level 2 during the financial years ended 31 March 2012 and 2011.

17. Fair values of financial instruments (cont'd)

The carrying amounts of trade receivables, other receivables, fixed deposits, cast at bank, cash in hand and other payables are reasonable approximation of fair values due to their short-term nature.

18. Capital management

The Society's objectives when managing capital are to safeguard the organization's ability to continue as a going concern so that it can continue to provide delivery of its services for the aged sick.

The Society monitors capital by using various techniques to ensure that funds are adequate to finance its operations.

The Society is not subject to any externally imposed capital requirements for the years ended 31 March 2011 and 2012.

19. New or revised accounting standards and interpretations

At the date of authorization of those financial statements, the following standards and interpretations have been issued but not yet effective and which the Society has not early adopted.

	Description	Effective for annual periods beginning on or after
Amendments to FRS 107	Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 101	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
Amendments to FRS 12	Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to FRS 1	Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19 (revised)	Employee Benefits	1 January 2013
FRS 27 (revised)	Separate Financial Statements	1 January 2013
FRS 28 (revised)	Investments in Associates and Joint Ventures	1 January 2013
FRS 110	Consolidated Financial Statements	1 January 2013
FRS 111	Joint Arrangements	1 January 2013
FRS 112	Disclosure of Interests in Other Entities	1 January 2013
FRS 113	Fair Value Measurements	1 January 2013
Amendments to FRS 107	Disclosures-Offsetting Financial Assets and Financial Liabilities	1 January 2013

The Executive Committee members expect that the adoption of the standards and interpretations above that are relevant to the Society will have no material impact on the financial statements in the period of initial application.