

SIAN CHAY MEDICAL INSTITUTION
(Registered in Singapore)
UEN No. S62SS0055D
(Registered under the Charities Act, Chapter 37)
FINANCIAL STATEMENTS
31 December 2018

UHY LEE SENG CHAN & CO
Public Accountants and
Chartered Accountants

SIAN CHAY MEDICAL INSTITUTION
UEN No. S62SS0055D

FINANCIAL STATEMENTS

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SIAN CHAY MEDICAL INSTITUTION
(Registered in Singapore)

STATEMENT BY MANAGEMENT COMMITTEE

In the opinion of the Management Committee, the accompanying financial statements of Sian Chay Medical Institution (the "Institution") are drawn up so as to give a true and fair view of the state of affairs of the Institution as at 31 December 2018, and of its results, changes in funds and cash flows of the Institution for the financial year ended on that date and, at the date of this statement, there are reasonable grounds to believe that the Institution will be able to pay its debts as and when they fall due.

On behalf of the Management Committee,


Chairman
Hon. Treasurer

Singapore
15 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIAN CHAY MEDICAL INSTITUTION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sian Chay Medical Institution (the Institution), which comprise the balance sheet of the Institution as at 31 December 2018, and the statement of income and expenditure and other comprehensive income, statement of changes in funds and statement of cash flows of the Institution for the financial 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 Singapore Charities Act, Chapter 37 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to present fairly, in all material respects, the state of affairs of the Institution as at 31 December 2018 and of its results, changes in funds and cash flows of the Institution for the financial 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 Institution in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Statement by Management Committee set out on page 1.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIAN CHAY MEDICAL INSTITUTION

Management Committee's Responsibility for the Financial Statements

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

In preparing the financial statements, the Management Committee is responsible for assessing the Institution'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 Institution or to cease operations, or has no realistic alternative but to do so.

The Management Committee's responsibilities include overseeing the Institution's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
SIAN CHAY MEDICAL INSTITUTION**

- Conclude on the appropriateness of the Management Committee'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 Institution'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 Institution 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

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

- (a) the use of the donation monies was not in accordance with the objectives of the Institution as required under Regulation 16 of the Charities (Institutions of a Public Character) Regulations; and
- (b) the Institution has not complied with the requirements of Regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.

UHY Lee Seng Chan & Co.

UHY Lee Seng Chan & Co
Public Accountants and
Chartered Accountants

Singapore
15 March 2019

SIAN CHAY MEDICAL INSTITUTION

BALANCE SHEET

31 December 2018

	Note	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	19,441,949	13,691,941
Other receivables	5	185,108	175,919
Inventories	6	144,881	173,423
		<u>19,771,938</u>	<u>14,041,283</u>
Non-current assets			
Investment securities	7	-	1,028,720
Property, plant and equipment	8	975,100	1,562,834
		<u>975,100</u>	<u>2,591,554</u>
Total assets		<u>20,747,038</u>	<u>16,632,837</u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	185,291	236,276
Finance lease liabilities	10	6,616	6,283
		<u>191,907</u>	<u>242,559</u>
Non-current liabilities			
Finance lease liabilities	10	15,273	21,889
Deferred income		8,314	32,574
		<u>23,587</u>	<u>54,463</u>
Total liabilities		<u>215,494</u>	<u>297,022</u>
NET ASSETS		<u>20,531,544</u>	<u>16,335,815</u>
FUNDS			
Capital fund	11	230,000	230,000
<u>Unrestricted fund</u>			
General fund		16,382,044	15,936,086
<u>Restricted fund</u>			
TCM medi fund	11	-	169,729
Memorial endowment fund	11	3,919,500	-
Total funds		<u>20,531,544</u>	<u>16,335,815</u>

The accompanying notes form an integral part of these financial statements

SIAN CHAY MEDICAL INSTITUTION

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME

Financial year ended 31 December 2018

		2018				2017
		← Restricted fund →				
		Unrestricted fund	TCM medi fund	Memorial endowment fund	Total	Total
		\$	\$	\$	\$	\$
INCOME						
Voluntary income	12	6,757,139	-	3,919,500	10,676,639	9,795,333
Charitable income	13	1,702,731	-	-	1,702,731	1,357,928
Investment income	14	195,639	-	-	195,639	157,323
Other income	15	182,933	-	-	182,933	164,095
Total income		8,838,442	-	3,919,500	12,757,942	11,474,679
EXPENDITURE						
Cost of generating voluntary income	16	1,094,833	-	-	1,094,833	1,221,481
Cost of charitable activities	17	1,180,969	59,838	-	1,240,807	1,211,361
Governance costs	18	24,005	-	-	24,005	18,151
Allowance for impairment on available-for-sale investments		-	-	-	-	1,000,000
Written-off of equity instruments at fair value through other comprehensive income		1,028,720	-	-	1,028,720	-
Other expenses	19	5,063,957	109,891	-	5,173,848	5,083,870
Total expenditure		8,392,484	169,729	-	8,562,213	8,534,863
Surplus for the financial year		445,958	(169,729)	3,919,500	4,195,729	2,939,816
Other comprehensive (loss)/income						
Item that may be reclassified subsequently to profit or loss:						
Fair value gain on available-for-sale investments		-	-	-	-	109,102
Other comprehensive (loss)/income, net of tax		-	-	-	-	109,102
Total comprehensive income for the financial year		445,958	(169,729)	3,919,500	4,195,729	3,048,918

The accompanying notes form an integral part of these financial statements

SIAN CHAY MEDICAL INSTITUTION

STATEMENT OF CHANGES IN FUNDS

Financial year ended 31 December 2018

	Unrestricted fund		← Restricted fund →		
	Capital fund	General fund	TCM medi fund	Memorial endowment fund	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2017	230,000	12,416,827	640,070	-	13,286,897
Surplus for the financial year	-	3,410,157	(470,341)	-	2,939,816
<u>Other comprehensive income</u>					
Fair value gain on available-for-sale investments	-	109,102	-	-	109,102
Total comprehensive income for the financial year	-	3,519,259	(470,341)	-	3,048,918
Balance at 31 December 2017	230,000	15,936,086	169,729	-	16,335,815
Surplus for the financial year	-	445,958	(169,729)	3,919,500	4,195,729
Balance at 31 December 2018	230,000	16,382,044	-	3,919,500	20,531,544

The accompanying notes form an integral part of these financial statements

SIAN CHAY MEDICAL INSTITUTION

STATEMENT OF CASH FLOWS

Financial year ended 31 December 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Surplus for the financial year		4,195,729	2,939,816
Adjustments for:			
Depreciation of property, plant and equipment		733,365	673,226
Amortisation of deferred income		(24,260)	-
Allowance for impairment of available-for-sale investments		-	1,000,000
Written-off of equity instrument at fair value through other comprehensive income		1,028,720	-
Interest expense		1,299	1,005
Interest income		(195,639)	(157,323)
Operating cash flows before working capital changes		5,739,214	4,456,724
Changes in working capital:			
Other receivables		(23,230)	(37,635)
Inventories		28,542	(10,921)
Trade and other payables		(50,985)	(355,297)
Net cash from operating activities		5,693,541	4,052,871
Cash flows from investing activities			
Purchase of property, plant and equipment (Note A)		(145,631)	(716,056)
Interest received		209,680	157,323
Changes in fixed deposits with maturity period of more than 3 months		2,751,540	(3,633,516)
Net cash from/(used in) investing activities		2,815,589	(4,192,249)
Cash flows from financing activities			
Repayment of obligations under finance lease		(6,283)	(4,097)
Interest paid		(1,299)	(1,005)
Net cash used in financing activities		(7,582)	(5,102)
Net change in cash and cash equivalents		8,501,548	(144,480)
Cash and cash equivalents at beginning of financial year		708,155	852,635
Cash and cash equivalents at end of financial year	4	9,209,703	708,155

Note A: Cash payment of \$145,631 was made to purchase of property, plant and equipment during the financial year. In the previous financial year, the Institution acquired property, plant and equipment with an aggregate cost of \$730,478 of which \$14,422 was acquired under finance lease arrangement and the balance \$716,056 paid in cash.

The accompanying notes form an integral part of these financial statements

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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

1. GENERAL INFORMATION

Sian Chay Medical Institution (the "Institution") was registered as a charity under the Singapore Charities Act (Chapter 37) on 19 March 1984 with its registered office located at 610 Geylang Road (Off Lorong 36), Singapore 389549. It is also approved as an Institution of Public Character (IPC) by the Ministry of Health.

The principal activities of the Institution are to provide free medical consultation or subsidised medication to the lower income and needy patients.

The financial statements of the Institution for the financial year ended 31 December 2018 were authorised for issue by the Management Committee on 15 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of the Singapore Charities Act Cap. 37 and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies set out below.

The financial statements are presented in Singapore dollar ("S\$"), which is the functional currency of the Institution.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Institution's accounting policies. It also requires the use of accounting estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas where estimates and assumptions are significant or critical to the financial statements are disclosed in Note 3.

On 1 January 2018, the Institution adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Institution's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Institution's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

The accounting policies for financial instruments under FRS 109 are disclosed in Note 2.2(b) below.

2.2 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Institution's balance sheet when the Institution becomes a party to the contractual provisions of the instrument.

- (a) The accounting for financial assets before 1 January 2018 under FRS 39 are as follows:

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

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.

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are presented as "cash and cash equivalents" and "other receivables" on the balance sheet.

Impairment of financial assets

The Institution assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

SIAN CHAY MEDICAL INSTITUTION

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Assets carried at amortised cost

For financial assets carried at amortised cost, the Institution 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 Institution 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 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 financial asset's original 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 been incurred, the Institution considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

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If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are recognised in profit or loss if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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

Derecognition of financial assets

The Institution derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Institution neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Institution recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Institution retains substantially all the risks and rewards of ownership of a transferred financial asset, the Institution continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

- (b) The accounting for financial assets from 1 January 2018 under FRS 109 are as follows:

The Institution classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification of debt instruments depends on the Institution's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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The Institution reclassifies debt instruments when and only when its business model for managing those assets changes.

(i) At initial recognition

At initial recognition, the Institution measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) At subsequent measurement

Debt instruments of the Institution mainly comprise cash and bank deposits and other receivables.

The Institution assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

For other receivables, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

Financial liabilities

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Institution prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.3 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is computed on a straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

Freehold properties	50 years
Motor vehicle	5 years
Air-conditioners	3 years
Renovation and fixtures	3 years
Others	3-5 years

Freehold properties comprise freehold land and building erected there. Freehold land is not depreciated.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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 on derecognising of the asset is included in profit or loss in the financial year the asset is derecognised.

2.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Institution's non-financial assets are reviewed for impairment at the end of each reporting period and whenever there is any indication that these assets may be impaired. If any such indication exists or when an annual impairment testing for an asset is required, the recoverable amount of the asset is estimated to determine the amount of the impairment loss (if any).

Recoverable amount of an asset is the higher of its fair value less cost to sell and value in use. For the purpose of impairment testing, recoverable amount 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 unit ("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 and the impairment loss is recognised in profit or loss.

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Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset or CGU in prior financial years. A reversal of impairment loss is recognised in profit or loss.

2.5 INVENTORIES

Inventories consisting of medical supplies are stated at the lower of cost and net realisable value. Cost is determined primarily on a first-in-first-out basis and includes cost of purchase and all other costs incurred in bringing the inventories to their present location and condition. Where necessary, write-down is made for deteriorated, damaged, obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.6 REVENUE RECOGNITION

These accounting policies are applied on and after the initial application date of FRS 115, 1 January 2018:

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

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

(a) Donations

Donations are recognised when the right to receive is established.

(b) Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants and government subvention receipts in recognition of specific expenses are recognised as income to match them with the related costs that they are intended to compensate.

(c) Rendering of services

Revenue from rendering of services, which include acupuncture, tuina therapy treatment and cupping is recognised when the services are completed.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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(d) Investment income

Investment income comprising interest income from fixed deposits is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset.

These accounting policies are applied before the initial application date of FRS 115, 1 January 2018:

Revenue including donations and grants that provide core funding or are of general nature are recognised where there is (a) entitlement (b) certainty (c) sufficient reliability of measurement. Such income is only deferred when: donor specifies that the grant or donation must only be used in future accounting periods; or the donor has imposed conditions which must be met before the Institution has unconditional entitlement. The revenue amount from services is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the period arising from the ordinary activities of the Institution and it is shown net of related sales tax, discounts and rebates.

(a) Donations

Donations are recognised when the right to receive is established.

(b) Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants and government subvention receipts in recognition of specific expenses are recognised as income to match them with the related costs that they are intended to compensate.

(c) Rendering of services

Revenue from rendering of services, which include acupuncture, tuina therapy treatment and cupping is recognised when the services are completed.

(d) Investment income

Investment income comprising interest income from fixed deposits is recognised on a time-proportion basis using the effective interest rate that takes into account the effective yield on the asset.

2.7 EMPLOYEE BENEFITS

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.

Contributions to defined contribution plans are recognised in the same financial year as the employment that gives rise to the contributions.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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2.8 PROVISIONS

Provisions are recognised when the Institution has a present obligation (legal or constructive) as a result of a past event, it is probable that the Institution will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.9 LEASES

Finance leases - where the Institution is a lessee

Leases where the Institution assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The lease obligations, net of finance charges, are included in borrowings. The finance charges are recognised in profit or loss over the lease period.

Operating leases - where the Institution is a lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, bank balances and fixed deposits placed with financial institutions. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of fixed deposits with maturity period of more than three months.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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2.11 BORROWING COSTS

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Institution's accounting policies, which are described in Note 2, the Management Committee is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the Institution's accounting policies

In the process of applying the Institution's accounting policies, management is of the opinion that any instances of application are not expected to have a significant effect on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period 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 of property, plant and equipment

Management Committee estimates the useful lives of property, plant and equipment to be as disclosed in Note 2.3. These are common life expectancies applied in the relevant industry. The carrying amounts of the Institution's property, plant and equipment are disclosed in Note 8. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets. Hence, future depreciation charges could be revised.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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4. CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash at banks and on hand	7,183,100	708,155
Fixed deposits	12,258,849	12,983,786
	<u>19,441,949</u>	<u>13,691,941</u>

Fixed deposits have maturity period ranging from 2 to 12 (2017 : 12) months and earn interest at rates ranging from 0.15% to 1.85% (2017 : 1.25% to 1.50%) per annum.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2018 \$	2017 \$
Cash and cash equivalents (as above)	19,441,949	13,691,941
Less: Fixed deposits with maturity period of more than 3 months	(10,232,246)	(12,983,786)
Cash and cash equivalents per statement of cash flows	<u>9,209,703</u>	<u>708,155</u>

5. OTHER RECEIVABLES

	2018 \$	2017 \$
Advance payment for purchase of property, plant and equipment	61,025	19,425
Interest receivable	66,370	80,411
Refundable deposits	57,353	58,676
Prepayments	360	17,407
	<u>185,108</u>	<u>175,919</u>

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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6. INVENTORIES

	2018 \$	2017 \$
Medical supplies	144,881	173,423
Cost of inventories recognised in statement of income and expenditure and included in cost of charitable activities	1,240,807	1,211,361

7. INVESTMENT SECURITIES

(a) Available-for-sale investments

	2018 \$	2017 \$
Balance at beginning	1,028,720	1,028,720
Reclassification to FVOCI at 1 January 2018	(1,028,720)	-
Balance at end	-	1,028,720

Details of the available-for-sale investments are as follows:

	2018 \$	2017 \$
Quoted equity shares, at fair value	-	1,028,720
Unquoted equity shares, at cost	-	1,000,000
Less: Allowance for impairment	-	(1,000,000)
	-	-
	-	1,028,720

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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(b) Financial assets at fair value through other comprehensive income (FVOCI)

	2018 \$	2017 \$
Reclassification from available-for-sale investments at 1 January 2018	1,028,720	-
Written off	(1,028,720)	-
Balance at end	-	-

Details of the financial assets at fair value through other comprehensive income are as follows:

	2018 \$	2017 \$
Unquoted equity shares	-	-

In 2016, the Institution received 200,000 quoted equity shares and 128,000 unquoted equity shares in Moxian Inc., and Friedrich Froebel Holding Pte Ltd respectively as donation in kind.

During the financial year, the Institution fully wrote off the quoted equity shares as it is of the view that the investments are not recoverable.

The Institution has elected to measure unquoted equity shares at fair value through other comprehensive income due to the Institution's intention to hold these equity shares for long-term appreciation.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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8. PROPERTY, PLANT AND EQUIPMENT

2018

	Freehold properties \$	Motor vehicle \$	Air conditioners \$	Renovation and fixtures \$	Other assets \$	Total \$
Cost						
Balance at beginning	415,603	93,666	47,082	2,396,533	742,794	3,695,678
Additions	-	-	4,970	102,311	38,350	145,631
Balance at end	415,603	93,666	52,052	2,498,844	781,144	3,841,309
Accumulated depreciation						
Balance at beginning	232,737	20,294	41,463	1,417,095	421,255	2,132,844
Charge for the financial year	-	18,733	4,330	527,995	182,307	733,365
Balance at end	232,737	39,027	45,793	1,945,090	603,562	2,866,209
Carrying amount						
Balance at 31 December 2018	182,866	54,639	6,259	553,754	177,582	975,100

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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2017

Cost

Balance at beginning	415,603	93,666	41,432	1,847,404	567,095	2,965,200
Additions	-	-	5,650	549,129	175,699	730,478

Balance at end

415,603	93,666	47,082	2,396,533	742,794	3,695,678
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Accumulated depreciation

Balance at beginning	232,737	1,561	35,962	928,973	260,385	1,459,618
Charge for the financial year	-	18,733	5,501	488,122	160,870	673,226

Balance at end

232,737	20,294	41,463	1,417,095	421,255	2,132,844
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Carrying amount

Balance at 31 December 2017	182,866	73,372	5,619	979,438	321,539	1,562,834
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Other assets include computers, diagnosis and office equipment, and furniture and fittings. Office equipment with aggregate carrying amount of \$13,219 (2017 : \$24,223) were acquired under finance lease arrangements.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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9. TRADE AND OTHER PAYABLES

	2018 \$	2017 \$
Trade payables - third parties	76,869	75,997
Other payables - accruals	108,422	160,279
	185,291	236,276

Trade payables are non-interest bearing and are generally settled within 30 (2017 : 30) days.

10. FINANCE LEASE LIABILITIES

	2018		2017	
	Minimum lease payments \$	Present value of minimum lease payments \$	Minimum lease payments \$	Present value of minimum lease payments \$
Within 1 year	7,582	6,616	7,582	6,283
After 1 year but not more than 5 years	16,574	15,273	24,155	21,889
Total minimum lease payments	24,156	21,889	31,737	28,172
Less: Amount representing finance charges	2,267	-	3,565	-
Present value of minimum lease payments	21,889	21,889	28,172	28,172

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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The effective borrowing rates range from 4.69% to 6.49% (2017 : 4.69% to 6.49%) per annum.

The fair values of finance lease obligations approximate their carrying amounts.

A reconciliation of liabilities arising from financing activities pertaining to finance lease liabilities is as follows:

	2018 \$	2017 \$
Balance at beginning	28,172	17,848
Additions	-	14,421
Repayment	(6,283)	(4,097)
Balance at end	<u>21,889</u>	<u>28,172</u>

11. FUNDS

Capital fund

The capital fund represents compensation received from the government in relation to the compulsory acquisition of the Institution's previous premises located at 124A Bencoolen Street in 1978.

TCM medi fund

The TCM medi fund was established on 3 September 2014 with monies donated from Lee Foundation to subsidise the Traditional Chinese Medicine (TCM) treatment expenses of the Pioneer Generation and CHAS Card patients for the period up to 2020. The fund was fully utilised during the financial year.

Memorial endowment fund

The To' Puan Dr. Tsao Sui Lan Memorial Endowment Fund was established on 21 May 2018 with initial donation of \$2 million received from Dr. Tan Hian-Tsin and subsequent donation from public for the purpose of providing assistance to the hardship and welfare cases referred by the Grassroots Advisers during their weekly Meet-The-People Sessions as well as individuals requiring support and assistance from the community.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

12. VOLUNTARY INCOME

	2018	2017
	\$	\$
Unrestricted		
Tax deductible donations	4,178,003	5,929,272
Grants	828,949	217,997
Other donations	1,750,187	2,648,064
	<u>6,757,139</u>	<u>8,795,333</u>
Restricted		
TCM medi fund	-	1,000,000
Memorial endowment fund	3,919,500	-
	<u>3,919,500</u>	<u>1,000,000</u>
	<u>10,676,639</u>	<u>9,795,333</u>

The Institution enjoys a concessionary tax treatment whereby qualifying donors are granted 2.5 times tax deduction for the donations made to the Institution. The IPC status was renewed for 2 years till 30 June 2019.

13. CHARITABLE INCOME

	2018	2017
	\$	\$
Acupuncture treatment fees	388,704	307,696
Cupping treatment fees	34,004	5,645
Herb treatment fees	31,640	28,743
Tuina therapy fees	328,287	328,718
Patient registration fees	911,639	684,515
Others	8,457	2,611
	<u>1,702,731</u>	<u>1,357,928</u>

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

14. INVESTMENT INCOME

	2018	2017
	\$	\$
Interest income from fixed deposits	195,639	157,323

15. OTHER INCOME

	2018	2017
	\$	\$
Amortisation of deferred income	24,260	-
Special employment credit	57,202	77,904
Temporary employment credit	6,857	17,316
Wage credit scheme	91,233	68,875
Others	3,381	-
	182,933	164,095

16. COST OF GENERATING VOLUNTARY INCOME

	2018	2017
	\$	\$
Cost of fund raising	1,094,833	1,221,481

The fundraising efficiency rate of the Institution for the financial year is 10.25% (2017 : 12.47%). Accordingly, the Institution has complied with the 30/70 fundraising efficiency ratio under the Charities (Institution of a Public Character) Regulations.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

17. COST OF CHARITABLE ACTIVITIES

	2018 \$	2017 \$
Medicine and medical supplies		
Unrestricted	1,180,969	702,425
Restricted	59,838	508,936
	<u>1,240,807</u>	<u>1,211,361</u>

18. GOVERNANCE COSTS

	2018 \$	2017 \$
Audit fees	<u>24,005</u>	<u>18,151</u>

19. OTHER EXPENSES

	2018 \$	2017 \$
Unrestricted		
Advertisement	11,580	7,802
Bank charges	21,838	6,177
Brochures	2,780	9,337
Community relation	23,300	-
Community services	157,459	30,963
Community welfare	61,662	10,000
Depreciation of property, plant and equipment	733,365	673,226
General expenses	46,425	44,256
Insurance	47,178	19,679
Interest expense on finance leases	1,299	1,005
	<u>1,106,886</u>	<u>802,445</u>
Carried forward		

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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	2018	2017
	\$	\$
Unrestricted (continued)		
Brought forward	1,106,886	802,445
GST input tax not claimable	155,974	190,115
Legal fee	4,493	-
License fee	3,095	2,917
Maintenance charges	73,126	109,587
Marketing communication expenses	140,181	126,118
Media	31,015	58,345
Medical records, receipts, stationery	9,195	31,711
Mementoes for donors	28,214	118,990
Office supplies	95,472	63,999
Operating lease expense [Note 22(b)]	228,845	198,423
Other equipment expensed off	2,076	15,193
Photo frames for photo gallery (all outlets)	11,618	21,065
Photography/Video services	1,330	11,125
Project expenses	59,278	72,052
Printing charges	19,174	24,844
Property tax	1,800	1,624
Property, plant and equipment expensed off	9,909	14,841
Property, plant and equipment written off	3,345	-
Recruitment costs	10,599	8,797
Signages for outlets	4,332	9,444
Staff bonding/interaction	24,438	6,805
Staff training	26,366	30,612
Start-up costs of new outlets	2,415	24,365
Telephone and internet charges	32,273	33,577
Transport charges	19,278	30,684
Utilities charges	49,988	40,875
Website hosting and social media	27,000	26,717
Carried forward	2,181,715	2,075,270

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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	2018 \$	2017 \$
Unrestricted (continued)		
Brought forward	2,181,715	2,075,270
Employee benefits expense		
- salaries, bonuses and related costs	2,557,643	1,826,487
- employer's contribution to Central Provident Fund	324,599	220,708
	2,882,242	2,047,195
	5,063,957	4,122,465
Restricted		
Employee benefits expense		
- salaries, bonuses and related costs	97,026	843,878
- employer's contribution to Central Provident Fund	12,865	117,527
	109,891	961,405
	5,173,848	5,083,870

20. INCOME TAX STATUS

No provision for taxation has been made in the financial statements as the Institution is exempt from income tax under Section 13 of the Income Tax Act, Chapter 134.

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

21. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Other than disclosed elsewhere in the financial statements, the transactions with related parties on terms agreed between the parties during the financial year are as follows:

	2018 \$	2017 \$
Short-term benefits paid to a key management personnel		
- salaries, bonuses and related costs	107,550	102,964
- employer's contribution to Central Provident Fund	7,430	7,215
	<u>114,980</u>	<u>110,179</u>

Key management personnel is the executive director. Members of the Management Committee are volunteers who do not receive any compensation from the Institution.

For 2018 and 2017, there is only one senior management staff whose remuneration is in the range of \$100,000 to \$150,000. Annual remuneration for the rest of the manager staff are below \$100,000.

22. COMMITMENTS

(a) Capital commitments

	2018 \$	2017 \$
Capital expenditure for the purchase of property, plant and equipment	-	23,154

(b) Operating lease commitments - as lessee

	2018 \$	2017 \$
Operating lease expense for the financial year (Note 19)	228,845	198,423

SIAN CHAY MEDICAL INSTITUTION

NOTES TO THE FINANCIAL STATEMENTS

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At the end of the reporting period, the Institution has outstanding commitments for minimum lease payments in respect of premises under non-cancellable operating leases falling due as follows:

	2018	2017
	\$	\$
Within one year	144,000	113,663
Between one and five years	228,000	23,213
	<u>372,000</u>	<u>136,876</u>

The above operating leases have a tenure of 3 years with varying options to renew. They do not contain any escalation clauses or provide for contingent rents.

**23. FINANCIAL INSTRUMENTS, FINANCIAL RISKS
AND CAPITAL RISKS MANAGEMENT**

(a) Categories of financial instruments

Financial instruments as at the end of the reporting period are as follows:

	2018
	\$
Financial assets, at amortised costs	19,565,675
Financial assets, at FVOCI	-
Financial liabilities, at amortised cost	<u>207,180</u>
	2017
Loans and receivables	13,831,028
Available-for-sale investments	<u>1,028,720</u>
Financial liabilities at amortised cost	<u>264,448</u>

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(b) **Financial risk management**

The main risks arising from the Institution's normal course of operation are credit, interest rate, liquidity and equity price risks. The Institution's overall risk management strategy seeks to minimise potential adverse effects of these risks on the financial performance of the Institution.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the institution's activities.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At the end of the reporting period, the Institution's maximum exposure to credit risk is represented by the carrying amount of each financial asset recognised in the balance sheet. Cash is placed with banks which are regulated.

There is no financial asset that is past due and/or impaired.

Interest rate risk

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

The Institution is exposed to interest rate risks through the impact of changes in interest rates on its fixed deposits.

Sensitivity analysis

At the end of the reporting period, an increase/decrease of 25 basis in interest rates of fixed deposits would increase/decrease surplus for the financial year by \$30,647 (2017 : \$32,460).

Liquidity risk

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

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

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The following is the maturity profile of the financial liabilities of the Institution based on contractual undiscounted payments:

	1 year or less \$	1 to 5 years \$	Total \$
2018			
Trade and other payables	185,291	-	185,291
Finance lease liabilities	7,582	16,574	24,156
	<u>192,873</u>	<u>16,574</u>	<u>209,447</u>
2017			
Trade and other payables	236,276	-	236,276
Finance lease liabilities	7,582	24,156	31,738
	<u>243,858</u>	<u>24,156</u>	<u>268,014</u>

Equity price risk

The Institution is exposed to equity price risk on quoted equity shares classified as investment securities as disclosed in Note 7 to the financial statements.

Sensitivity analysis

At the end of the reporting period, if prices of the quoted equity increase/decrease by 10% with all other variables being held constant, the increase/decrease in other comprehensive income would be Nil (2017 : \$102,872).

23. FUNDS MANAGEMENT POLICIES AND OBJECTIVE

The institution regards its general fund as its reserves. The institution's funds management policies require it to maintain sufficient reserves to ensure long term financial sustainability and continuity for the purpose of providing free consultation and subsidised traditional chinese medication to the community.

The Institution aims to achieve its reserves at a level equal to about 3 times of its total annual expenditure so that its operational activities can continue in times of unforeseen difficulty. The institution is not subject to any externally imposed reserve requirement.

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Fair values of financial instruments

Except as disclosed in the financial statements, the Institution has determined that the carrying amounts of financial assets and liabilities approximate their fair values because these instruments are short-term in nature.

24. STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards, amendments to standards and interpretations that have been issued but are not yet effective for period beginning on 1 January 2018 have not been applied in preparing these non-statutory financial statements. The Management Committee expects that the adoption of these new standards, amendments and interpretations will have no material impact on the non-statutory financial statements in the period of initial application except for FRS 116 described below:

FRS 116 Leases

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Under FRS 116, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. When effective, FRS 116 will supersede all current lease accounting guidance, including FRS 17 Leases.

The Institution is currently assessing the impact of the new accounting standard and plans to adopt the standard when it becomes effective on 1 January 2019.