

NAM HONG WELFARE SERVICE SOCIETY
Registration No. T07SS0086D

(Incorporated in Singapore)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2022
TOGETHER WITH STATEMENT BY MANAGEMENT COMMITTEE AND
INDEPENDENT AUDITOR'S REPORT

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NAM HONG WELFARE SERVICE SOCIETY

Registered under the Societies Act (Chapter 311)

STATEMENT BY THE MANAGEMENT COMMITTEE

For The Financial Year Ended 31 December 2022

The Management Committee presents their statement to the members together with the audited financial statements of **Nam Hong Welfare Service Society** (the “Society”) for the financial year ended **31 December 2022**.

- 1 *Opinion of the Management Committee* In the opinion of the Management Committee,
- (a) the financial statements of the Society together with the notes thereto are properly drawn up in accordance with the provisions of the Societies Act, Chapter 311 (the “Societies Act”), the Charities Act, Chapter 37 and other relevant regulations (the “Charities Act and Regulations”) and Financial Reporting Standards in Singapore (FRSs) so as to present fairly, in all material respects, the state of affairs of the Society as at 31 December 2022, and the results, changes in funds, and cash flows of the Society for the financial year ended on that date;
 - (b) the fundraising appeals conducted by the Society during the financial year ended 31 December 2022 have been carried out in accordance with Regulation 6 of the Societies Regulations issued under the Societies Act and proper accounts and other records have been kept of the fund raising appeals.; and
 - (c) 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.

The Management Committee has, on the date of this statement, authorised these financial statements for issue.

- 2 *Members of the Management Committee* The Management Committee of the Society in office at the date of this statement are:

Chairman	Lim Boon Choon
Vice Chairman	Heng Poh Chuah
Secretary	Chew Chon Chua
Vice Secretary	Wang Kia Peng
Treasurer	Toh Chai Hoon
Vice Treasurer	Lim Kim Siang
Committee Member	Lim Soi Tee
Committee Member	Boo Hi Song
Committee Member	Ng See Lek
Committee Member	Dr. Djoni Huang Sian Wei
Committee Member	Rosaline Oh Gek Sim


NAM HONG WELFARE SERVICE SOCIETY
Registered under the Societies Act (Chapter 311)

STATEMENT BY THE MANAGEMENT COMMITTEE
For The Financial Year Ended 31 December 2022

For and on behalf of the Management Committee,



Lim Boon Choon
Chairman



Toh Chai Hoon
Treasurer

Date: 24 July 2023

AG ASSURANCE PAC

Registration Number: 201627595W

111 North Bridge Road #07-11 Singapore 179098

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAM HONG WELFARE SERVICE SOCIETY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Nam Hong Welfare Service Society (the "Society"), which comprise the statement of financial position of the Society as at 31 December 2022, and the statement of comprehensive income, statement of changes in funds and statement of cash flows of the Society 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 Societies Act, Chapter 311 (the "Societies Act"), the Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Financial Reporting Standards in Singapore (FRSs) so as to present fairly, in all material respect, the state of affairs of the Society as at 31 December 2022 and the results, changes in funds and cash flows of the Society 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 Society 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 Statement by the Management Committee but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAM HONG WELFARE SERVICE SOCIETY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with the provisions of the Societies Act, the Charities Act and Regulations and FRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that free from material misstatement, whether due to fraud or error.

In the financial statements, management is responsible for assessing the Society'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 Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Society'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 Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAM HONG WELFARE SERVICE SOCIETY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society'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 Society 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.

We comply with the relevant ethical requirements regarding independence, and have communicated to the management committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

In our opinion,

- (a) the accounting and other records required to be kept by the Society have been properly kept in accordance with the provisions of the Society Regulations enacted under the Societies Act, and the Charities Act and Regulations; and
- (b) the fundraising appeals conducted by the Society during the financial year ended 31 December 2022 have been carried out in accordance with Regulation 6 of the Societies Regulations issued under the Societies Act and proper accounts and other records have been kept of the fund raising appeals.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAM HONG WELFARE SERVICE SOCIETY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Report on Other Legal and Regulatory Requirements (cont'd)

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

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

AG ASSURANCE PAC

AG ASSURANCE PAC
Public Accountants and
Chartered Accountants
Singapore

Date: 24 July 2023

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Note	Unrestricted fund S\$	Restricted funds S\$	Total 2022 S\$	Total 2021 S\$
INCOME					
<u>Voluntary income</u>					
Donations	4	762,030	230,023	992,053	986,241
Registration fees		97,179	-	97,179	74,259
Medical fees		-	45,412	45,412	25,463
		<u>859,209</u>	<u>275,435</u>	<u>1,134,644</u>	<u>1,085,963</u>
OTHER INCOME					
Grant income		250,000	-	250,000	400,000
Other income	5	57,218	-	57,218	96,191
		<u>307,218</u>	<u>-</u>	<u>307,218</u>	<u>496,191</u>
Total income		<u>1,166,427</u>	<u>275,435</u>	<u>1,441,862</u>	<u>1,582,154</u>
EXPENDITURE					
Audit fee		6,000	-	6,000	6,058
Bank charges		2,063	-	2,063	1,605
Bursary award		-	-	-	7,510
Courier and postage		-	-	-	195
Clinic supplies		-	9,594	9,594	7,440
Depreciation of property, plant and equipment	7	372,719	-	372,719	273,840
Elderly & other event expenses		16,808	53,464	70,272	32,203
Fundraising event expenses		1,146	-	1,146	40,314
Funeral services		-	12,880	12,880	9,960
Insurance		14,364	-	14,364	15,838
IT and computer expenses		4,219	-	4,219	23,061
License fee		180	-	180	154
Miscellaneous charges		6,350	-	6,350	3,843
Office supplies		17,236	-	17,236	11,719
Other expenses		592	-	592	2,583
Purchases of medicinal products		-	302,198	302,198	233,437
Rental of copier		5,764	-	5,764	3,106
Rental of medical Society		15,871	-	15,871	12,440
Staff costs	6	251,804	594,574	846,378	830,226
Staff welfare		794	-	794	4,298
Telecommunication charges		4,444	-	4,444	3,851
Transportation		1,210	-	1,210	1,044
Upkeep of office and medical centre		37,801	-	37,801	15,787
Utilities		17,750	-	17,750	11,888
Volunteer physicians		310	-	310	590
Total expenditure		<u>777,425</u>	<u>972,710</u>	<u>1,750,135</u>	<u>1,552,990</u>
Net surplus/(deficit), representing total comprehensive income for the financial year		389,002	(697,275)	(308,273)	29,164

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	<u>Note</u>	2022 S\$	2021 S\$
ASSETS			
Non-current asset			
Property, plant and equipment	7	<u>315,430</u>	<u>506,547</u>
Current assets			
Inventories	8	25,206	29,475
Trade and other receivables	9	280,985	274,045
Fixed deposits	10	2,014,000	2,043,436
Cash and bank balances	11	<u>1,859,004</u>	<u>1,951,277</u>
Total current assets		<u>4,179,195</u>	<u>4,298,233</u>
Total assets		<u>4,494,625</u>	<u>4,804,780</u>
LIABILITY AND FUND			
Current liability			
Accrued expenses		<u>171,601</u>	<u>173,483</u>
		<u>171,601</u>	<u>173,483</u>
Net current assets		<u>4,007,594</u>	<u>4,124,750</u>
FUNDS			
<u>Unrestricted fund</u>			
General fund	14	<u>4,116,691</u>	<u>4,428,548</u>
<u>Restricted fund</u>			
After Life fund	15	189,869	202,749
Caring Heart fund	16	16,464	-
		<u>206,333</u>	<u>202,749</u>
Total funds		<u>4,323,024</u>	<u>4,631,297</u>
Total liability and funds		<u>4,494,625</u>	<u>4,804,780</u>

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

NAM HONG WELFARE SERVICE SOCIETY
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**STATEMENT OF CHANGES IN FUND
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Unrestricted Fund General <u>Fund</u> S\$	Unrestricted Fund Medical <u>Fund</u> S\$ (Note 14)	← After Life <u>Fund</u> S\$ (Note 15)	Restricted Funds Elderly <u>Fund</u> S\$ (Note 16)	→ Caring Heart <u>Fund</u> S\$ (Note 17)	Total <u>Fund</u> S\$
Balance at 1 January 2021	4,434,850	-	167,283	-	-	4,602,133
Net surplus/ (deficit), representing total comprehensive income for the financial year	680,640	(629,593)	35,466	(57,349)	-	29,164
Interfund transfer	(686,942)	629,593	-	57,349	-	-
Balance at 31 December 2021	4,428,548	-	202,749	-	-	4,631,297
Net surplus/ (deficit), representing total comprehensive income for the financial year	389,002	(717,667)	(12,880)	-	33,272	(308,273)
Interfund transfer	(717,667)	717,667	-	-	-	-
Balance at 31 December 2022	4,009,883	-	189,869	-	33,272	4,323,024

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 S\$	2021 S\$
Operating activities:			
Net surplus for the financial year		(308,273)	29,164
<u>Adjustments for:</u>			
Interest income	5	(22,938)	(12,433)
Depreciation of property, plant & equipment	7	372,719	273,840
Operating surplus before working capital changes		41,508	290,571
<u>Changes in working capital:</u>			
Trade and other receivables		(6,940)	(242,944)
Inventories		4,269	(6,707)
Other payables		(1,882)	35,633
Cash generated from operations		36,955	76,553
Interest received		22,938	12,433
Net cash from operating activities		<u>59,893</u>	<u>88,986</u>
Investing activity:			
Purchases of property, plant and equipment	7	(181,604)	(120,536)
Net cash used in investing activity		<u>(181,604)</u>	<u>(120,536)</u>
Net increase in cash and cash equivalents		(121,709)	(31,550)
Cash and cash equivalents at beginning of the financial year		3,994,713	4,026,263
Cash and cash equivalents at end of the financial year	10 & 11	<u>3,873,004</u>	<u>3,994,713</u>

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

NAM HONG WELFARE SERVICE SOCIETY

Registered under the Societies Act (Chapter 311)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

1. GENERAL

Nam Hong Welfare Service Society (the “Society”) was registered under the Charities Act, Chapter 37 on 5 February 2009 and under the Societies Act (Chapter 311). The Society has been accorded an Institution of a Public Character (“IPC”) status for the period from 8 January 2022 to 7 January 2025.

The Society’s registered address is at 475 Yishun Ring Road, Singapore 768678 and principal place of activity of the Society is located at 111 Yishun Ring Road #01-375, Singapore 760111. The principal activities of the Society are to provide free medical consultation or subsidised medication to the lower income and needy patients.

The financial statements of the Society for the financial year ended 31 December 2022 were authorised for issue by the Management Committee on the date of Statement by the Management Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Society are presented in Singapore dollars (“\$”), which is the Society’s functional currency.

2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

2.3 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the Company has not adopted the following standards that have been issued but not yet effective:

Effective date (annual periods beginning on or after)		
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 103 (Amendments)	: Reference to the Conceptual Framework	1 January 2022

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

	Effective date (annual periods beginning on or after)
FRS 16 (Amendments) : Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
FRS 37 (Amendments) : Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Various : Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
FRS 117 : Insurance Contracts	1 January 2023
FRS 1 (Amendments) : Classification of Liabilities as Current or Non-current	1 January 2023
Various : Amendments to FRS 117	1 January 2023
FRS 1 and FRS Practice Statement 2 (Amendments) : Disclosure of Accounting Policies	1 January 2023
FRS 8 (Amendments) : Definition of Accounting Estimates	1 January 2023
FRS 12 and FRS 101 (Amendments) : Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
FRS 116 Leases (Amendments) : Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to FRS 1 : Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024

Consequential amendments were also made to various standards as a result of these new or revised standards.

Management anticipates that the adoption of the above FRS, if applicable, will not have a material impact on the financial statements of the Company in the period of their initial adoption.

NAM HONG WELFARE SERVICE SOCIETY

Registered under the Societies Act (Chapter 311)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Foreign currency transactions and balances

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

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

2.5 Property, plant and equipment

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

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

	<u>Useful lives</u>
Computers	3 years
Furniture & fittings	5 years
Office equipment	5 years
Renovation	3 years
Signboard	3 years

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

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

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 de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

2.7 Financial instruments

a) Financial assets

Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial instruments (cont'd)

Subsequent measurement

(a) *Investments in debt instruments*

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

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

De-recognition

A financial asset is de-recognised 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 de-recognised in other comprehensive income for debt instruments is de-recognised in profit or loss.

b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged, 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Impairment of financial assets

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

For trade receivables, the Society applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk and recognised ECLs in two stages, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

The Society considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Society may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Society. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.9 Cash and cash equivalents

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

2.10 Provisions

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

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

NAM HONG WELFARE SERVICE SOCIETY

Registered under the Societies Act (Chapter 311)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Funds

General Fund

This is a general-purpose fund to be used for non-specific purpose at the discretion of the management committee in furtherance of the Society's objects

Restricted Funds

Fund balances are restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purpose, if any, by action of the Management Committee. Externally restricted funds may only be utilized in accordance with the purposes for which they are established. The Management Committee retains full control over the use of unrestricted funds for any of the Society's purposes.

2.13 Revenue

Revenue is measured based on the consideration to which the Society 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 Society 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.

Donations

Donation are recognised when received, or upon commitment by donors at a point in time.

Registration fees

Registration fess are recognised when received at a point in time.

Interest income

Interest income is recognised using the effective interest method over a period of time.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Employee benefits

Defined contribution plans

The Society makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Society has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. All short-term benefits are recognised in profit or loss in the period in which the employees rendered their services to the Society.

2.15 Leases

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

As lessee

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

Right-of-use assets

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Leases (Cont'd)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

2.16 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Society; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured within sufficient reliability.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Society.

Contingent liabilities and assets are not recognised on the statement of financial position of the Society.

2.17 Related party transactions

A related party is defined as follows:

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

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

For the purpose of the financial statements, parties are considered to be related to the Society if the committee member or close member of the family of any individual management personnel provided service contracts to the Society.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

NAM HONG WELFARE SERVICE SOCIETY

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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 the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

4. DONATIONS

	Total funds	
	<u>2022</u>	<u>2021</u>
	S\$	S\$
Tax exempts donations	456,939	461,301
Non-tax exempt donations	535,114	524,940
	<u>992,053</u>	<u>986,241</u>

The details of the donations were as follows:

	<u>2022</u>	<u>2021</u>
	S\$	S\$
<u>Voluntary Income</u>		
Tax exempt	340,571	309,883
Non-tax exempt donations	386,422	347,393
<u>Virtual Walking Challenge Income</u>		
Tax exempt donations	-	151,418
Non-tax exempt donations	-	177,547
<u>Mid-Autumn Festival</u>		
Tax exempt donations	116,368	-
Non-tax exempt donations	148,692	-

The Society enjoys a concessionary tax treatment whereby qualifying donors are granted tax deduction for donations made to the Society. During the financial year, the Society has issued tax exempt receipts for donations collected amounting to S\$456,939 (2021: S\$461,301).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5. OTHER INCOME

	Total funds	
	2022	2021
	S\$	S\$
Government credit allowances	33,223	34,619
Job Support Scheme	-	47,877
Other income	1,057	1,262
Interest Income	22,938	12,433
	<u>57,218</u>	<u>96,191</u>

6. STAFF COSTS

	Total funds	
	2022	2021
	S\$	S\$
Wages, bonuses and salaries	743,838	731,593
Employer's contribution to CPF	95,666	93,332
Medical expenses	6,874	5,301
	<u>846,378</u>	<u>830,226</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022****7. PROPERTY, PLANT AND EQUIPMENT**

	WIP Renovation	Computer	Furniture and fittings	Office and clinic equipment	Renovation	<u>Total</u>
	S\$	S\$	S\$	S\$	S\$	S\$
Cost						
As at 1 January 2021	285,833	50,798	32,635	83,507	454,835	907,608
Additions	-	10,004	14,284	16,248	80,000	120,536
Reclassification	(285,833)	-	-	-	285,833	-
Written off	-	(19,452)	-	-	-	(19,452)
As at 31 December 2021	-	41,350	46,919	99,756	820,668	1,008,692
Additions	-	262	810	-	180,532	181,604
As at 31 December 2022	-	41,612	47,729	99,756	1,001,200	1,190,297
Accumulated depreciation						
As at 1 January 2021	-	37,196	17,444	41,506	151,611	247,757
Depreciation charge	-	10,921	6,851	23,160	232,908	273,840
Written off	-	(19,452)	-	-	-	(19,452)
As at 31 December 2021	-	28,665	24,295	64,666	384,519	502,145
Depreciation charge	-	12,705	22,630	23,708	313,677	372,719
As at 31 December 2022	-	41,374	46,925	88,374	698,194	874,867
Net Book Value						
As at 31 December 2021	-	12,685	22,623	35,090	436,149	506,547
As at 31 December 2022	-	238	804	11,382	303,006	315,430

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022****8. INVENTORIES**

	2022 S\$	2021 S\$
Closing stocks	<u>25,206</u>	<u>29,475</u>

The cost of inventories recognised as an expense and included in “Purchases of medicinal products” amounted to S\$302,198 (2021: S\$233,437).

9. TRADE AND OTHER RECEIVABLES

	2022 S\$	2021 S\$
Accrued income	250,000	250,000
Donations receivables	8,200	24,045
Deposits	7,063	-
Prepayment	15,722	-
	<u>280,985</u>	<u>274,045</u>

10. FIXED DEPOSITS

Fixed deposits are placed with financial institutions and bear interest at rates of 2.8% (2021: 0.5% to 1.50%) per annum and to be matured at 2 years (2021: 1 to 4 months) from the end of reporting period and is denominated in Singapore Dollar.

11. CASH AND BANK BALANCES

	2022 S\$	2021 S\$
Cash on hand	16,680	7,949
Cash at bank	1,842,324	1,943,328
	<u>1,859,004</u>	<u>1,951,277</u>

Cash and bank deposits are denominated in Singapore Dollar.

12. GENERAL FUND

The general fund is the Society’s operating fund, established for the general operation and administration of the Society.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022****13. MEDICAL FUND**

	<u>2022</u> S\$	<u>2021</u> S\$
Balance at beginning of the financial year	-	-
Transfer from Accumulated General Fund	717,667	629,593
Receipt	188,699	160,557
Expenditure	(906,366)	(790,150)
Deficit for the financial year	<u>(717,667)</u>	<u>(629,593)</u>
Balance at end of the financial year	<u>-</u>	<u>-</u>

The medical fund is included purchase of medical cost, manpower for physician, clinic assistant and clinic related expenditures.

14. AFTER LIFE FUND

	<u>2022</u> S\$	<u>2021</u> S\$
Balance at beginning of the financial year	202,749	167,283
Receipt	-	82,330
Expenditure	(12,880)	(46,864)
Deficit for the financial year	<u>189,869</u>	<u>35,466</u>
Balance at end of the financial year	<u>189,869</u>	<u>202,749</u>

The after life's expenditure is including the funeral related expenses to the registered beneficiaries.

15. ELDERLY FUND

	2022 S\$	2021 S\$
Balance at beginning of the financial year	(57,349)	-
Transfer from Accumulated General Fund	57,349	-
Receipt	-	-
Expenditure	-	(57,349)
Deficit for the financial year	<u>-</u>	<u>(57,349)</u>
Balance at end of the financial year	<u>-</u>	<u>(57,349)</u>

The elderly fund is for the purpose of assisting needy elderly, expenditures are included food ration and etc.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022****16. CARING HEART FUND**

	<u>2022</u> S\$	<u>2021</u> S\$
Balance at beginning of the financial year	-	-
Receipt	86,736	-
Expenditure	(53,464)	-
Deficit for the financial year	<u>33,272</u>	-
Balance at end of the financial year	<u>33,272</u>	-

The caring heart fund is for the purpose of assisting needy elderly, expenditures are included food ration, regular and occasional events organized for elderly and etc.

17. SIGNIFICANT RELATED PARTY TRANSACTIONS**(a) Related party transactions and balances**

The following transactions with related party took place at terms agreed between the related party during the financial year:

	<u>2022</u> S\$	<u>2021</u> S\$
Donation made from a related party	<u>74,437</u>	-

(b) Compensation of key management personnel

	<u>2022</u> S\$	<u>2021</u> S\$
Salaries and bonuses	70,431	67,500
Employer's contribution to CPF	8,060	4,778
	<u>78,491</u>	<u>72,278</u>
No of executive of the Society in remuneration bands: Below S100,000	<u>1</u>	<u>1</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

18. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements:

	2022 S\$	2021 S\$
Renovation in progress	<u>-</u>	<u>205,833</u>

19. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities not measured at fair value

Cash and cash equivalents, other receivables and other payables

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

Trade receivables and trade payables

The carrying amounts of these receivables and payables (including trade balance due to related company) and approximate their fair values as they are subject to normal trade credit terms.

Borrowings

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

20. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks from its operations. The key financial risks include credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk).

The directors review and agree policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

To minimise credit risk, the Company has developed and maintained the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022****21. FINANCIAL RISK MANAGEMENT (CONT'D)****(a) Credit risk (cont'd)**

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Company's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit-Impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022****22. FINANCIAL RISK MANAGEMENT (CONT'D)****(a) Credit risk (cont'd)**

The table below details the credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount S\$	ECL Rate	Loss allowance S\$	Net carrying amount S\$
31 December 2022							
Trade receivables	10	Note 1	12-month ECL	250,000	-	-	250,000
Other receivables	10	I	12-month ECL	7,063	-	-	7,063
31 December 2021							
Trade receivables	10	Note 1	12-month ECL	274,045	-	-	274,045
Other receivables	10	I	12-month ECL	-	-	-	-

Trade receivables (Note 1)

The Company uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on similar credit risk characteristics and days past due. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers under each business.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in payment plan with the Company. The Company generally considers a financial asset to be in default if the counterparty fails to make contractual payments within 60 days when the amounts fall due and management writes off the financial asset when the Company assesses that the debtor fails to make contractual payments. When receivables are written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. When recoveries are made, they are recognised in the statement of comprehensive income.

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**NOTES TO THE FINANCIAL STATEMENTS
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23. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

Exposure to credit risk

The Company has no significant concentration of credit risk of trade receivables. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

Other receivables

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

(b) Liquidity risk

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022****23. FINANCIAL RISK MANAGEMENT (CONT'D)****(b) Liquidity risk (Continued)**Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying amount S\$	Contractual cash flows S\$	2022 One year or less S\$
<u>Financial assets</u>			
Trade and other receivables	257,063	257,063	257,063
Cash and cash equivalents	1,867,204	1,867,204	1,867,204
Total undiscounted financial assets	<u>2,124,267</u>	<u>2,124,267</u>	<u>2,124,267</u>
<u>Financial liabilities</u>			
Trade and other payables	171,601	171,601	171,601
Total undiscounted financial liabilities	<u>171,601</u>	<u>171,601</u>	<u>171,601</u>
Total net undiscounted financial assets / (liabilities)	<u>1,952,666</u>	<u>1,952,666</u>	<u>1,952,666</u>
	Carrying amount S\$	Contractual cash flows S\$	2021 One year or less S\$
<u>Financial assets</u>			
Trade and other receivables	274,045	274,045	274,045
Cash and cash equivalents	1,951,277	1,951,277	1,951,277
Total undiscounted financial assets	<u>2,225,322</u>	<u>2,225,322</u>	<u>2,225,322</u>
<u>Financial liabilities</u>			
Trade and other payables	173,483	173,483	173,483
Total undiscounted financial liabilities	<u>173,483</u>	<u>173,483</u>	<u>173,483</u>
Total net undiscounted financial assets / (liabilities)	<u>2,051,839</u>	<u>2,051,839</u>	<u>2,051,839</u>

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their cash and cash equivalents, bank borrowings and finance lease liabilities.

The Company does not present a sensitivity analysis for financial assets at floating rate as the management does not expect any material impact on profit/loss before tax and equity arising from changes in interest rate.

(ii) Foreign currency risk

The Company's operational activities are carried out in Singapore dollars, which is the functional currency. All transactions are paid mainly in local currency. Exposure to any risk arising from movements in foreign currencies exchange rates is minimal.

24. FINANCIAL INSTRUMENTS BY CATEGORY

At the reporting date, the aggregate carrying amounts of financial assets and financial liabilities at amortised cost were as follows:

	2022	2021
	S\$	S\$
Financial assets measured at amortised cost		
Trade and other receivables	257,063	274,045
Cash and cash equivalents	1,867,204	1,951,277
Total financial assets measured at amortised cost	<u>2,124,267</u>	<u>2,225,322</u>
Financial liabilities measured at amortised cost		
Trade and other payables	171,601	173,483
Total financial liabilities measured at amortised cost	<u>171,601</u>	<u>173,483</u>

NAM HONG WELFARE SERVICE SOCIETY

Registered under the Societies Act (Chapter 311)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

25. FUNDS MANAGEMENT

The primary objective of the Society's funds management is to ensure that the funding from members and other sources are properly managed and used to support its operations.

The Society manages its funds structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2022 and 2021 respectively.

The Society is not subjected to externally imposed capital requirements.

26. FUND MANAGEMENT AND RESERVE POLICY

The Society's objectives when managing its funds are to safeguard and maintain adequate working capital to continue as a going concern and to develop its principal activities over the longer term from donations. The Society's fund comprise its unrestricted and restricted funds.

The Society's reserve position for the financial year ended 31 December 2022 is as follows :

	<u>2022</u>	<u>2021</u>
	S\$	S\$
A Unrestricted funds	4,116,691	4,428,548
B Restricted Funds	206,333	202,749
C Total Funds	4,323,024	4,631,297
D Total Annual Operating Expenditure	1,750,135	1,552,990
E Ratio of Funds to Annual Operating Expenditure	2.47	2.98

27. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements of the Society for the financial year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Management Committee dated 24th July 2023.