

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**  
**(Incorporated in the Republic of Singapore)**

**AUDITED FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**DIRECTORS' STATEMENT**

The directors present their statement to the members together with the audited financial statements of Morning Star Community Services Ltd. (the Company) for the year ended 31 December 2018.

**1. OPINION OF THE DIRECTORS**

In our opinion:-

- i) the accompanying financial statements together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and the financial activities, changes in general and specific funds and cash flows of the Company for the financial year ended on that date; and
- ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**2. DIRECTORS**

The directors in office at the date of this statement are:-

LIM CHRISTINA  
YEO KIEN SWEE  
POON KIN MUN KELVIN (PAN JIANWEN KELVIN)  
TAY BONG HUA JEREMY  
TAN WEE HAN GERALD  
MICHAEL KOH AH SAN  
PAVRI CECILY

**3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

The Company is a Company limited by guarantee and has no share capital.

**4. DIRECTORS' INTERESTS IN SHARES OF DEBENTURES**

The Company is a Company limited by guarantee.

There were no shares or debentures issued.

**5. OPTIONS GRANTED, EXERCISED AND OUTSTANDING**

There are no options granted, exercised and outstanding to take up unissued shares as the Company is limited by guarantee.

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**DIRECTORS' STATEMENT**

**6. AUDITOR**

The auditor, Kreston David Yeung PAC, has expressed its willingness to accept re-appointment.

On behalf of the Board,



**POON BIN MUN KELVIN**  
**(PAN JIANWEN KELVIN)**  
**Director**

Singapore, **11 APR 2019**



**TAN WEE HAN GERALD**

**Director**



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNING STAR COMMUNITY SERVICES LTD. (UEN: 201617675H)**

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

#### *Opinion*

We have audited the financial statements of Morning Star Community Services Ltd. (the Company), which comprise the statement of financial position of the Company as at 31 December 2018, and the statement of financial activities, statement of changes in general and specific funds and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Companies Act), the Charities Act, Chapter 37 and other relevant regulations (the Charities Act and Regulations) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, changes in general and specific funds and cash flows of the Company for the year ended on that date.

#### *Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (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 Directors' Statement [set out on pages 1 and 2] and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNING STAR COMMUNITY SERVICES LTD. (UEN: 201617675H)**

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

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

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

Those charged with governance comprises the directors. Their responsibilities include overseeing the Company's financial reporting process.

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

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

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MORNING STAR COMMUNITY SERVICES LTD. (UEN: 201617675H)**

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, and the Charities Act and Regulations.

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

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

**KRESTON DAVID YEUNG PAC**  
**Public Accountants and**  
**Chartered Accountants**

Singapore, 11 April 2019

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2018**

	Note	2018 S\$	2017 S\$
<b>ASSETS</b>			
<b>Non-current asset</b>			
Plant and equipment	3	276,397	19,425
<b>Current assets</b>			
Account receivables	4	100,751	36,565
Other receivables	5	37,058	27,684
Deposits and prepayments	6	62,943	14,345
Fixed deposits	7	4,231,956	3,895,000
Cash and bank balances		303,058	904,802
<b>Total current assets</b>		<b>4,735,766</b>	<b>4,878,396</b>
<b>Total assets</b>		<b>5,012,163</b>	<b>4,897,821</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
<b>Restricted funds</b>			
Care and Share fund	8	-	-
CareNights fund	9	145,999	137,757
Hardship fund	10	28,076	29,254
CDC grant	11	-	-
Nova project fund	12	83,401	116,713
President's Challenge	13	76,298	62,594
Training and development fund	14	11,675	11,675
Deferred capital grant	15	198,044	250,000
<b>Total restricted funds</b>		<b>543,493</b>	<b>607,993</b>
<b>Unrestricted fund</b>			
Caritas fund	16	61,833	61,833
Accumulated fund		3,895,378	3,863,724
<b>Total funds</b>		<b>4,500,704</b>	<b>4,533,550</b>
<b>Non-current liabilities</b>			
Finance lease payable	17	-	3,079
<b>Current liabilities</b>			
Account payables		49,105	64,894
Deferred services fee		26,873	-
Finance lease payable	17	3,079	4,105
Other payables and accruals	18	432,402	292,193
<b>Total current liabilities</b>		<b>511,459</b>	<b>361,192</b>
<b>Total liabilities</b>		<b>511,459</b>	<b>364,271</b>
<b>Total funds and liabilities</b>		<b>5,012,163</b>	<b>4,897,821</b>

The notes set out on pages 10 to 33 form an integral part of and should be read in conjunction with this set of financial statements.

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**STATEMENT OF FINANCIAL ACTIVITIES**  
**For the financial year ended 31 December 2018**

	Note	2018 S\$	2017 S\$
<b>Incoming resources</b>			
Income from generated funds:			
Voluntary income			
Donations in cash	19	30,170	3,639
Other income	19	29,047	12,078
Grant received	19	742,000	680,307
Activities for generating funds			
Student care services		1,271,151	1,160,744
Investment income			
Interest income	19	57,095	13,087
		<u>2,129,463</u>	<u>1,869,855</u>
Income from charitable activities:			
Family wellness programme		593,969	190,797
NOVA learning support		119,628	283,576
		<u>713,597</u>	<u>474,373</u>
<b>Total income</b>		<u>2,843,060</u>	<u>2,344,228</u>
<b>Resources expended</b>			
Cost of generating funds:			
Student care services		1,543,939	1,304,648
Resources expended on charitable activities:			
CareNights programme		204,667	154,128
Family wellness programme		642,363	380,152
NOVA learning support		255,386	350,759
		<u>1,102,416</u>	<u>885,039</u>
Governance costs		165,051	81,154
<b>Total expenditure</b>		<u>2,811,406</u>	<u>2,270,841</u>
<b>Net (deficit)/surplus in unrestricted funds</b>		31,654	73,387
<b>Net surplus in caritas fund</b>		-	61,833
<b>Net (deficit)/surplus in restricted funds</b>			
Care and share fund	8	-	(43,060)
CareNights fund	9	8,242	93,540
Hardship fund	10	(1,178)	933
CDC grant	11	-	-
NOVA project fund	12	(33,312)	8,347
President's Challenge	13	13,704	62,594
Training and development fund	14	-	-
Deferred capital grant	15	(51,956)	10,844
		<u>(64,500)</u>	<u>133,198</u>
<b>Total (deficit)/surplus for the year</b>	20	<u>(32,846)</u>	<u>268,418</u>

The notes set out on pages 10 to 33 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES LTD.  
(UEN: 201617675H)

STATEMENT OF CHANGES IN GENERAL AND SPECIFIC FUNDS

For the financial year ended 31 December 2018

	←-----General fund-----→		-----Restricted fund-----						Total Funds S\$
	Accumulated Fund S\$	Caritas Fund S\$	Care and Share Fund S\$	CareNights Fund S\$	Hardship Fund S\$	Nova Project Fund S\$	President's Challenge Fund S\$	Training and Development Fund S\$	
Balance as at 01.01.2017	-	-	-	-	-	-	-	-	-
Transfer of funds from Morning Star Community Services as at 01.02.2017	3,790,337	-	43,060	44,217	28,321	108,366	-	11,675	239,156
Net surplus/(deficit) for the year	73,387	61,833	(43,060)	93,540	933	8,347	62,594	-	10,844
Balance as at 31.12.2017/01.01.2018	3,863,724	61,833	-	137,757	29,254	116,713	62,594	11,675	250,000
Net surplus/(deficit) for the year	31,654	-	-	8,242	(1,178)	(33,312)	13,704	-	(51,956)
Balance as at 31.12.2018	3,895,378	61,833	-	145,999	28,076	83,401	76,298	11,675	198,044

The notes set out on pages 10 to 33 form an integral part of and should be read in conjunction with this set of financial statements.

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**STATEMENT OF CASH FLOWS**  
**For the financial year ended 31 December 2018**

	2018	2017
	S\$	S\$
<b>Cash flows from operating activities</b>		
Net (deficit)/surplus for the year	(32,846)	268,418
Adjustments for: -		
Bad debts written off	4,998	-
Depreciation of plant and equipment	50,701	63,300
Interest income	(57,095)	(13,087)
Finance lease interest	633	580
	<u>(33,609)</u>	<u>319,211</u>
<b>Operating surplus before working capital changes</b>	<b>(33,609)</b>	<b>319,211</b>
<b>Changes in working capital: -</b>		
(Increase)/Decrease in account and other receivables	(116,101)	504,794
Increase in account and other payables	151,293	124,597
	<u>(116,101)</u>	<u>504,794</u>
<b>Net cash generated from operating activities</b>	<b>1,583</b>	<b>948,602</b>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(307,673)	(6,497)
Interest received	46,040	40,034
Increase in fixed deposits	(236,645)	(3,895,000)
Net cash inflows from transfer of business (Note 28)	-	3,822,005
	<u>(498,278)</u>	<u>(39,458)</u>
<b>Net cash used in investing activities</b>	<b>(498,278)</b>	<b>(39,458)</b>
<b>Cash flows from financing activity</b>		
Repayment of finance lease	(4,738)	(4,342)
	<u>(4,738)</u>	<u>(4,342)</u>
<b>Net cash used in financing activity</b>	<b>(4,738)</b>	<b>(4,342)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(501,433)</b>	<b>904,802</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>904,802</b>	<b>-</b>
	<u>904,802</u>	<u>-</u>
<b>Cash and cash equivalents at the end of year</b>	<b>403,369</b>	<b>904,802</b>
	<u>403,369</u>	<u>904,802</u>
<b>Cash and cash equivalents comprise:-</b>		
Cash in hand	2,208	1,875
Cash at bank	300,850	902,927
Short-term deposits within 3 months (Note 7)	100,311	-
	<u>403,369</u>	<u>904,802</u>

The notes set out on pages 10 to 33 form an integral part of and should be read in conjunction with this set of financial statements.

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**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**

The Company is incorporated as a private company limited by guarantee under the Companies Act, Chapter 50 and domiciled in the Republic of Singapore.

The Company has been registered as a charity under the Charities Act, Chapter 37 with effect from 31 August 2016.

The principal activities of the Company are to provide student care services as well as activities to improve and strengthen family life in Singapore. It had been granted IPC status since 1 October 2016 and renewed for the period from 1 October 2018 to 30 June 2020.

The registered office of the Company is located at No. 25 Lorong 33 Geylang, #04-01 Pu Tian Building, Singapore 387985.

Under the Company, there are 9 locations (2017: 6) performing student care services, namely:-

- a. Hougang Centre located at 4 Lorong Low Koon, Singapore 536450;
- b. Primavera Centre located at Blk 95 Bedok North Ave 4, #01-1415, Singapore 460095;
- c. Bedok North Centre located at Blk 508 Bedok North Ave 3, #01-369, Singapore 460508;
- d. Sengkang Centre located at Blk 261B Sengkang East Way, #01-400, Singapore 542261;
- e. Saint Anthony's Canossian Primary School Centre located at 1602 Bedok North Ave 4, Singapore 469701;
- f. Saint Gabriel's Primary School Centre located at 220 Lorong Chuan, Singapore 556742;
- g. Saint Joseph's Institution Junior Centre located at 3 Essex Road, Singapore 309331;
- h. Opera Estate Primary School Centre located at 48 Fidelio Street, Singapore 458436; and
- i. Training Centre located at Blk 323B Sengkang East Way, #01-553, Singapore 542323.

Each member of the Company has undertaken to contribute such amounts not exceeding S\$1 to the assets of the Company in the event the Company is wound up and the monies are required for payment of the liabilities of the Company. The Company has 6 members at the end of the reporting period.

The financial statements of the Company for the year ended 31 December 2018 are authorised for issue in accordance with a resolution of the directors on 11 April 2019.

The financial statements of the Company are expressed in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Preparation**

The financial statements of Company have been prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the Singapore Financial Reporting Standards (“FRS”).

In the current financial year, Company has adopted all the new and revised FRS and Interpretations of FRS (“INT FRS”) that are relevant to its operations and effective for annual period beginning on or after 1 January 2018. The adoptions of these new/revised FRSs and INT FRSs have no material effect on the financial statements.

b) **Significant Accounting Estimates and Judgements**

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

*Critical assumptions used and accounting estimates in applying accounting policies*

Depreciation of plant and equipment

Plant and equipment are depreciated on straight-line basis over their estimated useful lives. Management estimated the useful lives of these plant and equipment to be within 1 to 5 years. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values, if any, of these assets, therefore future depreciation charges could be revised.

*Critical judgements made in applying accounting policies*

In the process of applying Company’s accounting policies, the management had made the following judgement that have the most significant effect on the amounts recognised in the financial statements.

Impairment of plant and equipment

The management assesses annually whether plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Significant Accounting Estimates and Judgements (Continued)**

Useful lives of plant and equipment

As described in Note 2(c) to the financial statements, the Company reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. The estimated useful lives reflect the management's estimation of the periods that the Company intends to derive future economic benefits from the use of the plant and equipment.

The carrying amount of plant and equipment at the end of reporting period are disclosed in Note 3 to the financial statements.

Allowance for expected credit losses

The Company uses provision matrix to calculate the expected credit losses (ECLs) for financial assets. The amount of ECLs are estimated based on historical credit loss experience with forward-looking information. At the end of each reporting period, historical loss information is updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

**c) Plant and Equipment**

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

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line method so as to write off the costs over the estimated useful lives of the plant and equipment as follows: -

Furniture and fittings	1 to 2 years
Office equipment	1 to 5 years
Renovation	1 to 5 years

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) **Financial Instruments**

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

i) **Financial Assets**

*Initial recognition and measurement*

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, transaction costs that are directly attributable to the acquisition of the financial asset.

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

*Subsequent measurement*

Subsequent measurement of debt instrument depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. The Company only has debt instruments at amortised cost.

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 or losses are recognised in statement of financial activities when the assets are derecognised or impaired, and through amortisation process

*Derecognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in statement of financial activities.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments (Continued)

ii) Financial Liabilities

*Initial recognition and measurement*

Financial liabilities are recognised on the statement of financial position 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 and directly attributable transaction costs.

*Subsequent measurement*

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in statement of financial activities when the liabilities are derecognised, and through the amortisation process.

*Derecognition*

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

These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

i) Financial Assets

*Initial recognition and measurement*

Financial assets are recognised on the statement of financial position 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d) Financial Instruments (Continued)**

**i) Financial Assets (Continued)**

*Subsequent measurement*

Loans and receivables

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

*Derecognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in statement of financial activities.

*Regular way purchase or sale of a financial asset*

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

**ii) Financial Liabilities**

*Initial recognition and measurement*

Financial liabilities are recognised on the statement of financial position 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, directly attributable transaction costs.

*Subsequent measurement*

*Financial liabilities at amortised cost*

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in statement of financial activities when the liabilities are derecognised, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments (Continued)

ii) Financial Liabilities (Continued)

*De-recognition*

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

iii) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settled the liabilities simultaneously.

e) Impairment of Financial Assets

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through statement of financial activities and financial guarantee contracts. 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 of other credit enhancement that are integral to the contractual term.

Financial assets carried at amortised cost

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Impairment of Financial Assets (Continued)**

Financial assets carried at amortised cost (Continued)

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. 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.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

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

Financial assets carried at amortised cost

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

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

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Impairment of Financial Assets (Continued)**

Financial assets carried at amortised cost (Continued)

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

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the Company 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 period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in statement of financial activities.

**f) Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash in hand, cash at bank and short-term (mature within 3 months) fixed deposits which form part of the company's cash management that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

**g) Impairment of Non-Financial Assets**

The Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when 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 to sell 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognised in the statement of financial activities in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognised in revaluation reserve up to the amount of any previous revaluation.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Impairment of Non-Financial Assets (Continued)**

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash generating unit's recoverable amount. 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 asset is increased to its recoverable amount. That increased amount 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 the statement of financial activities unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**h) Income 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.

Donations are recognised when monies are received or pledged and collection is reasonably certain.

Services income is recognised when services are rendered.

Interest income is recognised using the effective interest method.

Deferred services fee represent unearned service income for future period.

**i) Government Grants**

Grants for the purchase of depreciable assets are taken to the deferred grant account at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The deferred grant is recognised in the statement of financial activities over the period necessary to match the depreciation of the assets purchased with the related grant. Grants for operating expenses are recognised in the statement of financial activities over the period necessary to match them on a systematic basis to the costs that it was intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) **Key Management Personnel**

Key management personnel of the Company are those having authority and responsibility for planning, directing and controlling the activities of the company. The directors are considered as key management personnel.

k) **Employee Benefits**

Defined Contribution Plans

As required by law, the Company makes contributions to the state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Employee Leave Entitlement

Employee entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

l) **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 a reliable estimate can be made of the amount of the obligation.

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

m) **Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of financial activities on a straight-line basis over the lease term. Contingent rents are charged to statement of financial activities when incurred.

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n) Contingencies**

A contingent liability is:-

A possible obligation 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 Company; or

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 with sufficient reliability.

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 Company.

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

**o) Foreign Currencies**

*Functional and Presentation Currencies*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements of the Company are presented in Singapore dollar, which is the functional currency of the Company.

*Transaction and balances*

Monetary assets and liabilities in foreign currencies are translated into Singapore dollar at rates of exchange closely approximating those ruling at end of reporting period. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are taken to the statement of financial activities.

**p) Funds**

Unrestricted funds are available for use at the discretion of the management in furtherance of the general objectives of the Company.

Restricted funds are subject to restrictions on their expenditure imposed by the donor or through the terms of the fund raised.

Income and expenditure relating to specific or designated funds are accounted for directly in the fund accounts to which they related.

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**3. PLANT AND EQUIPMENT**

	Furniture and Fittings S\$	Office Equipment S\$	Renovation S\$	Total S\$
<b>Cost</b>				
As at 01.01.2017	-	-	-	-
Transfer from Morning Star Community Services (Note 28) as at 01.02.2017	169,060	184,820	494,879	848,759
Additions	-	6,497	-	6,497
As at 31.12.2017/01.01.2018	169,060	191,317	494,879	855,256
Additions	14,922	30,523	262,228	307,673
Written off	(19,439)	(6,174)	(8,635)	(34,248)
As at 31.12.2018	164,543	215,666	748,472	1,128,681
<b>Accumulated Depreciation</b>				
As at 01.01.2017	-	-	-	-
Transfer from Morning Star Community Services (Note 28) as at 01.02.2017	168,453	176,002	428,076	772,531
Charge for the year	607	11,604	51,089	63,300
As at 31.12.2017/01.01.2018	169,060	187,606	479,165	835,831
Charge for the year	5,332	15,007	30,362	50,701
Written off	(19,439)	(6,174)	(8,635)	(34,248)
As at 31.12.2018	154,953	196,439	500,892	852,284
<b>Net book value</b>				
As at 31.12.2018	9,590	19,227	247,580	276,397
As at 31.12.2017	-	3,711	15,714	19,425

Net depreciation charged to statement of financial activities is:-

	2018 S\$	2017 S\$
Depreciation for the year	50,701	63,300
Amortisation of deferred capital grants (Note 15)	(32,486)	(4,156)
Net depreciation of plant and equipment	18,215	59,144

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**4. ACCOUNT RECEIVABLES**

Trade receivables are non-interest bearing and are generally on 7 to 30 days credit terms. Trade receivables (exclude over payments) which are past due at the end of reporting period but not impaired amounted to S\$1,240 (2017: S\$16,129). The table below is an aging analysis of account receivables at the end of the period:-

	2018	2017
	S\$	S\$
Not past due	121,280	24,141
Past due:-		
1 - 30 days	1,240	7,841
31 - 60 days	(15,665)	(3,705)
61 - 90 days	(2,552)	2,761
> 90 days	(3,552)	5,527
	<u>100,751</u>	<u>36,565</u>

**5. OTHER RECEIVABLES**

Subsidies receivable	8,946	15,064
Other receivables	4,058	(379)
Interest receivable	24,054	12,999
	<u>37,058</u>	<u>27,684</u>

**6. DEPOSITS AND PREPAYMENTS**

Deposits	49,874	7,228
Prepayments	13,069	7,117
	<u>62,943</u>	<u>14,345</u>

**7. FIXED DEPOSITS**

Short-term deposits are made for varying periods of between one month and twelve months, depending on the immediate cash requirements of the management, and earn interests range from 1.1% to 1.82% (2017: 1.1% to 1.3%) per annum.

	2018	2017
	S\$	S\$
Short-term deposits within 3 months	100,311	-
Short-term deposits greater than 3 months	4,131,645	3,895,000
	<u>4,231,956</u>	<u>3,895,000</u>

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**8. CARE AND SHARE FUND**

The Care and Share Fund is a matching grant provided by the Government to match dollar-for-dollar eligible donation raised by the Company. This is to provide additional resources for the Company to enhance its organisational infrastructure, technological and manpower development as well as to fund new programmes and expansion of existing services so as to better serve the community. Government had extended the support for the care and share movement till 31 March 2016.

	2018	2017
	S\$	S\$
Balance at beginning of year	-	-
Transfer from Morning Star Community Services (Note 28)	-	43,060
Add: Grant received	7,427	-
Less: Expenditure	<u>(7,427)</u>	<u>(43,060)</u>
Balance at end of year	<u>-</u>	<u>-</u>

**9. CARENIGHTS FUND**

This fund is set up for the purpose of financing CareNights programme, which provides night care for less privileged children aged 7 – 14 to offer their stressed parents an opportunity for caregiving respite or a chance to improve their earning capacity by taking night classes/upgrading courses.

	2018	2017
	S\$	S\$
Balance at beginning of year	137,757	-
Transfer from Morning Star Community Services (Note28)	-	44,217
Add: Donation received from public	37,387	1,845
Add: Grant received	<u>102,757</u>	<u>153,312</u>
	277,901	199,374
Less: Expenditure	<u>(131,902)</u>	<u>(61,617)</u>
Balance at end of year	<u>145,999</u>	<u>137,757</u>

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**10. HARDSHIP FUND**

The fund is set up for the purpose of providing financial assistance to families whose children are attending the Company's student care centres and fee subsidy for family enhancement programmes.

	2018 S\$	2017 S\$
Balance at beginning of year	29,254	-
Transfer from Morning Star Community Services (Note 28)	-	28,321
Add: Donation received from public	150	1,200
	<u>29,404</u>	<u>29,521</u>
Less: Expenditure	(1,328)	(267)
Balance at end of year	<u>28,076</u>	<u>29,254</u>

**11. CDC GRANT**

This fund is set up for the purpose of increasing art access for beneficiaries within the social service sector.

	2018 S\$	2017 S\$
Balance at beginning of year	-	-
Add: Grant received	10,400	43,240
	<u>10,400</u>	<u>43,240</u>
Less: Expenditure	(10,400)	(43,240)
Balance at end of year	<u>-</u>	<u>-</u>

**12. NOVA PROJECT FUND**

The fund, mainly comprises grants received from Tote Board, is set up for the purpose of financing NOVA Learning Intervention – the learning support programme for children with learning difficulties.

	2018 S\$	2017 S\$
Balance at beginning of year	116,713	-
Transfer from Morning Star Community Services (Note 28)	-	108,366
Add: Grant received	135,769	120,174
Add: Donations	47,328	8,347
	<u>299,810</u>	<u>236,887</u>
Less: Expenditure	(216,409)	(120,174)
Balance at end of year	<u>83,401</u>	<u>116,713</u>

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**13. PRESIDENT’S CHALLENGE**

This fund is set up for financing its CareNights @ Morningstar Programme and Manpower cost of one case manager and one education psychologist (2017: NOVA Learning Intervention Programme and “manpower costs of hiring 1 Communications and Development manager, 1 corporate service manager and 1 accounts executive”). This programme aims to develop learning skills of the children in meeting the requirements of schools, studies and curriculum.

	2018	2017
	S\$	S\$
Balance at beginning of year	62,594	-
Add: Grant received	<u>130,000</u>	<u>230,000</u>
	192,594	230,000
Less: Expenditure	<u>(116,296)</u>	<u>(167,406)</u>
Balance at end of year	<u>76,298</u>	<u>62,594</u>

**14. TRAINING AND DEVELOPMENT FUND**

The fund is set up for the purpose of financing the sponsorship of approved courses for staff.

	2018	2017
	S\$	S\$
Balance at beginning of year	11,675	-
Transfer from Morning Star Community Services (Note 28)	<u>-</u>	<u>11,675</u>
Balance at end of year	<u>11,675</u>	<u>11,675</u>

**15. DEFERRED CAPITAL GRANTS**

The grants were given to fund the purchase of property, plant and equipment subject to the terms and conditions as prescribed in the agreements. Deferred grants are recognised as income in the manner as per Note 2(i).

	2018	2017
	S\$	S\$
Balance at beginning of the year	250,000	-
Transfer from Morning Star Community Services (Note 28)	-	239,156
Add: Start-up grant received	-	15,000
Less: Amortisation	<u>(51,956)</u>	<u>(4,156)</u>
Balance at end of the year	<u>198,044</u>	<u>250,000</u>

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**16. CARITAS FUND**

The fund is set up for the purpose of funding the programmes of the Company. The fund can be used for expenditure on manpower and other operating expenditure for purpose of these programmes.

	2018 S\$	2017 S\$
Balance at beginning of year	61,833	-
Add: Grant received	<u>742,000</u>	<u>742,000</u>
	803,833	742,000
Less: Expenditure	<u>(742,000)</u>	<u>(680,167)</u>
Balance at end of year	<u>61,833</u>	<u>61,833</u>

**17. FINANCE LEASE PAYABLES**

	2018		2017	
	Minimum	Present	Minimum	Present
	Payments	Value of	Payments	Value of
	S\$	S\$	S\$	S\$
Within one year	3,554	3,079	4,738	4,105
After one year but not more than five years	<u>-</u>	<u>-</u>	<u>3,554</u>	<u>3,079</u>
Total minimum lease payments	3,554	3,079	8,292	7,184
Less: Amount representing finance charge	<u>(475)</u>	<u>-</u>	<u>(1,108)</u>	<u>-</u>
Present value of minimum lease payments	<u>3,079</u>	<u>3,079</u>	<u>7,184</u>	<u>7,184</u>

The effective finance lease interest is 3.08% per annum.

**18. OTHER PAYABLES AND ACCRUALS**

	2018 S\$	2017 S\$
Other payables	409,812	284,953
Accruals	<u>22,590</u>	<u>7,240</u>
	<u>432,402</u>	<u>292,193</u>
Other payables consist of:-		
Refundable deposits	<u>126,625</u>	<u>99,643</u>

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**19. INCOMING RESOURCES**

	2018	2017
	S\$	S\$
Voluntary income comprises:-		
Donations in cash		
- Tax-deductible donations	24,125	36
- Non-tax deductible donations	6,045	3,603
	<u>30,170</u>	<u>3,639</u>
Other income		
Wage credit scheme	10,622	-
CPF - Child care leave	2,025	-
ETS - Training grant	4,459	-
- Temporary employment credit	4,185	4,177
- Special employment credit	7,756	3,471
- Miscellaneous income	-	4,430
	<u>29,047</u>	<u>12,078</u>
Grant received		
- Caritas grant (Note 16)	742,000	680,167
- VCF Professional Capability Grant	-	140
	<u>742,000</u>	<u>680,307</u>
Interest income comprises:-		
Fixed deposit interest	57,095	12,999
Interest income	-	88
	<u>57,095</u>	<u>13,087</u>

**20. NET (DEFICIT)/SURPLUS**

Net surplus for the year is arrived at after charging:-		
Bad debts written off	4,998	-
Depreciation of plant and equipment	50,701	63,300
GST input tax disallowed	13,104	27,995
Finance lease interest	633	580
Rental	133,269	80,733
Staff costs consist of:-		
- CPF contribution	287,049	212,437
- Staff salaries and other costs	2,148,941	1,632,879

**21. TAXATION**

The Company has been registered as a charity under the Charities Act and is exempted from income tax for the financial year under the provisions of the Income Tax Act Cap. 134.

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**22. ANNUAL REMUNERATION AND STAFF COSTS**

- i) The below disclosure represents remuneration bands for staff with annual remuneration above S\$50,000:-

	<u>No. of staff</u>	
	2018	2017
Between S\$50,000 and S\$150,000	<u>8</u>	<u>7</u>

None of the directors received any emoluments in respect of their services for both of the financial years.

- ii) Staff costs are charged and included in:-

	2018	2017
	S\$	S\$
<u>Unrestricted - Accumulated fund</u>		
Salaries and related costs	1,617,614	1,380,661
Employer's contribution to CPF	281,855	197,047
Other short-term benefits	<u>113,189</u>	<u>44,847</u>
	<u>2,012,658</u>	<u>1,622,555</u>
<u>Restricted - President's challenge</u>		
Salaries and related costs	99,924	127,808
Employer's contribution to CPF	-	5,199
Other short-term benefits	<u>-</u>	<u>418</u>
	<u>99,924</u>	<u>133,425</u>
<u>Restricted - NOVA project fund</u>		
Salaries and related cost	<u>216,409</u>	<u>20,202</u>
<u>Restricted - Care and share fund</u>		
Salaries and related costs	7,427	34,522
Employer's contribution to CPF	-	5,926
Other short-term benefits	<u>-</u>	<u>320</u>
	<u>7,427</u>	<u>40,768</u>
<u>Restricted - CareNights fund</u>		
Salaries and related cost	94,280	24,101
Employer's contribution to CPF	5,194	4,265
Other short term benefits	<u>98</u>	<u>-</u>
	<u>99,572</u>	<u>28,366</u>
Total staff costs	<u>2,435,990</u>	<u>1,845,316</u>

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**23. OPERATING LEASE COMMITMENT**

The company leases office premises under non-cancellable operating lease agreement. Future minimum rentals under non-cancellable lease are as follows:-

	2018	2017
	S\$	S\$
Amounts payable: -		
- Within one year	96,000	-
- Between 2 - 5 years	336,000	-
	<u>432,000</u>	<u>-</u>

During the financial year, total rental expense of S\$134,500 (2017: NIL) is recognised as an expense in profit or loss. None of the lease includes contingent rents.

There is an option to renew for another 5 years upon expiry date at rates +/- 5% ie minimum S\$7,600; maximum S\$8,400.

**24. RESERVE POLICY**

The purpose of the policy is to provide financial stability and the means for the development of its principal activities. The Company aims to keep its reserves up to two times of total operating expenses.

The management regularly reviews the amount of reserves that are required to ensure substantially to fulfil its obligations and mission.

**25. LOANS**

No loans were given to any parties during both financial years.

**26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company does not use derivative and other instrument in its risk management activities. The main risks arising from the Company's financial instrument are credit risk, foreign currency risk, liquidity risk and interest risk. The management reviews and agrees with the policies and control procedures to manage its exposure to financial risks.

**Credit Risk**

The Company's has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum exposure risk is represented by the carrying amount of each financial asset in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

**Credit Risk** (Continued)

Financial assets that are neither past due nor impaired

Account and other receivables that are neither past due nor impaired are creditworthy debtors. Cash and cash equivalents that are neither past due nor impaired are placed with financial institution with high credit ratings.

Financial assets that are either past due and/or impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 4 to the financial statements.

**Interest Rate Risk**

The Company is exposed to market risk for changes in interest rates relates primarily to its holding of fixed deposits as disclosed in Note 7 to the financial statements. The Company's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD fixed deposit interest rates had been 60 (2017: 60) basis points higher/lower with all other variables held constant, the Company's net surplus would have been S\$25,000 (2017: S\$23,000) higher/lower.

**Liquidity Risk**

The Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company operations and mitigate the effects of fluctuation in cash flows.

The major class of financial liabilities of the Company is payables. The payables of S\$478,586 (2017: S\$361,192) are expected to mature within 1 year.

**Foreign Currency Risk**

The Company is not exposed to foreign currency risk as all its transactions are denominated in Singapore dollar.

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**27. CATEGORIES OF FINANCIAL INSTRUMENTS**

The following table sets out the financial instruments as at the end of the reporting period:-

	2018	2017
	S\$	S\$
<b>Assets</b>		
<u>Financial assets</u>		
Amortised cost:-		
Account receivables	100,751	36,565
Other receivables	37,058	27,684
Deposits	49,874	7,228
Fixed deposits	4,231,956	3,895,000
Cash and bank balances	303,058	904,802
Total financial assets	<u>4,722,697</u>	<u>4,871,279</u>
<b>Liabilities</b>		
<u>Financial liabilities</u>		
At amortised cost:-		
Account payables	7,425	64,300
Other payables and accruals	432,402	292,193
Total financial liabilities	<u>439,827</u>	<u>356,493</u>

**28. FAIR VALUES**

The carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

**MORNING STAR COMMUNITY SERVICES LTD.**  
**(UEN: 201617675H)**

**NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2018**

**29. TRANSFER OF BUSINESS FROM MORNING STAR COMMUNITY SERVICES (MSCS)**

Effective on 1 February 2017, the entire business and operations of MSCS had been transferred to the Company. Under the predecessor values method, the assets, liabilities and funds transferred from MSCS had been recorded at their carrying values as at 1 February 2017 as follows:-

	2017 S\$
<b>Assets</b>	
Plant and equipment	76,228
Account receivables	35,700
Other receivables	563,185
Deposits and prepayments	11,450
Fixed deposits	3,023,637
Cash and bank balances	798,368
<b>Funds</b>	
Care and Share fund	(43,060)
CareNights fund	(44,217)
Hardship fund	(28,321)
Nova project fund	(108,366)
Training and development fund	(11,675)
Deferred capital grant	(239,156)
Accumulated fund	(3,790,337)
<b>Liabilities</b>	
Finance lease payable	(10,946)
Account payables	(29,494)
Deferred services fee	(1,936)
Other payables and accruals	(201,060)
	<hr/>
Cash inflows from transfer	3,822,005
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**30. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS**

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2019. Except for FRS 116, the directors expect that the adoption of the other standards will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 is described below.

FRS 116 Leases

FRS 116 requires lessees to recognise for most leases, a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. The new standard is effective for annual periods beginning on or after 1 January 2019. The Company is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.