

# *S B Tan Audit PAC*

## **Public Accountants & Chartered Accountants**

Reg no. 201709525H  
118 Aljunied Avenue 2 #06-104  
Singapore 380118  
Tel: 6844 8626 Fax: 6844 8627  
E-mail: [admin@sbtan.com](mailto:admin@sbtan.com)  
<http://www.sbtan.com>

## **Hug Community Services Limited**

Registration No. 201430532E

Registered office: 13 Lorong 8 Toa Payoh #02-12  
Braddell Tech Singapore 319261

### Annual Report for the Year Ended 31 December 2018

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## DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited financial statements of Hug Community Services Ltd (the "Company") for the financial year ended 31 December 2018.

### Opinion of the directors

In the opinion of the directors,

- (a) the financial statements of the Company 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 performance, changes in equity and cash flows of the Company for the year then ended; and
- (b) 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.

### Directorate

The Directors in office at the date of this report are as follows:

Ms Mak Sook Han	- Director
Mr Jeffrey Mak	- Director
Mr Ravinderpal Singh Randhawa	- Director
S/O Savinder Singh Randhawa	

### Arrangement to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

All Directors are members of the Company, which is limited by guarantee, so does not issue shares.

### Directors' Interests in Contracts

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related company with the Director or with a firm of which he is a member or with a company in which he has substantial financial interest, except as disclosed in the accounts.

### Share Options

During the financial year, no options to take up unissued shares of the Company were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company. There were no unissued shares of the Company under option at the end of the financial year.

**DIRECTORS' STATEMENT**

**Auditors**

The auditors, S B Tan Audit PAC, have expressed their willingness to accept re-appointment.

On behalf of The Board of Directors



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Mak Sook Han  
*Director*



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Ravinderpal Singh Randhawa  
*Director*

Singapore  
30 MAY 2019

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HUG COMMUNITY SERVICES LIMITED**

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

**Opinion**

We have audited the financial statements of **Hug Community Services Limited** (the "Company"), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the Charities Act, Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards ("FRS") 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 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 on pages 1 to 2. 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 statement 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.

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Charities Act ("Act") and Singapore Financial Reporting Standards ("FRS"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HUG COMMUNITY SERVICES LIMITED**

**Auditors' Responsibility for the Audit of the Financial Statements**

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

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
HUG COMMUNITY SERVICES LIMITED**

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditors' report is Yong Seet Lee.



S B TAN AUDIT PAC  
Public Accountants &  
Chartered Accountants  
Singapore  
30 MAY 2019

**Statement of Financial Position**  
**As at 31 December 2018**

	Note	2018 \$	2017 \$
<b>Current Assets</b>			
Trade and other receivables		850	-
Prepayments		-	59
Cash and cash equivalents		25,270	5,560
		26,120	5,619
<b>Current Liabilities</b>			
Other payables		1,950	2,181
		1,950	2,181
<b>Net Current Assets</b>		24,170	3,438
<b>Net Assets</b>		24,170	3,438
<i>Representing:</i>			
<b>Accumulated Funds</b>		24,170	3,438
		24,170	3,438

*The accompanying notes form part of the financial statements*

**Statement of Comprehensive Income**  
**For the year ended 31 December 2018**

	Note	2018 \$	2017 \$
Revenue		<u>30,459</u>	<u>6,396</u>
		30,459	6,396
<i>Less Expenses</i>			
Entertainment and refreshment		1,733	399
Professional fees		1,950	1,950
Telecommunication		238	209
Travelling expenses		1,670	150
Other operating expenses		4,136	250
		(9,727)	(2,958)
Surplus before taxation		<u>20,732</u>	<u>3,438</u>
Taxation	4	-	-
Surplus after taxation		<u>20,732</u>	<u>3,438</u>
Other comprehensive surplus		-	-
Total surplus for the year		<u><u>20,732</u></u>	<u><u>3,438</u></u>

**Statement of Changes in Fund**  
**For the year ended 31 December 2018**

	2018 \$	2017 \$
<b>Accumulated Fund</b>		
Balance at beginning of year	3,438	-
Surplus after taxation	20,732	3,438
Balance at end of year	24,170	3,438
<b>Total Funds</b>	<u><u>24,170</u></u>	<u><u>3,438</u></u>

The accompanying notes form part of the financial statements



**Statement of Cash Flows**  
**For the year ended 31 December 2018**

	Note	2018 \$	2017 \$
<b>Cash Flows From Operating Activities:</b>			
Surplus before taxation		20,732	3,438
Operating cash flow before working capital changes		20,732	3,438
<i>Change in operating assets and liabilities:</i>			
Prepayments		59	(59)
Trade and other receivables		(850)	-
Other payables		(231)	2,181
<b>Net cash generated from operating activities</b>		19,710	5,560
Net increase in cash and cash equivalents		19,710	5,560
Cash and cash equivalents at beginning of year		5,560	-
<b>Cash and cash equivalents at end of year</b>		25,270	5,560

*The accompanying notes form part of the financial statements*

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*These notes form an integral part of and should be read in conjunction with the accompanying Financial Statements.*

## 1 **General**

Hug Community Limited (the "Company") is incorporated in the Republic of Singapore and has its registered office and principal place of business at 13, Lorong 8 Toa Payoh #02-12 Braddel Tech Singapore 319261.

The principal activities of the Company is to provide social services without accomodation for children, youth and families.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 30 May 2019.

## 2 **Significant Accounting Policies**

### 2.1 ***Basis of Accounting***

The financial statements, expressed in Singapore dollars, are prepared under the historical cost convention and in accordance with Singapore Financial Reporting Standards ("FRS") and Singapore Companies' Act.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and in any future periods affected. Judgements made by management in the application of FRS that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following year are discussed in subsequent note to accounts.

### 2.2 ***Changes in Accounting Policies***

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company adopted all the new and revised standards that are effective. The adoption of these standards did not have any significant effect on the financial performance or position of the Company.

### 2.3 ***New Standards and Interpretations Not Yet Effective***

The Company has not applied the new/revised accounting standards (including its consequential amendments) and interpretations that have been issued as of the date of the statements of financial position but are not yet effective. The initial application of these standards and interpretations is not expected to have any material impact on the Company's financial statements.

The Company has not considered the impact of accounting standards issued after the date of the statements of financial position.

## 2.4 **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Donation is recognised upon receipt.

## 2.5 **Foreign Currencies**

Items included in the financial statements of the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The functional currency of the Company is the Singapore dollar. The financial statements of the Company are presented in Singapore dollars. Foreign currency transactions are translated into Singapore dollars at rates of exchange approximating those ruling at transaction dates. Foreign currency monetary assets and liabilities are translated at the rates ruling at the year-end. The resulting profits and losses on exchange are dealt with through the profit and loss account.

## 2.6 **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash at bank and on hand are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

## 2.7 **Impairment**

The carrying amounts of the Company's assets are reviewed at year-end to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in the profit and loss account. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

## 2.8 **Financial Assets**

### i) Classification

The Company classifies its financial assets according to the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Company's only financial assets are loans and receivables.

#### *Loans and receivables*

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables excluding prepayments are presented as "other receivables", and "cash and bank balances" on the balance sheet.

### ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

### iii) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised as expenses.

**2.8 Financial Assets (cont'd)**iv) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Interest income on financial assets are recognised separately in profit or loss.

**2.9 Financial Liabilities**

Financial liabilities include trade payables and other amounts payable. Financial liabilities are recognised on the balance sheet when, only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

**2.10 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) where, as a result of a past event, and 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 each balance sheet date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

**3 Revenue**

Revenue mainly represents delivery of services for the year.

**4 Taxation**

There is no tax charge for the year as the Company qualifies for tax exemption as a charity under the Income Tax Act from 1 December 2017.

**5 Operating Lease Commitments**

	2018 \$	2017 \$
Payable:		
- within one year	3,000	-
- within 2 years	-	-
	<u>3,000</u>	<u>-</u>

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

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

## 6 Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are liquidity risk, credit risk and foreign exchange risk. The policies for managing each of these risks are summarised as follows:

### **Liquidity risk**

The Company's financing activities are managed by maintaining an adequate level of cash and cash equivalents to finance the Company's operations.

The maturity profile of the financial liabilities of the Company is as follows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying amounts as the impact of discounting is insignificant.

	Within 1 year \$	Within 2 to 5 years \$	Total \$
<i>At 31 Dec 2018</i>			
Other Payables	1,950	-	1,950

	Within 1 year \$	Within 2 to 5 years \$	Total \$
<i>At 31 Dec 2017</i>			
Other Payables	2,181	-	2,181

## 7 Fair Values of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that 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.

## 8 Accounting Estimates and Judgement In Applying Accounting Policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Key source of estimation uncertainty**

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

9 **Capital Management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its operations. The capital structure of the Company comprises accumulated funds.

The following detailed profit and loss statement is supplementary and does not form part of the audited accounts

**Detailed Statement of Comprehensive Income  
For the year ended 31 December 2018**

	2018	2017
	\$	\$
<i>Revenue</i>		
Case Management	16,000	-
Donation	13,289	6,296
Counselling service	1,170	100
Total revenue	<u>30,459</u>	<u>6,396</u>
<i>Less Expenses</i>		
Advertisement	600	-
Bank charges	56	2
Consultancy fee	910	-
Entertainment and refreshment	1,733	399
Festive expenses	378	109
Maintenance	74	89
Professional fees	1,950	1,950
Printing & stationery	468	-
Rent	1,500	-
Subscription	150	50
Telecommunication	238	209
Transport expenses	1,670	150
	(9,727)	(2,958)
Surplus for the year before taxation	<u><u>20,732</u></u>	<u><u>3,438</u></u>