FINANCIAL STATEMENTS 2016

CELEBRATE **KNOWLEDGE**
CELEBRATE **EXCELLENCE**

RAiKAN ILMU
CELEBRATE KNOWLEDGE

Yayasan MENDAKI

MENDAKI ANNUAL REPORT 2016

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DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2016.

In our opinion:

(a) the financial statements set out on pages FS1 to FS46 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in funds and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50, the Singapore Charities Act, Chapter 37, and Singapore Financial Reporting Standards; 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.

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

DIRECTORS

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

Dr Yaacob Ibrahim
Mr Masagos Zulkifli Masagos Mohamad
Mdm Rahayu Buang (Appointed on 1 Jan 2017)
Ms Rahayu Mahzam
Mr Saktiandi Supaat
Mr Abdul Jalil Muhammad Tahir
Mr Abdul Razak Hassan Maricar
Mr Arzami Salim
Mr Esfan Rizal Rahwom
Mr Farihullah S/O Abdul Wahab Safiullah
Mr Halil Haji Mansor
Mr Irianto Safari
Mr Mohamed Abdul Akbar Mohamed Abdul Kader
Mr Mohamed Khairul Anwar Mohamed Abdul Alim (Appointed on 25 Mar 2017)
Mr Mohamed Yunos Mohamed Shariff
Mr Mohammad Taufiq Mohamed Ismail
Dr Muhammad Fadzli Hassan
Mr Muhammad Zahid Mohd Zin
Ms Rahayu Mohamad
Mr Sallim Abdul Kadir

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), no director who held office at the end of the financial year (including those held by their spouses and infant children) had interests in shares or share options of the Company or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

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 the Company or any other body corporate.

SHARE OPTIONS

The Company is limited by guarantee and has not issued any share options. During the financial year under review, there were no options granted, exercised or outstanding with respect to the subsidiaries.

AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement are:

- Mr Sallim Abdul Kadir (Chairman), non-executive director
- Mr Abdul Jalil Muhammad Tahir, non-executive director

The Audit Committee was established by the Board of Directors. The members of the Audit Committee are all non-executive directors.

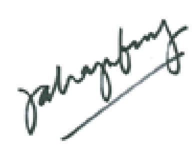
The Audit Committee has been given full access to, and received the co-operation of management. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the internal accounting control system. The Audit Committee has also reviewed the related party transactions during the financial year and the financial statements of the Company and the consolidated financial statements of the Group for the financial year, together with the auditors' report thereon.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

DR YAACOB IBRAHIM
Director



MDM RAHAYU BUANG
Director

15 June 2017

INDEPENDENT AUDITORS' REPORT

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Members of the Company
Yayasan MENDAKI and its subsidiaries

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Yayasan MENDAKI ('the Company') and its subsidiaries (the "Group"), which comprise the statements of financial position as at 31 December 2016, the income statement, statements of comprehensive income, changes in funds and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS46.

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 Group and the Company as at 31 December 2016 and of the financial performance, changes in funds and cash flows of the Group 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 '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *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 contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' 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, 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 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 the Companies Act, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 controls.

- Obtain an understanding of internal controls 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 Group's internal controls.

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 controls 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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors 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 moneys 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.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
15 June 2017

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Non-current assets					
Property and equipment	4	16,199,994	17,083,337	717,894	1,038,981
Intangibles	5	654,345	787,720	654,345	787,720
Investment in subsidiaries	6	–	–	10,809,000	10,809,000
Interest in associate	7	147,535	250,000	500,000	250,000
Unit trust investment	8	154,487	149,606	154,487	149,606
Other financial assets	9	10,363,277	10,241,988	10,363,277	10,241,988
Term loans	10	19,284,590	18,239,188	19,284,590	18,239,188
Non-current assets		46,804,228	46,751,839	42,483,593	41,516,483
Current assets					
Term loans	10	5,032,422	6,744,716	5,032,422	6,744,716
Trade and other receivables	11	9,261,010	9,168,653	9,788,320	10,074,026
Cash and cash equivalents	12	59,230,940	54,434,053	57,013,941	52,707,411
Current assets		73,524,372	70,347,422	71,834,683	69,526,153
Total assets		120,328,600	117,099,261	114,318,276	111,042,636
Funds and reserve					
General Corpus Fund	13	2,000,000	2,000,000	2,000,000	2,000,000
General Fund		2,934,918	7,235,135	1,424,693	6,235,302
Unrestricted funds		4,934,918	9,235,135	3,424,693	8,235,302
Education Development Fund ("EDF")	14	84,470,748	75,993,192	84,470,748	75,993,192
Malay/Muslim Community Development Fund ("MMCDF")	15	1,706,851	1,053,527	1,706,851	1,053,527
Education Trust Fund ("ETF")	16	6,557,686	7,881,645	6,557,686	7,881,645
Harun Ghani Education Fund ("HGEF")	17	310,497	356,531	310,497	356,531
Institute of Singapore Chartered Accountants Scholarship Fund	18	27,642	27,642	27,642	27,642
Restricted funds		93,073,424	85,312,537	93,073,424	85,312,537
Fair value reserve	19	843,801	821,834	843,801	821,834
Total funds and reserve, representing funds and reserve attributable to members of the Company		98,852,143	95,369,506	97,341,918	94,369,673

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

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Non-current liabilities					
Bank borrowings	20	3,185,849	3,765,180	–	–
Deferred tax liabilities	21	20,440	–	–	–
		3,206,289	3,765,180	–	–
Current liabilities					
Trade and other payables	22	16,650,809	17,343,982	15,975,481	16,477,158
Malay Language Learning and Promotion Committee ("MLLPC") Fund	23	1,000,877	195,805	1,000,877	195,805
Bank borrowings	20	530,975	424,788	–	–
Current tax payable		87,507	–	–	–
Current liabilities		18,270,168	17,964,575	16,976,358	16,672,963
Total liabilities		21,476,457	21,729,755	16,976,358	16,672,963
Total funds and liabilities		120,328,600	117,099,261	114,318,276	111,042,636

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

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2016

	Unrestricted Funds	Restricted Funds				
	General Fund	Education Development Fund	Malay/ Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Total
	$	$	$	$	$	$
2016						
Incoming resources						
Incoming resources from generated funds						
Voluntary income:						
- Donation via CPF contribution	1,237,153	–	6,188,839	–	–	7,425,992
- Donation income	103,947	42,000	629,270	189,830	5,202	970,249
Investment and interest income	99,666	278,784	321	66,562	6,062	451,395
Other income	309,703	–	–	–	–	309,703
Incoming resources from charitable activities						
Income from approved projects:						
- Fees	1,654,223	12,843	847,408	–	–	2,514,474
Government grants:						
- Ministry of Culture, Community and Youth ("MCCY") Matching Grant	–	–	4,200,000	–	–	4,200,000
- MCCY GST output tax	28,249	–	–	–	–	28,249
- MCCY Temporary occupation licence fee	318,355	–	–	–	–	318,355
- Ministry of Home Affairs ("MHA")	–	–	59,250	–	–	59,250
- Ministry of Social and Family Development ("MSF")	–	–	33,594	–	–	33,594
- Singapore Workforce Development Agency ("WDA")	11,757	–	181,170	–	–	192,927

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

CONSOLIDATED INCOME STATEMENT (CONTINUED)
Year ended 31 December 2016

	Note	Unrestricted Funds	Restricted Funds				
		General Fund	Education Development Fund	Malay/ Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Total
		$	$	$	$	$	$
2016							
Incoming resources (continued)							
Incoming resources from charitable activities (continued)							
Government grants:							
- National Council of Social Service ("NCSS")		505,359	–	675,000	–	–	1,180,359
- Undisbursed tertiary tuition fees subsidy	22	–	19,695,726	–	–	–	19,695,726
- Others		515,726	–	68,425	–	–	584,151
Other Grants		337,108	17,000	600	–	–	354,708
Total incoming resources		5,121,246	20,046,353	12,883,877	256,392	11,264	38,319,132
Resources expended							
Costs of activities	25	(18,874,114)	(6,545,985)	(6,742,738)	(1,455,229)	(57,299)	(33,675,365)
Governance costs		(287,628)	–	–	–	–	(287,628)
Temporary occupation licence fee		(297,528)	–	–	–	–	(297,528)
Finance costs		(137,529)	–	–	–	–	(137,529)
Total resources expended		(19,596,799)	(6,545,985)	(6,742,738)	(1,455,229)	(57,299)	(34,398,050)
Share of results of associate	7	(352,465)	–	–	–	–	(352,465)
Net (outgoing)/incoming resources before tax	26	(14,828,018)	13,500,368	6,141,139	(1,198,837)	(46,035)	3,568,617
Tax expense	28	(107,947)	–	–	–	–	(107,947)
Net (outgoing)/incoming resources/Net (loss)/income for the year		(14,935,965)	13,500,368	6,141,139	(1,198,837)	(46,035)	3,460,670

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

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2016

	Unrestricted Funds	Restricted Funds					
	General Fund	Education Development Fund	Malay/Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Institute of Singapore Chartered Accountants Scholarship Fund	Total
	$	$	$	$	$	$	$
2015							
Incoming resources							
Incoming resources from generated funds							
Voluntary income:							
- Donation via CPF contribution	1,271,351	–	5,239,629	–	–	–	6,510,980
- Donation income	103,263	–	784,846	4,139,436	4,491	–	5,032,036
Investment and interest income	96,283	316,875	290	553,813	275	–	967,536
Other income	200,645	2,120	4,931	–	–	1,500	209,196
Incoming resources from charitable activities							
Income from approved projects:							
- Fees	1,251,555	–	284,815	–	–	–	1,536,370
Government grants:							
- Ministry of Culture, Community and Youth ("MCCY") Matching Grant	–	–	3,867,135	–	–	–	3,867,135
- MCCY Self Help Group Additional Top Up	–	–	–	840,000	–	–	840,000
- MCCY GST output tax	33,336	–	–	–	–	–	33,336
- MCCY Temporary occupation licence fee	318,355	–	–	–	–	–	318,355
- MCCY Others	125,000	–	–	–	–	–	125,000
- Ministry of Home Affairs ("MHA")	–	–	80,000	–	–	–	80,000
- Ministry of Social and Family Development ("MSF")	–	–	3,300	–	–	–	3,300

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

CONSOLIDATED INCOME STATEMENT (CONTINUED)
Year ended 31 December 2016

	Note	Unrestricted Funds	Restricted Funds					
		General Fund	Education Development Fund	Malay/ Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Institute of Singapore Chartered Accountants Scholarship Fund	Total
		$	$	$	$	$	$	$
2015								
Incoming resources (continued)								
Incoming resources from charitable activities (continued)								
- Government grants:								
- Singapore Workforce Development Agency ("WDA")		13,918	–	377,359	–	–	–	391,277
- Undisbursed tertiary tuition fees subsidy	22	–	16,621,121	–	–	–	–	16,621,121
- Others		1,259,201	104,045	728,640	–	–	–	2,091,886
Other Grants – Temasek Cares		–	–	44,227	–	–	–	44,227
Total incoming resources		4,672,907	17,044,161	11,415,172	5,533,249	4,766	1,500	38,671,755
Resources expended								
Costs of activities	25	(12,741,828)	(7,605,394)	(12,399,882)	(3,871,794)	(27,248)	–	(36,646,146)
Governance costs		(99,263)	(40,722)	(33,042)	–	–	–	(173,027)
Temporary occupation licence fee		(297,528)	–	–	–	–	–	(297,528)
Finance costs		–	(93,904)	–	–	–	–	(93,904)
Total resources expended		(13,138,619)	(7,740,020)	(12,432,924)	(3,871,794)	(27,248)	–	(37,210,605)
Net (outgoing)/incoming resources before tax	26	(8,465,712)	9,304,141	(1,017,752)	1,661,455	(22,482)	1,500	1,461,150
Tax expense	28	–	–	–	–	–	–	–
Net (outgoing)/incoming resources/ Net (loss)/income for the year		(8,465,712)	9,304,141	(1,017,752)	1,661,455	(22,482)	1,500	1,461,150

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2016

	Unrestricted Funds	Restricted Funds						
	General Fund	Education Development Fund	Malay/ Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Institute of Singapore Chartered Accountants Scholarship Fund	Fair value reserve	Total
	$	$	$	$	$	$	$	$
2016								
Net (outgoing)/incoming resources/ Net (loss)/income for the year	(14,935,965)	13,500,368	6,141,139	(1,198,837)	(46,035)	–	–	3,460,670
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss								
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	21,967	21,967
Total comprehensive income for the year	(14,935,965)	13,500,368	6,141,139	(1,198,837)	(46,035)	–	21,967	3,482,637

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
Year ended 31 December 2016

	Unrestricted Funds	Restricted Funds						
	General Fund	Education Development Fund	Malay/Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Institute of Singapore Chartered Accountants Scholarship Fund	Fair value reserve	Total
	$	$	$	$	$	$	$	$
2015								
Net (outgoing)/incoming resources/ Net (loss)/income for the year	(8,465,712)	9,304,141	(1,017,752)	1,661,455	(22,482)	1,500	–	1,461,150
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss								
Net change in fair value of available-for-sale financial assets	–	–	–	–	–	–	(286,583)	(286,583)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	–	–	–	–	–	–	(342,186)	(342,186)
Total comprehensive income for the year	(8,465,712)	9,304,141	(1,017,752)	1,661,455	(22,482)	1,500	(628,769)	832,381

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

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS

Year ended 31 December 2016

	Note	General Corpus Fund	Unrestricted Funds: General Fund	Restricted Funds: Education Development Fund	Malay/Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Institute of Singapore Chartered Accountants Scholarship Fund	Fair value reserve	Total funds and reserve
		$	$	$	$	$	$	$	$	$
At 1 January 2016		2,000,000	7,235,135	75,993,192	1,053,527	7,881,645	356,531	27,642	821,834	95,369,506
Total comprehensive income for the year										
Net (outgoing)/ incoming resources/ Net (loss)/ income for the year		–	(14,935,965)	13,500,368	6,141,139	(1,198,837)	(46,035)	–	–	3,460,670
Other comprehensive income		–	–	–	–	–	–	–	21,967	21,967
Total comprehensive income for the year		–	(14,935,965)	13,500,368	6,141,139	(1,198,837)	(46,035)	–	21,967	3,482,637
Transfer to MMCDF	14	–	–	(5,022,812)	5,022,812	–	–	–	–	–
Transfer of funds arising from intercompanies transactions		–	10,635,748	–	(10,510,626)	(125,122)	–	–	–	–
At 31 December 2016		2,000,000	2,934,918	84,470,748	1,706,852	6,557,686	310,496	27,642	843,801	98,852,143

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

CONSOLIDATED STATEMENT OF CHANGES IN FUNDS (CONTINUED)

Year ended 31 December 2016

	Note	General Corpus Fund	Unrestricted Funds: General Fund	Restricted Funds: Education Development Fund	Malay/Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Institute of Singapore Chartered Accountants Scholarship Fund	Fair value reserve	Total funds and reserve
		$	$	$	$	$	$	$	$	$
At 1 January 2015		2,000,000	6,735,120	76,442,583	1,076,930	6,426,733	379,014	26,142	1,450,603	94,537,125
Total comprehensive income for the year										
Net (outgoing)/ incoming resources/ Net (loss)/ income for the year		–	(8,465,712)	9,304,141	(1,017,752)	1,661,455	(22,482)	1,500	–	1,461,150
Other comprehensive income		–	–	–	–	–	–	–	(628,769)	(628,769)
Total comprehensive income for the year		–	(8,465,712)	9,304,141	(1,017,752)	1,661,455	(22,482)	1,500	(628,769)	832,381
Transfer to MMCDF	14	–	–	(3,184,144)	3,184,144	–	–	–	–	–
Transfer of funds arising from intercompanies transactions		–	8,965,727	(6,569,388)	(2,189,796)	(206,543)	–	–	–	–
At 31 December 2015		2,000,000	7,235,135	75,993,192	1,053,526	7,881,645	356,532	27,642	821,834	95,369,506

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016	2015
		$	$
Operating activities			
Net incoming resources before tax		3,568,617	1,461,150
Adjustments for:			
Investment and interest income		(451,395)	(967,536)
(Gain)/Loss arising from unwinding of term loans discount		(97,818)	140,315
Depreciation		1,167,897	1,338,003
Amortisation		420,626	284,673
Impairment losses on term loans		1,507,926	993,566
Impairment losses on trade and other receivables		401,270	284,504
Loss on disposal of property and equipment		53,971	67,693
Gain on sale of other financial assets		–	(179,151)
Undisbursed tertiary tuition fee subsidies		(19,695,726)	(16,621,121)
Share of loss of associate		352,465	–
		(12,772,167)	(13,197,904)
Changes in:			
Trade and other receivables		(493,627)	2,125,181
Trade and other payables		(693,173)	3,191,545
Tertiary fee subsidy advances received		57,607,431	50,511,669
Refund of tertiary tuition fee subsidies		132,212	42,630
Disbursement/accrual of tertiary tuition fee subsidies		(38,043,917)	(34,463,013)
Term loans granted		(6,376,046)	(6,612,969)
Repayment of term loans		5,632,830	4,716,510
MLLPC grants and donations received		1,172,216	420,000
Disbursement and interest to MLLPC Fund		(367,144)	(666,044)
Cash flows from operating activities		5,798,615	6,067,605
Investing activities			
Investment income received		99,284	445,869
Interest income received		247,908	293,144
Purchase of property and equipment		(340,893)	(668,040)
Purchase of intangible assets		(287,251)	(288,263)
Proceeds from sale of property and equipment		2,368	164,520
Loan to associate		(250,000)	(250,000)
Cash flows used in investing activities		(528,584)	(302,770)
Financing activity			
Repayment of bank borrowings		(473,144)	(462,970)
Cash flows used in financing activity		(473,144)	(462,970)
Net increase in cash and cash equivalents		4,796,887	5,301,865
Cash and cash equivalents at beginning of year		54,434,053	49,132,188
Cash and cash equivalents at end of year	12	59,230,940	54,434,053

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 June 2017.

1 DOMICILE AND ACTIVITIES

Yayasan MENDAKI (the "Company") is incorporated in Singapore. The address of the Company's registered office is 51 Kee Sun Avenue, Singapore 457056.

Yayasan MENDAKI is a public company limited by guarantee and not having a share capital. Each member's liability is limited to $100.

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group").

The principal activities of the Company are to promote, foster, support, safeguard and protect the educational, social, economic, religious and cultural development and achievement of the Malay/Muslim community. On religious matters, the Company liaises and works closely with Majlis Ugama Islam Singapura. The principal activities of the subsidiaries are described in note 6 to the financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRSs").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Group's and the Company's functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 7 – interest in an associate;
- Note 9 – classification of financial assets – investments.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included the following notes:

- Note 9 – valuation of other financial assets
- Note 10 – valuation of term loans on initial recognition and impairment loss on term loans

Other financial assets are designated as available-for-sale. Fair values of the equity and debt securities are determined by reference to their quoted closing bid prices at the reporting date.

Term loans are discounted to present value based upon the market interest rate of similar loans.

2.5 Changes in accounting policies

On 1 January 2016, the Group adopted the new or amended FRSs and interpretations to FRSs ("INT FRSs") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required in accordance with the transitional provisions in the respective FRSs and INT FRSs.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with policies adopted by the Group.

Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in profit or loss.

Investment in associate

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity.

Investment in an associate is accounted for using the equity accounting.

Investment in associate is recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the Group's financial statements includes the Group's share of losses of equity accounted investee, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued.

Impairment of associates

Investment in associate is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired in accordance with note 3.6. An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.6. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, term loans, and trade and other receivables.

Cash and cash equivalents comprise cash balances and fixed deposits with original maturities of three months or less.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories of financial assets (i.e fair value through profit or loss, held-to-maturity and loans and other receivables). Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale securities, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise investments in unit trusts, equity securities and debt securities.

Non-derivative financial liabilities

The Group initially recognises non-derivative financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in balance sheets when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities comprise trade and other payables, bank borrowings and Malay Language Learning and Promotion Committee ("MLLPC") Fund.

3.4 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and is recognised net within other income/other operating expenses in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation is recognised from the date that the property and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	50 years
Building improvements	5 years
Furniture and fittings	5 years
Office equipment	5 years
Computer equipment	3 years
Books and materials	3-5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Intangible assets

Recognition and measurement

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, less the residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Operation/management system	3 years

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

3.6 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Operating leases

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3.8 Employee benefits

Compensated absences

A liability is made for compensated absences arising from services rendered by employees up to the reporting date. Compensated absences expected to be settled within one year arising from annual leave have been measured at their nominal amount.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

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 under short-term cash bonus or profit-sharing plans if the Group 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.

3.9 Incoming resources

Donations

Donations are recognised as and when the Group's entitlement to such income is established with certainty and the amount can be measured with sufficient reliability.

Investment and interest income

Interest income is recognised using the effective interest method while dividend income is recognised when right to receive payment is established.

Fee income from approved projects

Fee income is recognised on an accrual basis.

Grants

Grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3.10 Resources expended

All expenditures are accounted for on an accrual basis and have been classified under headings that aggregate all cost related to that activity. Costs comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be wholly attributable to an activity, they have been apportioned on a basis consistent with the use of resources.

Costs of generating funds

These are the costs which are associated with generating income from all sources other than from undertaking charitable activities.

Costs of charitable activities

Expenditure on charitable activities comprises all the resources applied by the Group in undertaking its work to meet its charitable objectives as opposed to the cost of raising the funds to finance these activities and governance costs. Such costs include the direct costs of the charitable activities together with those support costs incurred that enable these activities to be undertaken. Those costs, where not wholly attributable, are apportioned between the categories of charitable expenditure in addition to the direct costs.

Governance costs

Governance costs comprise all costs attributable to the general running of the Group, in providing the governance infrastructure and in ensuring public accountability. These costs include costs related to constitutional and statutory requirements.

Support costs

Support costs include costs related to central functions and have been allocated to the respective charitable funds based on the respective level of activities.

3.11 Finance costs

Finance costs comprise interest expenses that are recognised in profit or loss. All borrowing costs are recognised in the profit or loss using the effective interest method.

3.12 Funds

The Group maintains unrestricted and restricted funds. Funds set up for specific purposes are classified as restricted funds. All income and expenses other than those attributable to restricted funds and common overheads are recorded in the unrestricted fund's income statement.

3.13 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services.*

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives, and INT* FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

The Group is currently assessing the impact of these new standards on its financial statements.

4 PROPERTY AND EQUIPMENT

	Land and building	Building improvements	Furniture and fittings	Office equipment	Computer equipment	Books and materials	Motor vehicles	Total
	$	$	$	$	$	$	$	$
Group								
Cost								
At 1 January 2015	15,668,892	3,880,451	886,374	734,708	3,870,794	304,321	131,590	25,477,130
Additions	–	156,171	27,934	21,965	385,971	75,999	–	668,040
Disposals/write-offs	–	(213,137)	(93,745)	(39,911)	(144,190)	–	–	(490,983)
At 31 December 2015	15,668,892	3,823,485	820,563	716,762	4,112,575	380,320	131,590	25,654,187
At 1 January 2016	15,668,892	3,823,485	820,563	716,762	4,112,575	380,320	131,590	25,654,187
Additions	–	147,460	5,737	9,476	157,720	20,500	–	340,893
Disposals/write-offs	–	–	(9,813)	(12,493)	(96,125)	–	–	(118,431)
At 31 December 2016	15,668,892	3,970,945	816,487	713,745	4,174,170	400,820	131,590	25,876,649
Accumulated depreciation								
At 1 January 2015	235,033	2,375,110	765,428	680,083	3,067,004	237,369	131,590	7,491,617
Depreciation for the year	313,378	458,293	39,497	20,802	482,005	24,028	–	1,338,003
Disposals/write-offs	–	(103,958)	(40,392)	(19,940)	(94,480)	–	–	(258,770)
At 31 December 2015	548,411	2,729,445	764,533	680,945	3,454,529	261,397	131,590	8,570,850
At 1 January 2016	548,411	2,729,445	764,533	680,945	3,454,529	261,397	131,590	8,570,850
Depreciation for the year	313,378	418,468	20,076	14,538	355,001	46,436	–	1,167,897
Disposals/write-offs	–	–	(5,355)	(8,531)	(48,206)	–	–	(62,092)
At 31 December 2016	861,789	3,147,913	779,254	686,952	3,761,324	307,833	131,590	9,676,655
Carrying amounts								
At 1 January 2015	15,433,859	1,505,341	120,946	54,625	803,790	66,952	–	17,985,513
At 31 December 2015	15,120,481	1,094,040	56,030	35,817	658,046	118,923	–	17,083,337
At 31 December 2016	14,807,103	823,032	37,233	26,793	412,846	92,987	–	16,199,994

At 31 December 2016, land and building with carrying amounts of $14,807,103 (2015: $15,120,481) is pledged as security to secure bank loans (see note 20).

	Building improvements	Furniture and fittings	Office equipment	Computer equipment	Books and materials	Motor vehicles	Total
	$	$	$	$	$	$	$
Company							
Cost							
At 1 January 2015	2,742,707	703,978	658,501	3,266,243	65,121	131,590	7,568,140
Additions	118,179	9,278	2,825	294,019	42,999	–	467,300
At 31 December 2015	2,860,886	713,256	661,326	3,560,262	108,120	131,590	8,035,440
At 1 January 2016	2,860,886	713,256	661,326	3,560,262	108,120	131,590	8,035,440
Additions	147,460	4,577	1,757	71,651	–	–	225,445
At 31 December 2016	3,008,346	717,833	663,083	3,631,913	108,120	131,590	8,260,885
Accumulated depreciation							
At 1 January 2015	2,144,798	683,822	633,469	2,670,715	65,121	131,590	6,329,515
Depreciation for the year	242,333	11,985	10,239	399,537	2,850	–	666,944
At 31 December 2015	2,387,131	695,807	643,708	3,070,252	67,971	131,590	6,996,459
At 1 January 2016	2,387,131	695,807	643,708	3,070,252	67,971	131,590	6,996,459
Depreciation for the year	228,545	7,226	8,203	293,958	8,600	–	546,532
At 31 December 2016	2,615,676	703,033	651,911	3,364,210	76,571	131,590	7,542,991
Carrying amounts							
At 1 January 2015	597,909	20,156	25,032	595,528	–	–	1,238,625
At 31 December 2015	473,755	17,449	17,618	490,010	40,149	–	1,038,981
At 31 December 2016	392,670	14,800	11,172	267,703	31,549	–	717,894

5 INTANGIBLE ASSETS

	Computer software
	$
Group and Company	
Cost	
At 1 January 2015	829,997
Additions	288,263
At 31 December 2015	1,118,260
Additions	287,251
At 31 December 2016	1,405,511
Accumulated amortisation	
At 1 January 2015	45,867
Amortisation charge	284,673
At 31 December 2015	330,540
Amortisation charge	420,626
At 31 December 2016	751,166
Carrying amounts	
At 1 January 2015	784,130
At 31 December 2015	787,720
At 31 December 2016	654,345

6 INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	$	$
Unquoted equity shares, at cost	809,000	809,000
Quasi-equity loan to a subsidiary	10,000,000	10,000,000
	10,809,000	10,809,000

The quasi-equity loan to a subsidiary is interest free and forms part of the Company's net investment in the subsidiary. The loan is unsecured and settlement is neither planned nor likely to occur in the foreseeable future.

Details of the subsidiaries, incorporated in Singapore, are as follows:

Name of subsidiary	Principal activities	Ownership interest	
		2016	2015
		%	%
SENSE College Pte Ltd	To promote the economic development of the Malay/ Muslim community in Singapore	100	100

Name of subsidiary	Principal activities	Ownership interest	
		2016	2015
		%	%
• MENDAKI Social Enterprise Network Singapore Pte Ltd	Provision of employment services, skills training programme, social enterprise, research, advisory, organising seminars and conferences and all activities relating to publishing	100	100

• MENDAKI Social Enterprise Network Singapore Pte Ltd is wholly-owned by SENSE College Pte Ltd.

7 INTEREST IN ASSOCIATE

In October 2015, the Company entered into a memorandum of understanding (MOU), together with Chinese Development Assistance Council, Singapore Indian Development Association and the Eurasian Association (together Self-Help Groups (SHGs)), to incorporate Self Help Groups Student Care Limited (SHGSCL).

SHGSCL's mandate is to provide educational and family related support services to students from low income families. Programmes to be conducted by SHGSCL will be inclusive and multi-racial.

SHGSCL is a public company limited by guarantee. The Company has appointed Sallim Abdul Kadir and Rahayu Buang to the Board of Directors of SHGSCL. The Company is entitled to 25% of total voting rights at the Board of Directors meetings.

Management has exercised judgement in determining the extent of its significant influence over SHGSCL, and concluded that the Company has significant influence over SHGSCL. Therefore, the Company recognised SHGSCL as an associate in the balance sheet.

Details of the associate are as follows:

Name	Principal activities	Place of incorporation	Voting rights held	
			2016	2015
			%	%
SHGSCL	Operate school based student care centres in Singapore	Singapore	25	25

The summarised financial information of the associate which is prepared in accordance with FRS is as follows:

	2016	2015
	$	$
		(unaudited)
Statement of comprehensive income		
Revenue	1,728,647	30,000
Loss and total comprehensive income for the year	(1,398,614)	(11,245)
Balance sheet		
Non-current assets	260,590	94,432
Current assets	1,115,908	1,046,609
Non-current liabilities	(2,000,000)	(1,047,785)
Current liabilities	(786,357)	(104,501)
Net deficit	(1,409,859)	(11,245)
Interest in net assets of investee at beginning of the year	–	–
Share of total comprehensive income	(352,465)	–
Interest in net assets of investee at end of the year	(352,465)	–
Loan to associate	500,000	250,000
	147,535	250,000

The objective of setting up the associate is for the SHGs to jointly operate student care centres in schools that serve students from all races. The investment in the associate, in substance, is not meant to be a commercially-driven transaction with the purpose of profit takings.

The Memorandum of Association of SHGSCL prohibits the Company, together with other SHGs, from obtaining any variable returns in the form of profits, dividends, or residual interest in net assets in the event of liquidation or winding-down.

The Company's financial statements include the Company's share of losses of the associate at 25%; based on the Company's proportionate share of loan commitment to the associate as set out in the MOU. The Company's exposure to losses is limited to the carrying amount of the investment, together with any long-term interests.

In the prior year, the Group has determined that the impact arising from equity accounting to be insignificant as operation has yet to commence.

Loan due from associate represents the Company's commitment to the associate which is made in the form of an unsecured and interest free loan. As the associate has plans to scale up its operation, the settlement of the loan is not expected to occur in the foreseeable future. The loan is classified as non-current and stated at cost less accumulated impairment losses.

The SHGs also agree to continue providing funding support to the associate while it scales up its operation. The additional projected funding commitment from Company is $750,000 (2015: $750,000). Subsequent to year end, $500,000 has been drawn down on the commitment by SHGSCL.

8 UNIT TRUST INVESTMENT

	Group and Company	
	2016	2015
	$	$
Unit trust in Singapore, available-for-sale:		
- Fullerton Short Term Interest Rate Fund	154,487	149,606
Movement:		
At beginning of year	149,606	145,505
Fair value changes	4,881	4,101
At end of year	154,487	149,606

9 OTHER FINANCIAL ASSETS

	Group and Company	
	2016	2015
	$	$
Available-for-sale financial assets		
- Equity securities	3,061,624	2,886,343
- Debt securities	7,146,290	7,217,246
- Cash held with fund managers	155,363	138,399
	10,363,277	10,241,988
Represented by:		
- externally managed by fund managers	3,736,194	3,588,094
- internally managed	6,627,083	6,653,894
	10,363,277	10,241,988

The Group's and the Company's exposure to credit and market risks are disclosed in note 31.

The fair values of equity and debt securities are determined by reference to their quoted closing bid prices at the reporting date.

The classification of financial assets – investments requires critical judgment to determine if it should be classified as held-to-maturity or available-for-sale. The Group does not classify any financial asset as held-to-maturity if during the current financial year or during the two preceding financial years, it sold or reclassified more than an insignificant amount of held-to-maturity investments before and not close to their maturity. If the conditions are not complied with, the investments are classified as available-for-sale and measured at fair value.

The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* in determining when an investment in other financial asset is other than temporarily impaired. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment and financial asset is less than its cost; internal and external sources of information, and whether significant changes with an adverse effect on the entity have taken place during the period. The determination of what is significant or prolonged requires judgement.

10 TERM LOANS

	Group and Company	
	2016	2015
	$	$
Study loans	30,226,590	29,385,556
Impairment losses	(5,909,578)	(4,401,652)
	24,317,012	24,983,904
Represented by:		
Loans receivable within 12 months	5,032,422	6,744,716
Loans receivable after 12 months	19,284,590	18,239,188
	24,317,012	24,983,904

The Company provides interest free study loans to the Malay/Muslim community. The current loan recipients are from the general public with no relationship with the Company and Directors. Each study loan is supported by 2 guarantors. Generally, repayment term starts 6 months after completion of study.

Movements in allowance for impairment losses in respect of term loans of the Group and the Company during the year are as follows:

	Group and Company	
	2016	2015
	$	$
At beginning of year	4,401,652	3,408,086
Impairment losses recognised	1,507,926	993,566
At the end of year	5,909,578	4,401,652

The Group's and the Company's primary exposure to credit risk are disclosed in note 31.

The Group follows the guidance of FRS 39 *Financial Instruments: Recognition and Measurement* to evaluate whether there is any objective evidence that the term loans are impaired, and determines the amount of impairment loss as a result of the inability of the loan recipients to make the required payments. The Group determines the estimates based on the ageing of trade receivables, credit-worthiness, and historical write-off experience. Management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's terms. If the financial conditions of the loan recipients were to deteriorate, actual write-offs would be higher than estimated.

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Donations/grants receivable:				
- Government matching grants	6,300,000	6,300,000	6,300,000	6,300,000
- Donations receivable via CPF arrangements	1,607,833	1,721,040	1,607,833	1,721,040
- Other grants receivable	526,756	520,784	–	147,359
Amount due from subsidiaries (trade)	–	–	1,268,435	1,661,303
Trade receivables	789,949	595,334	638,506	420,816
Less: Impairment losses	(425,699)	(300,659)	(388,544)	(274,883)
Net donations/grants and other receivables	8,798,839	8,836,499	9,426,230	9,975,635
Deposits	73,947	266,921	70,731	74,381
Prepayments	388,224	65,233	291,359	24,010
	9,261,010	9,168,653	9,788,320	10,074,026

The Group's and the Company's primary exposure to credit and market risks are disclosed in note 31.

The movement in the allowance for impairment in respect of trade and other grant receivables during the year is as follows:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
At beginning of the year	300,659	440,682	274,883	424,527
Impairment losses recognised	401,270	284,504	388,544	274,883
Utilisation of impairment losses	(276,230)	(424,527)	(274,883)	(424,527)
At end of the year	425,699	300,659	388,544	274,883

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Cash at bank and in hand	25,333,945	12,547,230	23,188,016	10,891,560
Fixed deposits	33,896,995	41,886,823	33,825,925	41,815,851
	59,230,940	54,434,053	57,013,941	52,707,411

The interest rates per annum relating to fixed deposits at the balance sheet date are between 0.05% to 1.70% (2015: 0.05% to 1.70%). Interest rate is re-priced at interval of 3 to 6 months (2015: 3 to 6 months).

The Group's and the Company's primary exposures to credit and market risks are disclosed in note 31.

13 GENERAL CORPUS FUND (UNRESTRICTED)

The General Corpus Fund was formed from transfers from the accumulated funds of Yayasan MENDAKI, the predecessor society, following the dissolution of that society in 1989, and further transfer from the accumulated funds in 1991.

14 EDUCATION DEVELOPMENT FUND (RESTRICTED)

The Education Development Fund ("EDF") is made up of income earned on undisbursed tertiary tuition fee subsidy each year. It is used for education-related activities aimed at raising the educational level of the Malays. The fund is used to finance scholarships, awards and financial assistance schemes and to provide subsidies for selected education programmes to make such programmes more affordable, provided that at least 75% of the aggregate total of all participants of the programmes are Malays. Only interest and investment income of the EDF are utilised for subsidising non-Malay Muslim participation in such programmes.

The Company undertakes transfers between various funds as permitted under various funds' mandate. During the year, the Company transferred a sum of $5,022,812 from EDF to Malay/Muslim Community Development Fund ("MMCDF") (2015: $3,184,144).

15 MALAY/MUSLIM COMMUNITY DEVELOPMENT FUND (RESTRICTED)

MMCDF was set up to provide financial assistance to programmes which support the mission objectives of the Group and the Company, which can make a difference to the performance of the Malay/Muslim Community. The fund comes from additional monthly contributions through the CPF arrangements, donations and income raised from approved projects with the Government providing matching grants for such contributions, donations and income raised. The donations for MMCDF are accounted for as described in note 3.9 pending the Government's approval. A corresponding receivable is set up for the Government matching grant in the financial statements.

With effect from 2014, 10% of the monthly contributions through the CPF arrangements, along with other donations raised by institutional members of MENDAKI, are entitled to a matching grant from the Government subject to a maximum cap of $2.6 million of state funds per annum. The application of such funds will be made through the MMCDF Committee under MENDAKI.

Portion of the funds are to be utilised for the approved projects of the institutional members subject to the approval of MMCDF committee under MENDAKI.

16 EDUCATION TRUST FUND (RESTRICTED)

The Education Trust Fund ("ETF") was set up to provide financial assistance for the education of the children of low income Malay/Muslim families. This fund was initiated by the Malay/Muslim members of the Parliament and endorsed by the Prime Minister. The ETF arises from the donations from the public and the income generated therefrom. All disbursements are in accordance with the strict guidelines formulated by the ETF Committee. The ETF will not be used to fund MENDAKI's operations.

17 HARUN GHANI EDUCATION FUND (RESTRICTED)

The Harun Ghani Education Fund ("HGEF") was set up to provide financial assistance to children of drug offenders, former drug offenders and counsellors to complete their school education. The HGEF will not be used to fund MENDAKI's operations.

18 INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS SCHOLARSHIP ("ISCA") FUND (RESTRICTED)

The ISCA Scholarship Fund was set up by ISCA to provide scholarships to qualifying individuals pursuing studies in accountancy.

19 FAIR VALUE RESERVE

The fair value reserve represents the accumulative net change in the fair value of available-for-sale investments until the investments are derecognised.

20 BANK BORROWINGS

	Group	
	2016	**2015**
	$	**$**
Secured bank loan		
Non-current portion	3,185,849	3,765,180
Current portion	530,975	424,788
	3,716,824	4,189,968

The bank loan is used to finance the purchase of the land and building of the Group and is secured by the property purchased. The terms and conditions of the outstanding borrowings are as follows:

			2016		2015	
	Nominal interest rate	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
	%		**$**	**$**	**$**	**$**
	3-month					
Secured bank loan	SIBOR + 1%	2024	3,716,824	3,716,824	4,189,968	4,189,968

21 DEFERRED TAX LIABILITIES

Movement in deferred tax during the year

Group	At 1 January 2015	Recognised in profit or loss (Note 28)	At 31 December 2015	Recognised in profit or loss (Note 28)	At 31 December 2016
	$	$	$	$	$
Property and equipment	–	–	–	(20,440)	(20,440)

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Short-term accumulating compensated absence	226,619	197,261	226,619	197,261
Amount due to subsidiaries (trade)	–	–	197,352	–
Trade payables	2,499,392	2,074,452	2,172,238	1,771,808
Tertiary tuition fee subsidy payable to education institutions	10,224,297	10,556,893	10,224,297	10,556,893
Accruals	3,700,501	4,515,376	3,154,975	3,951,196
	16,650,809	17,343,982	15,975,481	16,477,158

Tertiary tuition fee subsidy

This subsidy is granted by the Government under certain guidelines for the disbursement of tuition fee subsidies to Malay students.

Undisbursed tertiary tuition fee is the difference between tuition fee granted based on all Malay students studying in approved local tertiary institutions in the academic year and the tuition fee subsidy disbursed in accordance with the Government guidelines. Under these guidelines, any undisbursed amounts are to be transferred to the EDF and to be utilised for education related activities for the Malay community.

	Group and Company	
	2016	2015
	$	$
At beginning of year	–	(529,835)
Amount received from the Government	(57,607,431)	(50,511,669)
Tertiary tuition fee subsidies disbursed/accrued for current academic year	38,043,917	34,463,013
Undisbursed tertiary tuition fee subsidies transferred to EDF	19,695,726	16,621,121
Refund of tertiary tuition fee subsidies	(132,212)	(42,630)
At end of year	–	–

Tertiary tuition fee subsidies are refunded to the Group and the Company for students who have prematurely terminated their studies in tertiary institutions.

23 MALAY LANGUAGE LEARNING AND PROMOTION COMMITTEE FUND ("MLLPC") (RESTRICTED)

The MLLPC Fund was set up by the Ministry of Education ("MOE") in February 2006 to rally the support of Malay language community organisations to promote the use of Malay language beyond school. The Company acts as the host organisation to administer the MLLPC Fund. MOE provides a grant of $1,000,000 per year for a period of 5 years since 2016 (2015: $420,000 per year for a period of 5 years since 2011). The funds received are in custody of the Company and to be utilised for Malay language, literature and cultural programmes that will promote closer community engagement in education to help in the teaching and learning of the Malay language. These are not reflected in the Income Statement of the Group.

	Group and Company	
	2016	2015
	$	$
At beginning of year	195,805	441,849
Grants received from MOE	1,160,326	420,000
Matching grant	11,500	–
Interest earned	157	422
Donation received	390	11,500
Disbursements	(367,301)	(677,966)
At end of year	1,000,877	195,805
Represented by:		
Cash at bank	989,178	186,636
Accounts payable to the Group and the Company	11,699	9,169
	1,000,877	195,805
Disbursements for the year were for the following items:		
Programmes, administrative and support costs	204,338	452,624
Grants to other organisations	162,963	225,342
	367,301	677,966

24 TAX-EXEMPT DONATIONS

Tax-exempt donations received during the year amounted to $7,788,288 (2015: $11,503,354).

25 COSTS OF ACTIVITIES

	Note	General Fund	Education Development Fund	Malay/ Muslim Community Development Fund	Education Trust Fund	Harun Ghani Education Fund	Institute of Singapore Chartered Accountants Scholarship Fund	2016 Total	2015 Total
		$	$	$	$	$	$	$	$
Youth		155,512	585,664	322,871	–	–	–	1,064,047	3,268,788
Family		180,020	781,781	269,929	–	–	–	1,231,730	1,216,697
Employability		1,457,229	23,797	1,090,944	–	–	–	2,571,970	5,096,400
Education/Scholarship/ Awards/Education Assistance Scheme		13,241,888	5,010,410	1,324,310	1,455,229	57,299	–	21,089,136	20,039,093
Enhance research capability		677,522	7,545	1,322	–	–	–	686,389	1,236,545
Strengthening partnership and relationship		3,161,943	136,788	3,733,362	–	–	–	7,032,093	5,788,623
Total		18,874,114	6,545,985	6,742,738	1,455,229	57,299	–	33,675,365	36,646,146

26 NET OUTGOING/(INCOMING) RESOURCES BEFORE TAX

The following items have been included in arriving at net outgoing/(incoming) resources before tax:

	Group	
	2016	2015
	$	$
Depreciation	1,167,897	1,338,003
Amortisation	420,626	284,763
Loss on disposal on property and equipment	53,971	67,693
Employee benefits expense	9,989,719	10,143,985
Impairment losses on term loans	1,507,926	993,566
Impairment losses on trade and other receivables	401,270	284,504
Operating lease expense	334,490	383,164
(Gain)/Loss arising from unwinding of term loans discount	(97,818)	140,315

Employee benefits expense

	2016	2015
Salaries, wages and other benefits	8,588,272	8,790,683
Contributions to defined contribution plans	1,401,447	1,353,302
	9,989,719	10,143,985

Included in staff costs is an executive director's remuneration comprising:

	Group and Company	
	2016	2015
	$	$
Salaries, wages and other benefits	190,633	193,198
Contributions to defined contribution plans	17,575	12,600
	208,208	205,798

27 EMPLOYEES'/DIRECTOR'S REMUNERATION

Key management personnel of the Group are those having the authority and responsibility for planning, directing and controlling the activities of the Group. The Board of Directors, members of the Audit Committee and the executive director of the Group are considered as key management personnel of the Group. Other than as disclosed in note 26, the Board of Directors and members of the Audit Committee did not receive any form of compensation during the year.

The number of employees and director whose remuneration amounted to over $100,000 in the year is as follows:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Number of employees/director in bands:				
$100,000 to $200,000	7	7	6	6
$200,001 to $300,000	1	1	1	1

The number of staff employed by the Company and the Group as at 31 December 2016 was 99 (2015: 96) and 159 (2015: 156), respectively.

28 TAX EXPENSE

The Company is an approved charity organisation under the Charities Act, Chapter 37 and an Institution of a Public Character under the Income Tax Act, Chapter 134.

No provision for tax has been made in the financial statements as the Company is exempt from income tax.

The tax expense of the Group arises from the subsidiaries.

	Group	
	2016	2015
	$	$
Current tax expense		
Current year	87,507	–
Deferred tax expense		
Origination and reversal of temporary differences	20,440	–
Income tax expense	107,947	–

	Group	
	2016	2015
	$	$
Reconciliation of effective tax rate		
Net income for the year before tax	3,568,617	1,461,150
Tax using the Singapore tax rate of 17% (2015: 17%)	606,665	248,396
Tax exemption for charity	(442,820)	(225,933)
Non-deductible expenses	8,532	85,700
Tax incentives	(9,158)	(10,779)
Utilisation of previously unrecognised tax losses and deductible temporary differences	–	(97,384)
Others	(55,272)	–
	107,947	–

29 RELATED PARTIES

For the purpose of financial statements, parties are considered to be related to the Group if the Group has the ability, directly, or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Other than as disclosed elsewhere in the financial statements, the significant transactions between the Company and its related parties at terms agreed by the parties involved during the financial year include grants paid to MENDAKI Club amounting to $356,601 (2015: $383,194).

30 COMMITMENTS

Operating lease commitment

	Group and Company	
	2016	2015
	$	$
Operating lease expense:		
Within 1 year	334,490	334,756
After 1 year but within 5 years	970,278	22,241
	1,304,768	356,997

Term loans commitment

Term loans commitment refers to the term loans the Company has approved to be disbursed to students as at 31 December.

	Group and Company	
	2016	2015
	$	$
Undrawn term loans commitment:		
Within 1 year	2,724,050	3,400,288
After 1 year but within 5 years	1,775,825	1,762,620
	4,499,875	5,162,908

31 FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

Financial risk management objectives and policies

Exposure to credit, market and liquidity risks arise in the normal course of the Group's operations. The Group has informal risk management policies and guidelines that set out the overall strategies, tolerance of risk and general risk. The management of these risks are discussed below.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The carrying amount of financial assets in the balance sheet represents the Group's and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of its financial assets except for term loans which mostly have personal guarantees being provided to the Group.

The Group has a credit policy in place and the exposure to credit risk is monitored through the tracking of the performance and credit ratings of investment securities and loans and receivables. This is performed on an ongoing basis.

Cash is placed with financial institutions which are regulated.

The Group limits its exposure to credit risk by investing in a diversified multi-asset class portfolio.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

	Note	Group		Company	
		2016	2015	2016	2015
		$	$	$	$
Unit trust investment	8	154,487	149,606	154,487	149,606
Other financial assets	9	10,363,277	10,241,988	10,363,277	10,241,988
Term loans, net of provision	10	24,317,012	24,983,904	24,317,012	24,983,904
Trade and other receivables*	11	8,872,786	8,962,707	9,496,961	9,909,303
Cash and cash equivalents	12	59,230,940	54,434,053	57,013,941	52,707,411
		102,938,502	98,772,258	101,345,678	97,992,212

** Excludes prepayments*

The following table sets out the Group's and the Company's credit exposure arising from term loans:

	Group and Company			
	Gross loan	Allowance on loan losses	Gross loan	Allowance on loan losses
	2016	2016	2015	2015
	$	$	$	$
Individually and collectively impaired	5,909,578	(5,909,578)	4,401,652	(4,401,652)
Past due but not impaired:				
0 - 30 days	328,016	–	217,912	–
31 - 60 days	158,310	–	180,159	–
61 - 90 days	153,682	–	127,484	–
91 - 150 days	151,156	–	105,058	–
	791,164		630,613	
Neither past due nor impaired	21,584,527	–	20,652,080	–
Accounts with renegotiated terms	1,941,321	–	3,701,211	–
	23,525,848	–	24,353,291	–
	30,226,590	(5,909,578)	29,385,556	(4,401,652)

Term loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured, impairment will be considered if the borrower is unable to meet its new repayment schedule.

Market risk

Market risk is the risk that changes in market price, such as interest rates and equity prices will affect the Group's income or value of its holdings of financial instruments.

Equity price risk

The Group manages the equity price risk by engaging an established portfolio manager with effective risk management policies to manage part of its investment.

All of the Group's and the Company's equity securities are listed on the Stock Exchange in Singapore.

With the assumption that all other variables remain constant, a 10% increase/(decrease) in the underlying equity prices for quoted equity securities at the reporting date would increase/(decrease) the consolidated fair value reserve by $306,162 (2015: $288,634).

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's borrowings. The Group does not hedge against this risk exposure.

An increase of 100 basis points in interest rates at the reporting date would have decreased profit for the year by $37,168 (2015: $41,900). This analysis assumes that all other variables remain constant.

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The analysis is performed on the same basis for 2015.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's main sources of funding are various grants and donations received. The Group manages its liquidity risk by maintaining a high level of cash and cash equivalents, mainly in the form of fixed deposits.

The contractual maturities of financial liabilities, including estimated interest payments, are as follows:

			Cash flows			
	Note	Carrying amount	Contractual cash flows	Within 1 year	Within 1 to 5 years	More than 5 years
		$	$	$	$	$
Group						
2016						
Bank borrowings	20	3,716,824	3,928,596	561,228	2,244,912	1,122,456
Trade and other payables	22	16,650,809	16,650,809	16,650,809	–	–
MLLPC Fund	23	1,000,877	1,000,877	1,000,877	–	–
		21,368,510	21,580,282	18,212,914	2,244,912	1,122,456
2015						
Bank borrowings	20	4,189,968	4,350,164	584,984	1,882,590	1882,590
Trade and other payables	22	17,343,982	17,343,982	17,343,982	–	–
MLLPC Fund	23	195,805	195,805	195,805	–	–
		21,729,755	21,889,951	18,124,771	1,882,590	1,882,590
Company						
2016						
Trade and other payables	22	15,975,481	15,975,481	15,975,481	–	–
MLLPC Fund	23	1,000,877	1,000,877	1,000,877	–	–
		16,976,358	16,976,358	16,976,358	–	–
2015						
Trade and other payables	22	16,477,158	16,477,158	16,477,158	–	–
MLLPC Fund	23	195,805	195,805	195,805	–	–
		16,672,963	16,672,963	16,672,963	–	–

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheets are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value		
	Note	Loans and receivables	Available-for-sale	Other financial liabilities within scope of FRS 39	Total	Level 1	Level 2	Level 3
		$	$	$	$	$	$	$
Group								
2016								
Unit trust investment	8	–	154,487	–	154,487	–	154,487	–
Other financial assets	9	–	10,363,277	–	10,363,277	10,363,277	–	–
Term loans	10	24,317,012	–	–	24,317,012			
Trade and other receivables*	11	8,872,786	–	–	8,872,786			
Cash and cash equivalents	12	59,230,940	–	–	59,230,940			
		92,420,738	10,517,764	–	102,938,502			
Bank borrowings	20	–	–	3,716,824	3,716,824			
Trade and other payables	22	–	–	16,650,809	16,650,809			
MLLPC Fund	23	–	–	1,000,877	1,000,877			
		–	–	21,368,510	21,368,510			
2015								
Unit trust investment	8	–	149,606	–	149,606	–	149,606	–
Other financial assets	9	–	10,241,988	–	10,241,988	10,241,988	–	–
Term loans	10	24,983,904	–	–	24,983,904			
Trade and other receivables*	11	9,103,420	–	–	9,103,420			
Cash and cash equivalents	12	54,434,053	–	–	54,434,053			
		88,521,377	10,391,594	–	98,912,971			
Bank borrowings	20	–	–	4,189,968	4,189,968			
Trade and other payables	22	–	–	17,343,982	17,343,982			
MLLPC Fund	23	–	–	195,805	195,805			
		–	–	21,729,755	21,729,755			

	Note	Carrying amount: Loans and receivables $	Carrying amount: Available-for-sale $	Carrying amount: Other financial liabilities within scope of FRS 39 $	Carrying amount: Total $	Fair value: Level 1 $	Fair value: Level 2 $	Fair value: Level 3
Company								
2016								
Unit trust investment	8	–	154,487	–	154,487	–	154,487	–
Other financial assets	9	–	10,363,277	–	10,363,277	10,363,277	–	–
Term loans	10	24,317,012	–	–	24,317,012			
Trade and other receivables*	11	9,496,961	–	–	9,496,961			
Cash and cash equivalents	12	57,013,941	–	–	57,013,941			
		90,827,914	10,517,764	–	101,345,678			
Trade and other payables	22	–	–	15,975,481	15,975,481			
MLLPC Fund	23	–	–	1,000,877	1,000,877			
		–	–	16,976,358	16,976,358			
2015								
Unit trust investment	8	–	149,606	–	149,606	–	149,606	–
Other financial assets	9	–	10,241,988	–	10,241,988	10,241,988	–	–
Term loans	10	24,983,904	–	–	24,983,904			
Trade and other receivables*	11	10,050,016	–	–	10,050,016			
Cash and cash equivalents	12	52,707,411	–	–	52,707,411			
		87,741,331	10,391,594	–	98,132,925			
Trade and other payables	22	–	–	16,477,159	16,477,159			
MLLPC Fund	23	–	–	195,805	195,805			
		–	–	16,672,964	16,672,964			

* Excludes prepayments

Fair value hierarchy

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Estimation of fair value

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at market rate of interest at the reporting dates.

Reserves management

The reserves of the Group and Company are the unrestricted funds available to the Group and Company (also referred to as "General Funds"). The Company receives funds on an annual basis and the unrestricted net operating expenditure will be planned accordingly. Unutilised funds for each year will be transferred to the reserves of the Company.

There were no changes in the Group's approach to reserves management during the year.

The Company and its subsidiaries are not subjected to externally imposed reserve/capital requirements.

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